



**State of Wisconsin**  
*Department of Financial Institutions*

Scott Walker, Governor

Lon E. Roberts, Secretary

April 26, 2016

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

***RE: COMMENT ON OVERHEAD TRANSFER RATE METHODOLOGY***

Thank you for the opportunity to comment on the Overhead Transfer Rate (OTR) Methodology and the Federal Credit Union Operating Fee Schedule Methodology. The State of Wisconsin Office of Credit Unions currently regulates 144 credit unions with assets of approximately \$30 billion. Wisconsin is also a member of the National Association of State Credit Union Supervisors (NASCUS) and supports the detailed letter that NASCUS has submitted in regards to these issues. I submit these additional comments for consideration:

- The dual chartering system has been successful in the credit union industry. However, of concern is the rising trend of an increasing percentage of the NCUA budget that is transferred from the insurance fund. In 2015, the OTR was 71.8%. The dual chartering system is impacted in that federal credit union examinations are being subsidized by the insurance fund, thus, artificially reducing the cost of a federal charter compared to a state charter. This is not fair or equitable to Wisconsin and all other state chartered credit unions.
- The National Credit Union Administration (NCUA) is unique in that it both charters federal credit unions and administers the credit union share insurance fund. The OTR is meant to cover "insurance related" costs but it appears that NCUA also includes all activities related to safety and soundness. It is very concerning that costs of being a chartering authority and costs of being an insurer are not separated or clearly defined. In Wisconsin, the lack of separation of duties is seen on a recurring basis in that Wisconsin credit unions are visited by NCUA often but there is no separation of exam duties versus those of insurance duties. NCUA must clearly define and/or separate the insurance and chartering functions.
- It is disturbing that the NCUA recently announced the delegation of management of the OTR from the Board to NCUA staff. This action will decrease transparency. It seems that the Board should hold the important responsibility of managing the OTR.

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- It is imperative that a formal notice and comment requirement for NCUA's budget, including the OTR, is established on an ongoing basis to provide oversight, accountability and transparency. This is sound public policy and helps ensure an equitable playing field for state and federally chartered credit unions.

Thank you for the opportunity to comment. These are important issues and I encourage NCUA to review all the comment letters and implement a system for the OTR and establishment of the NCUA budget that is fair and equitable to *all* credit unions.

Sincerely,



Kim Santos

Director

Office of Credit Unions

State of Wisconsin

