



BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: November 7, 2017

FROM: Office of Examination & Insurance

SUBJ: Overhead Transfer Rate
Methodology

ACTION REQUESTED: Board approval of the proposed new Overhead Transfer Rate methodology and to publish the Final Notice in the *Federal Register*.

DATE ACTION REQUESTED: November 16, 2017

OTHER OFFICES CONSULTED: Office of the Executive Director, Office of the Chief Financial Officer, and Office of General Counsel

VIEWS OF OTHER OFFICES CONSULTED: Concur

BUDGET IMPACT, IF ANY: Based on the most recent Examination Time Survey results, field staff time would be reduced by approximately 200 hours annually. Central office and regional office staff time devoted to operating, maintaining, and administering the Examination Time Survey and related processes would be reduced by approximately 150 hours annually.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: N/A

RESPONSIBLE STAFF MEMBERS: Larry Fazio, Director Office of Examination & Insurance and Loss/Risk Analysis Officer Russell Moore

SUMMARY: The Overhead Transfer Rate represents insurance-related costs in the NCUA Operating Budget to be funded by the National Credit Union Share Insurance Fund. At its June 23, 2017, meeting, the NCUA Board approved publishing in the *Federal Register* a request for comment on a proposed new Overhead Transfer Rate methodology. The request for comment was published on June 30, 2017. NCUA received 26 comment letters during the 60-day comment period.

Based on the comments and NCUA's internal assessment, the methodology recommended is unchanged from the proposed methodology. The new methodology is principles based, fair and

equitable, simplifies the Overhead Transfer Rate calculation, and reduces the resources needed to administer it. The four principles applied under the proposed new methodology are as follows:

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.

This final notice provides a summary of and responses to the comments received on the 2017 request for comment, and explains the new Overhead Transfer Rate methodology.

RECOMMENDED ACTION: Recommend the Board approve the proposed new Overhead Transfer Rate methodology beginning with calculation of the 2018 Overhead Transfer Rate and approve publication of the Overhead Transfer Rate Methodology and response to comments in the *Federal Register*.

ATTACHMENT:

(1) OTR Final Notice and Response to Comments