CREDIT UNION ASSOCIATION OF THE DAKOTAS

April 26, 2016

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Sent via email to boardcomments@ncua.gov

RE: Comment Regarding Overhead Transfer Rate Methodology and Comment Regarding National Credit Union Administration Operating Fee Schedule Methodology

Dear Mr. Poliquin,

The Credit Union Association of the Dakotas (CUAD) appreciates the opportunity to provide comment to the National Credit Union Administration (NCUA) regarding the Overhead Transfer Rate (OTR) methodology and the National Credit Union Administration Operating Fee Schedule Methodology. To provide a brief background, the Credit Union Association of the Dakotas represents sixty-seven state and federally chartered credit unions in the states of North Dakota and South Dakota, whose assets total over $6 billion and who have more than 450,000 members.

CUAD recognizes and supports the NCUA's role of regulator of Federal credit unions (FCU) and the insurer of both FCUs and Federally Insured State Chartered credit unions (FISCU). In this dual role, the NCUA allocates examination and supervision costs between the National Credit Union Share Insurance Fund (NCUSIF) and operating fees that are charged to the FCUs. Section §1783 of the Federal Credit Union Act (FCUA), which created the NCUSIF, provides the NCUA with the authority to use the money in this fund for specific purposes, including, "…for such administrative and other expenses incurred in carrying out the purposes of this subchapter as it may determine to be proper." *FCUA §1783(a)* It is important to stress that the FCUA also provides that, "It is not the purpose of this subchapter to discriminate in any manner against State-chartered credit unions and in favor of Federal credit unions, but it is the purpose of this subchapter to provide all credit unions with the same opportunity to obtain and enjoy the benefits of this subchapter." *FCUA §1790*

As a representative of both federally chartered credit unions and state chartered credit union, CUAD urges the NCUA to ensure that both charters are treated equitably through the OTR methodology and Operating Fee Schedule Methodology. NCUA must safeguard for a fair distribution of supervisory charges of credit unions consistent with the FCUA.

CUAD further urges the NCUA to ensure that costs allocated to the NCUSIF be valid and verified "insurance-related" costs to ensure neutrality to both FCUs and FISCUs.

Section 12 CFR 741.1 provides in relevant part, "To the maximum extent feasible, the NCUA Board will utilize examinations conducted by state regulatory agencies." NCUA should seek to maximize efficiencies under the dual examination system and work more closely with state regulators. CUAD understands that under certain circumstances, such as with troubled credit unions, both NCUA staff and state regulators may be needed onsite. When the circumstances allow, the NCUA should strive to coordinate and accept the work product of state regulators. The presence of both NCUA and state examiners can lead to additional unnecessary and duplicative oversight of routine examinations. Better coordination between state and federal regulators will reduce the number of examiners necessary for each credit union examination. By utilizing and relying on state regulators work product, not only will this benefit credit unions directly, but it would hopefully result in savings to the overall charges under both the OTR and Operating Fee.

CUAD is encouraged to see in the NCUA's 2016 budget that full time equivalent (FTE) staff level was decreased. The budget proposed to reduce 26 credit union generalist examiner positions by "further leveraging the onsite examination work of the state supervisory authorities." However, since 2008 staff has continuously been added. Between 2009 and 2015, the number of credit unions declined by more than 18%, but the NCUA's budget increased by more than 57%, and the number of agency employees increased by more than 22%. While CUAD does not wish for people to lose their jobs, we believe the NCUA can continue to reduce staff positions by eliminating excess positions as vacancies occur. It does not make sense for an agency that is regulating fewer, healthier entities to have such a large staff.

CUAD appreciates this opportunity to share our comments and concerns.

Respectfully,

Jeffrey Olson

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CEO/President

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