



August 29, 2017

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

RE: Comments on Overhead Transfer Rate Methodology

Dear Mr. Poliquin,

The Credit Union Association of the Dakotas (CUAD) represents 67 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 appreciates the opportunity to provide comment to the National Credit Union Administration (NCUA) regarding the revised overhead transfer rate (OTR) methodology.

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). As a representative of both federally chartered credit unions and state chartered federally insured credit union, CUAD urges the NCUA to ensure that both charters are treated equitably through the OTR methodology.

In its dual role, the NCUA allocates examination and supervision costs between the National Credit Union Share Insurance Fund (NCUSIF) and fees and assessments which include operating fees that are charged to the FCUs. The OTR represents the percentage of the NCUA Operating Budget that is funded by a transfer from the Share Insurance Fund. 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*



The NCUA must ensure that an OTR methodology is transparent, equitable and efficient. CUAD supports the NCUA's continued use of a formula to determine the OTR as this will further transparency. As explained by the NCUA in its discussion of this proposed revision to the OTR, "NCUA's goal in using a formula-driven OTR methodology is to provide a comprehensive, fair, and equitable allocation of costs within a framework that can be administered at a relatively low cost." 82 FR 29938

CUAD applauds the NCUA for moving towards a simplified approach in calculating the OTR to enable a better understanding of the OTR.

In its proposed revised methodology, the NCUA identifies four principles to be applied to the activities and costs of the NCUA to arrive at the portion of the NCUA's Operating Budget that is to be charged to the Share Insurance Fund. These four principles are:

- “1. Time spent examining and supervising federal credit unions is allocated as 50 percent insurance related.
2. All time and costs NCUA spends supervising or evaluating the risks posed by federally insured state chartered credit unions or other entities NCUA does not charter or regulate (for example, third-party vendors and CUSOs) is allocated as 100 percent insurance related.
3. Time and costs related to NCUA's role as charterer and enforcer of consumer protection and other noninsurance based laws governing the operation of credit unions (like field of membership requirements) are allocated as 0 percent insurance related.
4. Time and costs related to NCUA's role in administering federal share insurance and the Share Insurance Fund are allocated as 100 percent insurance related.” 82 FR 29943

In addition to the revised OTR methodology, the NCUA also proposes to solicit public comment on the OTR methodology at least every three years, and whenever the NCUA seeks to change the OTR methodology. CUAD fully supports this continued review and opportunity to comment on the OTR methodology. This will ensure that the OTR remains relevant to the current credit union environment and to promote continued equitability between federal credit unions and state chartered federally insured credit unions. CUAD supports the NCUA proposed requirement that there be public briefings every year, no later than each December, on the results of the OTR calculation. Additionally, all material related to this yearly briefing and the NCUA's work arriving at the OTR calculation should be clearly posted on NCUA's website. The NCUA should ensure that this material is easily found on the NCUA's website and not buried in an obscure location.



Finally, CUAD also supports that the NCUA’s proposed initiative that, as part of future rulemaking indicate, for any proposed regulation involving the activities and authorities of credit unions, whether the regulation is based on Title I, Title II, and/or Title III of the Act and seek comment on this determination. As explained by the NCUA, “while the proposed new OTR methodology would no longer rely on mapping of regulations, this will increase clarity regarding the purpose of and authority for any new or updated regulations and preserve future flexibility with respect to any desired changes to the OTR methodology.” 82 FR 29948 While CUAD is not supportive of any additional rules or regulations, and believes more needs to be done to reduce the regulatory burden, should future rulemaking become necessary, CUAD believes this will encourage transparency and understanding in how the potential rule relates to the OTR.

In conclusion, CUAD encourages the NCUA to ensure that an OTR methodology is transparent, efficient and equitable for both federal credit unions and state chartered federally insured credit unions. CUAD applauds the NCUA for moving towards a simplified approach in calculating the OTR to enable a better understanding of the OTR, and for ensuring guaranteed future review of the OTR methodology.

Thank you for this opportunity to share our comments.

Respectfully,

A handwritten signature in black ink that reads 'Jeffrey Olson'.

Jeffrey Olson
CEO/President

A handwritten signature in black ink that reads 'Amy Kleinschmit'.

Amy Kleinschmit
VP of Compliance