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Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke St.  
Alexandria, VA 22314-3428

4/15/2016

Re: The Overhead Transfer Rate

Mr. Poliquin,

The League of Southeastern Credit Unions (LSCU) appreciates the opportunity the National Credit Union Administration (NCUA) has provided to comment on the Overhead Transfer Rate. LSCU supports the dual chartering system and believes competition amongst the chartering authorities makes for a more efficient system promoting safe and sound behavior in the financial sector.

The League of Southeastern Credit Unions is a trade association that represents 270 credit unions in Florida and Alabama. Our mission is "To create an operating environment that enables credit unions to grow and succeed." A balanced Overhead Transfer Rate is vital to ensuring a healthy dual-chartering system that will best serve our affiliates' operations.



## **Implement Recommendations from PricewaterhouseCooper**

LSCU believes the NCUA should adopt the various recommendations that PricewaterhouseCooper (PWC) stated in its evaluation of the Overhead Transfer Rate. In making its recommendations, PWC laid out the principles in reviewing the OTR methodology: Transparency, Accuracy, Equity, and Reasonable.<sup>1</sup>

The following recommendations were specifically mentioned in PWC's report. LSCU supports adopting these recommendations:

- "...that consideration of sample allocation by asset size and CAMEL rating should be taken into account as there appears to be some correlation between these characteristics and the percent of "insurance-related" work hours."<sup>2</sup>
- "...that NCUA consider adopting formal and documented process for determining the Other Allocation Factors that are based on standard and consistent criteria."<sup>3</sup>
- "...that the Imputed SSA Value should reflect an estimate of the "insurance-related" costs incurred by SSAs and borne by FISCUs through the operating fees paid by them."<sup>4</sup>

## **Real Time Data Collection**

Another recommendation regarding the Examination Time Survey would be a real-time collection of data during the exam process. That is that the time spent in various sections of the Automated Integrated Regulatory Examination System (AIRES) would be tracked so that a real-time picture of the time burden for all aspects of the exam would be collected. Big data and analytics are such critical aspects of reviewing performance today, that rather than real-time data should be collected based on categories within the exam

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<sup>1</sup> PricewaterhouseCooper, *Overhead Transfer Rate Review*, 40 (2011).

<sup>2</sup> *Id.* 41

<sup>3</sup> *Id.* 42

<sup>4</sup> *Id.*



rather than examiners cataloging a collection of non-specific samples from exams. This collected data could be compiled and analyzed to provide an accurate picture of how much time is spent on insurance vs. regulatory related issues in exams. The data could determine a more clear picture of how long exams take at different types of institutions, and examiners could better manage exam personnel and plan their visits. Because SSAs use the AIRE system, an added benefit will be measuring their time during exams, thus creating an accurate appraisal of the Imputed SSA value. Collecting this data will simplify the OTR assessment and allow other evaluations of performance, such as efficiency and accuracy. Collecting this data has the potential to significantly improve the exam process.

#### **Conclusion**

There are sure to be very specific recommendations from other stakeholders regarding the OTR methodology. LSCU supports those recommendations that promote the principles mentioned above: Transparency, Accuracy, Equity, and Reasonable. LSCU supports the dual-charter system and any efforts to improve that system for credit union and their safe and sound operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Lee", is written over the word "Sincerely,".

Mike Lee