The Role of Credit Unions

An Interview with Debbie Matz, Board Chairman, National Credit Union Administration


Debbie Matz

EDITORS' NOTE *Debbie Matz was nominated by President Barack Obama to serve as the eighth Board Chairman of the National Credit Union Administration (NCUA). After confirmation by the U.S. Senate in August of 2009, she was sworn in that month. In addition to chairing NCUA, Matz chairs the Federal Financial Institutions Examination Council, an interagency body of banking and consumer regulators with a mission to promote uniform standards for supervision of financial institutions. Matz is also one of 10 voting members of the Financial Stability Oversight Council, an interagency body established by the Dodd-Frank Wall Street Reform and Consumer Protection Act to identify risks to financial stability, promote market discipline, and respond to emerging threats.*

ORGANIZATION BRIEF *NCUA (www.ncua.gov) is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of 94 million account holders in all federal credit unions and most state-chartered credit unions. NCUA supervises and regulates credit unions as FDIC does for banks. NCUA oversees nearly 7,000 credit unions in a $1-trillion industry.*

What excited you about taking on this role?

With 94 million people holding accounts at credit unions, I knew NCUA could have a significant impact on people's lives.

Also, given the severity of the economic downturn in 2008 and 2009, it was important to have a regulator who understood the industry and would be tough but fair. I looked forward to taking on that challenge.

Business leaders talk about the pendulum of regulation swinging too far in one direction. Is that because, early on, you needed to take drastic measures?

Yes. When I was sworn in, approximately 2,200 of the 7,000 credit unions that NCUA insures were at risk, so we had to stabilize the system by rigorous supervision rather than by regulation, which takes time to implement.

I instructed examiners to focus on uncovering undue risk in portfolios, asset liability management mismatches, and governance problems. We imposed administrative sanctions to gain compliance and escalated the sanctions as necessary.

The pushback from the credit union community was quick and strong. In fact, the pendulum did swing; but we were in a crisis and we needed to act decisively to stabilize the credit union system and secure its future.

What shape are the credit unions in now? Has enough been done to guard against problems in the future?

The credit union system has come through the downturn quite well. The industry is exceptionally well capitalized at over 10 percent. Return on assets is 86 basis points, up from 18 basis points when I became chairman; and loan delinquencies and charge-offs are trending in the right direction – down.

These metrics indicate that the credit union industry is resilient and in a strong position heading into the future.

To prevent a similar situation from occurring, we have promulgated new rules, including those for corporate credit unions, which provide liquidity, investments, and electronic payment services to retail credit unions. Catastrophic losses at five corporate credit unions almost brought down the entire credit union industry in 2008. Our new rules impose strict investment standards and increased capital levels – thus, a secure operating environment for corporate credit unions and a safer credit union system.

How critical has it been to engage leaders of credit unions? How have you built positive relationships with them?

When I became Chairman, NCUA had to take bold and decisive steps to prevent the collapse of the system. It was essential that the industry understood the actions we were planning, how high the stakes were, and that their input was welcome.

On my first day as Chairman, I released a series of goals for NCUA, one of which focused on engaging stakeholders: "NCUA will be an agency that listens and encourages exchanges of ideas and innovations with credit unions, while maintaining its independence."

Over the next three years, I engaged the credit union community through town hall meetings, industry webinars, monthly newsletters, and listening sessions across the country.

Have you attracted the talent you need?

Employees are our most important asset. One of the goals I set was for NCUA to be an employer of choice and a reliable partner with elected labor representatives. To accomplish this lofty goal, it was essential for employees to trust that management was eager to listen and respond to their concerns.

Even though we were in crisis mode dealing with the effect of the economic downturn on credit unions, I was determined to reach out to the employees. Since my expectation was that all managers would be held accountable for improving communications with their direct reports, as the agency head, I had to lead by example. So I traveled to each of our regional offices and met with employees; held quarterly webinars so employees could express their concerns and get direct answers to their questions; entered into partnership with our union so difficult workplace issues could be resolved at the earliest time; introduced a weekly internal e-mail newsletter; and, most important, responded to issues raised by employees.

The employees not only came through when it counted most, but when surveyed by the Office of Personnel Management among our peer group of 37 agencies, employees rated NCUA as one of the best government agencies of its size in terms of leadership, employee engagement, and overall satisfaction. I'm quite proud of this.

As a result, we have been able to attract a talented and diverse workforce. Our workforce has the knowledge and expertise to ensure the safety and soundness of today's credit union system and is well poised to meet this challenge well into the future.

Is there an awareness of how critical the credit unions are?

Yes. That explains why credit unions have added nearly three million members since 2010.

Members know that they can usually get a better deal at a credit union. Because credit unions are cooperative, not-for-profit, and tax-exempt, they generally charge lower interest on loans and pay higher dividends (interest) on deposits.

Credit unions are also an excellent source for small business loans. With the average business loan only $220,000, credit unions often make loans that banks turn away. In fact, while other institutions cut back lending during the financial crisis, credit unions gained further recognition as the only insured institutions to increase lending. ●