



April 25, 2016

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

RE: NCUA's Overhead Transfer Rate Methodology

Dear NCUA Board Member,

This letter is intended to outline concerns Capital Credit Union (CCU) has with NCUA's proposed Overhead Transfer Rate Methodology. CCU is a state-chartered credit union with over \$410 million dollars in assets. CCU serves over 30,000 members and is based in Bismarck, North Dakota.

We would like to thank the NCUA for taking the time to open the proposed rule to comments. Like the due diligence process we employ to analyze costs with strategic partners, we appreciate the opportunity to take a closer look. Not being able to comment on such a large expenditure for CCU would not be fair to this process.

CCU agrees that an Overhead Transfer Rate Methodology makes sense as a formula driven calculation, however the proposed formula appears to be flawed. Based on our interpretation of the mapping of this methodology, **all** safety and soundness examination costs are assumed to be an insurance related cost. As a state-chartered credit union, this means our members are charged for safety and soundness by the NCUA and by the North Dakota Department of Financial Institutions (DFI).

Congress, through the Credit Union Membership Access Act, requires the NCUA examiners to consult with DFI on a number of safety and soundness topics. In CCU's experience, this consulting relationship has worked well and limited the amount of dual review by state and federal examiners. Recently, this seems to have changed as the NCUA and DFI both review some of the same information and issue separate CAMEL ratings. This seems to be a duplication of effort, and as there becomes more areas for which that happens, this does not seem like a good use examiner resources.

In looking at the methodology, our estimate is that CCU's cost through the overhead transfer rate was \$78,000 last year. This does not include lost opportunity costs of the funds that we have on deposit in the NCUSIF. We estimate based on this methodology that a federally chartered credit union of our size would have been charged \$13,000 less in assessment fees. This, we believe puts us at a disadvantage for being state chartered.

There are two areas we believe should be addressed. The first is to understand the differences in insurance and chartering costs. Outlining these differences, along with understanding which rules are insurance, and which are federally chartered related, would be a good start. The second is to clarify the expectation of Congress' intent to consult and rely on the DFI. We believe safety and soundness costs should be split equally between the DFI and NCUA for a state-chartered credit union.

We have an excellent relationship with the DFI. One in which we are able to ask questions and receive timely responses, as well as voice concerns throughout the year. The response time and ability to get an answer from state examiners is much easier than that of the NCUA. This allows us to ensure compliance with rules and regulations which the NCUA should appreciate. We believe a state charter is the best solution for CCU and for us to serve our members. We'd rather not feel that we should be considering a federal charter, yet it is not in the best interest of our members to pay a disproportionate share of costs through the Overhead Transfer Rate.

We hope that the NCUA takes the time needed to fully understand what negative impact the proposed methodology has on state-chartered credit unions.

Thank you for the opportunity to comment and for considering our views on the NCUA's Overhead Transfer Rate Methodology.

Sincerely,

A handwritten signature in red ink, appearing to read "Debra M. Gallagher". The signature is fluid and cursive, with a large initial "D" and "G".

Debra M. Gallagher
President/CEO