

Remarks of Deborah Matz  
Before the Senate Committee on Banking, Housing and Urban Affairs  
July 22, 2009

Thank you Senator Johnson and Members of this Committee for holding this hearing.

I appreciate this opportunity to come before you as President Obama's nominee to Chair the Board of the National Credit Union Administration. It is an honor to have been nominated by the President, and it is a privilege to appear before this Committee. If I could just take a few minutes, I'd like to introduce my family members who have joined me today. Marshall, my husband of 31 years, is here with our daughter, Hayley, who until recently worked for the Senate and is now press secretary at the SBA. Our son, Peter, is working in California and could not join us – but he is watching on-line!

This is an extraordinary time in the history of financial institutions -- including the credit union industry. The current challenge has demonstrated the need for financial regulators to be independent, insightful and innovative; to value transparency and accountability. Financial regulators need to be visionary, strong leaders and adept at implementing systemic change. These are traits that permitted me to accomplish a great deal when I previously served as an NCUA board member, from March 2003 until September 2005, and will be even more important as Board Chair in these difficult times.

For the three and one half years of my term, I worked diligently to fairly and thoughtfully implement the Federal Credit Union Act and to ensure the safety and soundness of the nation's then 9,000+ federally-insured credit unions which, at the time, held some \$600 billion in deposits.

If I am fortunate enough to be confirmed, my first priority will continue to be ensuring the safe and sound operation of federally-insured credit unions. Closely related goals will be to make certain that NCUA thoroughly applies all relevant consumer protections, promotes tools such as improved financial education, and encourages credit unions to reach out to serve all eligible consumers.

Perhaps my most notable accomplishment during my previous service was encouraging credit unions to reach out to those in their field of membership who may fall prey to unscrupulous lenders. Through a series of workshops which I initiated called Partnering and Leadership Successes (PALS), we taught thousands of credit union officials best practices for serving these populations. Credit union leaders learned that providing an alternative to predatory lenders is not just the right thing to do, it is good business.

It was also through my efforts that NCUA established an Office of Small Credit Union Initiatives. This office serves as a resource to provide technical and

financial assistance to small credit unions, which tend to serve the lowest income populations.

After my NCUA service, from 2006-2008, I served as Executive Vice President and Chief Operating Officer at a Maryland credit union. This permitted me to experience first-hand the effect of regulations on credit union operations. It sensitized me to the need for effective, rather than excessive, regulation. My 26-year government career, of which I am very proud, includes 10 years on Capitol Hill as an economist with the Joint Economic Committee, and 8 years as a senior executive at the Department of Agriculture; three as Deputy Assistant Secretary for Administration.

Recently, as I know you are aware, corporate credit unions experienced problems with mortgage-backed securities that significantly affected their balance sheets. This necessitated the conservatorship, by NCUA, of the two largest corporates, U.S. Central and WesCorp. While the severe economic downturn which propelled the corporate credit union crisis was not predictable, there are steps that could have been taken which might have mitigated or prevented its effect on these institutions. In 2002, the last time NCUA wrote a corporate regulation, I cast the lone vote against it. I did not believe the crucial issue of risk concentration was adequately addressed. Additionally, I believed that the investment authority being granted was overly broad and permissive, particularly in light of the complexity of the financial instruments that were available to the corporates.

I mention this to underscore my view of the role of a regulator as someone who listens, gets the facts and makes independent judgments. If I am confirmed and assume the Chairmanship, I will apply these principles as NCUA begins a new round of corporate rulemaking to address the current problems. It is my commitment to you that, during the rulemaking process, I will consider all viewpoints, insist on thorough analyses of data, be deliberative in approach and develop a rule that provides both appropriate safeguards and sufficient opportunities for credit unions to thrive.

The stress and uncertainty of the corporate situation has been difficult for the credit union industry. However, Congress has encouraged credit unions to continue to offer quality products to consumers. I want to echo that desire -- credit unions have proven throughout their history to be the consumer's best friend. If confirmed as their regulator, I hope to establish a strong working partnership with the industry while maintaining the critical arms length relationship between a regulator and the regulated. This does not mean, however, that I will hesitate to assist credit unions, to guide them where appropriate, to make forceful suggestions, and to always appeal to their commitment to their members. This is the promise that a strong and credible federal regulatory voice can and should help credit unions fulfill.

I appreciate the chance to appear before you today and look forward to working with Congress if I am confirmed. Thank you.