

NCUA LETTER TO FEDERAL CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA 22314

DATE: February 2016 **LETTER NO.:** 16-FCU-01
TO: All Federal Credit Unions
SUBJ: Operating Fee Scale Reduced for 2016
ENCL: Operating Fee Schedule for 2016

Dear Board of Directors and Chief Executive Officer:

A majority of the NCUA Board has voted to *reduce* the 2016 Operating Fee Scale by 0.47 percent for natural-person federal credit unions with assets over \$1 million.

A majority of the NCUA Board has also voted to extend the Operating Fee exemption for federal credit unions with assets of less than \$1 million. As a result, these smallest federal credit unions will not be charged any Operating Fee for a fourth consecutive year.

The 2016 Operating Fee Schedule for *your* credit union is enclosed. The enclosed chart will help you calculate the exact dollar amount of your credit union's Operating Fee. The chart also references a web link to NCUA's online calculator at <http://opfee.ncua.gov>.

The rest of this letter provides additional insight on the calculation method. If your credit union owes any Operating Fee, it will be **due by April 15, 2016**, as described below.

How is the Operating Fee calculated?

The two major factors influencing the 2016 Operating Fee rate change are the Overhead Transfer Rate and the growth of federal credit union assets.

NCUA uses the Overhead Transfer Rate each year to determine how much of the agency's Operating Budget is funded directly by the National Credit Union Share Insurance Fund. The Overhead Transfer Rate is calculated from the annual allocation of NCUA resources used for insurance-related functions. If the Overhead Transfer Rate increases, the Operating Fee collected from federal credit unions decreases. Conversely, if the Overhead Transfer Rate decreases, the Operating Fee collected from federal credit unions increases.

For 2016, the Overhead Transfer Rate increased from 71.8 percent to 73.14 percent. The primary driver of the OTR increase was the growing percentage of insured shares held by state-chartered credit unions.

To preserve the relationship of the Operating Fee Scale to federal credit unions within each asset tier, the asset range for each tier is adjusted by the projected growth of federal credit union assets. Based on projected federal credit union asset growth, the 2016 asset ranges are increasing by 4.75 percent. You will see the new asset ranges to the right of the adjusted fee rates on the enclosed chart.

In an effort to continually improve our processes, NCUA published the full methodologies for calculating the Operating Fee and the Overhead Transfer Rate in the *Federal Register* on January 22, 2016. Each methodology is open for public comments through April 26, 2016. We welcome your review and suggestions to improve the methodologies.

When will NCUA bill credit unions for the 2016 Operating Fee?

In March, federal credit unions with assets greater than \$1 million will receive an invoice for their 2016 Operating Fee.

At the same time, all federally insured credit unions will receive notice of any amount needed to adjust their Share Insurance Fund capitalization deposit to one percent of insured shares, as required by the Federal Credit Union Act.

- Your Operating Fee will be based on assets reported as of December 31, 2015.
- Your capitalization deposit may adjust up or down, based on the insured shares reported as of December 31, 2015.

NCUA will combine your Operating Fee and capitalization deposit adjustment into a single invoice for which payment will be due April 15, 2016.

How do I make the payment to NCUA?

For federal credit unions signed up to pay via **Pay.gov**, no further action is required. **Payment will occur automatically** on the due date.

Other federal credit unions will need to **send payment by April 15, 2016, according to the instructions included with the invoice.**

If you have any questions regarding this letter, please contact NCUA's Office of the Chief Financial Officer at ocfomail@ncua.gov.

Sincerely,

/s/

Debbie Matz
Chairman

Enclosure

NCUA OPERATING FEE SCHEDULE FOR 2016

Your operating fee is based upon the total assets of your credit union as of December 31, 2015.

FOR NATURAL PERSON FEDERAL CREDIT UNIONS

If total assets are more than \$1,000,000, the operating fee assessment is:

0.00018198	on the first	\$1,275,170,573	of assets, plus
0.00005304	on the next	\$2,583,476,422	of assets, plus
0.00001771	on assets over	\$3,858,646,995	

Examples: A credit union with \$1,000,000 in total assets has an operating fee of: \$0.

A credit union with \$1,250,000 in total assets has an operating fee of:
 $(\$1,250,000 \times 0.00018198) = \227.48

A credit union with \$2,400,000,000 in assets has an operating fee of:
 $(\$1,275,170,573 \times 0.00018198) + ((\$2,400,000,000 - \$1,275,170,573) \times 0.00005304) = \$291,716.49$

A credit union with \$5,000,000,000 in total assets has an operating fee of:
 $(\$1,275,170,573 \times 0.00018198) + ((\$3,858,646,995 - \$1,275,170,573) \times 0.00005304) + ((\$5,000,000,000 - \$3,858,646,995) \times 0.00001771) = \$389,296.49$

FOR CORPORATE CREDIT UNIONS

If total assets are over	But not over -	The operating fee assessment is:
\$50,000,000	\$100,000,000	\$10,593.90 plus 0.0001987 of the total assets over \$50,000,000
\$100,000,000	no limit	\$20,528.90 plus 0.0000123 of the total assets over \$100,000,000

Operating Fee Calculator at <http://opfee.ncua.gov/>