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Via Fax: (703) 518-6319

April 26, 2016

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Subject: Comments on Overhead Transfer Rate (OTR) Methodology and Impact to Federal Credit Union Operating Fee Schedule Methodology.

Dear Mr. Poliquin:

The Connecticut State Employees Credit Union appreciates the opportunity to comment on the OTR methodology. Whereas we believe it is important for the NCUA to share certain expenses between Federal and State Credit Unions, the methodology used must do so in an equitable manner.

History
The NCUA funds the supervision of Federal Credit Unions from operating fees and assessments paid for by Federal Credit Unions. The OTR was devised as a way for the NCUA to use a portion of the earnings generated from the insurance fund to pay for certain nonsupervisory overhead costs that should be shared by all Federally Insured Credit Unions, State and Federally Chartered. For 14 years before 2000 the OTR was 50%. Since then, the OTR has grown to nearly 72%. During that same period Federal Credit Union operating fees have declined.

Comment
It is unjustifiable to have earnings from the insurance fund cover all supervisory expenses. Federally Insured State Chartered Credit Unions are entitled to an OTR that only reimburses appropriate nonsupervisory expenses. The regular growth of the OTR appears to be doing otherwise and is artificially lowering Federal Credit Union operating fees. The current methodology benefits one type of charter over another and puts in jeopardy the dual chartering system.

Recommendations

We recommend that the NCUA revisit the method used to calculate the OTR. This should be done with the intent to equitably allocate only those overhead expenses that are suitable to be paid by the insurance fund. It is important to appropriately factor in the fees and assessments that State Chartered Credit Unions pay to state regulatory agencies for their supervisory role. State examinations reduce expenses to the insurance fund. We also believe Federally Insured Credit Unions should have a say in the computation of the OTR. Therefore, the OTR should be subject to notice and comment requirements. It is our understanding that an OTR of 50-60% would be a more appropriate allocation of expenses.

We encourage the NCUA to rectify the methodology that is currently being used to compute the OTR. Furthermore, we feel it is appropriate for the methodology and OTR to be developed in a transparent and open forum that will permit input by interested parties. And finally, a newly formulated OTR should not benefit one particular charter over the other.

Respectfully,

Daniel R. Daigle
Chief Executive Officer