

Open Board Meeting

January 21, 2016

**NCUA Chairman Debbie Matz
Statement on the Overhead Transfer Rate Methodology**

As I stated at our open meeting last November, setting the Overhead Transfer Rate has always been a thankless job for the NCUA Board and staff because it's never possible to satisfy all stakeholders.

If the Overhead Transfer Rate goes up, advocates for state charters complain the rate is too high. If the Overhead Transfer Rate goes down, advocates for federal charters complain the rate is too low.

All we can do is ensure the methodology accurately values the work done by NCUA and state examiners, and then fairly allocates costs between federal and state charters.

The methodology presented today demonstrates that the OTR is not some arbitrary number that the NCUA Board or staff picks at random every year. It's a cost-accounting formula, driven by a methodology that has been in place since 2003, under then-Chairman Dennis Dollar. The calculations are based purely on mathematical factors. There are no subjective judgments and no political decisions.

Although this is the first time that the methodology will be published in the *Federal Register*, the methodology has been transparently posted each year on the NCUA website for all stakeholders to review.

In 2011, NCUA asked an independent accounting firm, PricewaterhouseCoopers LLP, to carefully review and evaluate this cost-accounting methodology. PwC concluded, "there was no reasonable basis to conclude that the OTR methodology ... favors or disadvantages any one type of credit unions (i.e., federal versus state charter) over another."

In 2013, PwC also validated which NCUA regulations are insurance-related, and which regulations are not. The full reports from PwC [are posted on the NCUA website](#), along with numerous other OTR documents dating back to 2003.

Now I'm the first to admit that the Overhead Transfer has been a complicated process ever since the current methodology was established in 2003. If commenters suggest ways to simplify or improve the formula, I am certainly open to considering new ideas—as long as the methodology remains objective and neutral, with respect to both federal and state charters.

In recognition of this complex issue, we are proposing an unusually long comment period of 90 days.

Finally, I want to assure stakeholders about the next steps: all comments [will be posted on the NCUA website](#), as we do with proposed rules. And a summary of comments, along with the Board's responses to the comments, will be published later this year in the *Federal Register*.