SchoolsFirst
FEDERAL CREDIT UNION

August 28, 2017

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314–3428

Re: Revised Overhead Transfer Rate Methodology

Dear Mr. Poliquin:

I am writing on behalf of SchoolsFirst Federal Credit Union (SchoolsFirst FCU), which serves school employees in Southern California. We have more than 760,000 Members and over $13 billion in assets. SchoolsFirst FCU appreciates the opportunity to comment on your Revised Overhead Transfer Rate (OTR) Methodology proposal.

SchoolsFirst FCU does not support the revised OTR methodology and recommends that the current OTR methodology remain in place. For over a decade the current OTR methodology has been developed, tested, and modified, during which time it has also been proven to be fair, accurate, and equitable to all credit unions by an independent party. The proposed OTR methodology has no such track record of vetting. Since 2003, the NCUA has been diligent with the application of the current methodology to ensure the OTR is accurately administered. The 2011 Overhead Transfer Rate Review, which was conducted by PricewaterhouseCoopers, was clear that the current methodology showed no bias and was equitable to both, federal credit unions (FCUs) and federally insured state chartered credit unions (FISCUs).

SchoolsFirst FCU appreciates the NCUA's efforts toward providing more transparency in support of a fair OTR methodology; however, we feel the revised methodology falls short of being equitable. For example, the allocation of workload hours for insurance related activities for FCU examination and supervision is limited to 50%, but the majority of the NCUA's efforts are spent on safety and soundness activities to safeguard the Share Insurance Fund. Although this methodology may be less burdensome for the NCUA to administer, we believe that a formula- or rules-based methodology would lead to more accurate and true assessments of NCUA's delineation of time spent on between insurance and non-insurance related activities."

We would further recommend that an independent third-party review the revised OTR methodology periodically to ensure the changes do accurately reflect the allocation of resources the NCUA provides to FCUs and FISCUs alike.

As stated in the publication, the revised methodology will significantly increase the annual Operating Fee that FCUs will pay by approximately 24%. This will further impact FCUs' operating budgets as we are already feeling the costly effects of adhering to ever-growing regulations. If such a costly OTR methodology is eventually adopted by the NCUA, we recommend a three-year rollout to mitigate the sudden impact this change will have on FCUs' expense sheets.

Thank you for the opportunity to comment on the Revised OTR Methodology proposal. Though, we understand that the NCUA is trying to simplify the process, it should not result in an additional cost to

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FCUs. Additionally, we feel that the NCUA should conduct further due diligence on the OTR methodology, including obtaining an independent review of the data and analysis used, and provide an opportunity for further comments, prior to implementing changes with this kind of impact.

Sincerely,

Jose Lara,
Executive Vice President, Chief Operating Officer
SchoolsFirst Federal Credit Union

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