



## National Credit Union Administration

Office of Examination & Insurance

**TO:** NCUA Board  
**DATE:** November 30, 2023  
**FROM:** Director Kelly Lay, Office of Examination and Insurance  
**SUBJ:** Overhead Transfer Rate Methodology – Request for Comment

**ACTION REQUESTED:** Board approval to issue the attached request for comment on the existing Overhead Transfer Rate (OTR) methodology.

**DATE ACTION REQUESTED:** December 14, 2023

**NCUA OFFICES CONSULTED:** Office of General Counsel.

**VIEWS OF OTHER OFFICES AND PARTIES CONSULTED:** Concur.

**BUDGET IMPACT, IF ANY:** None.

**SUBMITTED TO THE INSPECTOR GENERAL FOR REVIEW:** Yes.

**RESPONSIBLE STAFF MEMBERS:** Victoria Nahrwold, Associate Director, Office of Examination and Insurance; David Blanchard, Director of Risk Management.

**BACKGROUND:** In 2017, the NCUA published in the Federal Register a request for comment regarding a revised OTR methodology based on the Board's internal assessment and comments received from a 2016 request for comment. The primary goal of the proposed changes to the OTR methodology at that time was to simplify the methodology and reduce the resources needed to administer the OTR. The Board committed to subjecting the four principles to public comment every three years and in the event the Board proposes a change to one or more of the principles.

The existing OTR methodology focuses on assigning a percentage share of work to insurance costs in four categories of activities:

1. *50 percent insurance-related* - Time spent examining and supervising federal credit unions.
2. *100 percent insurance-related* - All time and costs the NCUA spends supervising or evaluating the risks posed by federally insured state-chartered credit unions or other entities the NCUA does not charter or regulate (e.g., third-party vendors and credit union service organizations).
3. *Zero percent insurance-related* - Time and costs related to the NCUA's role as charterer and enforcer of consumer protection and other noninsurance-based laws governing the

operation of credit unions, for example, field of membership requirements.

4. *100 percent insurance-related* - Time and costs related to the NCUA's role in administering federal share insurance and the Share Insurance Fund.

The principles-based methodology for calculating the OTR has streamlined the process, reduced administrative costs and resources, and provided consistency.

The request for comment clarifies the four principles for calculating the OTR and the various cost allocations associated with the calculation. Visual clarity by graphs provides additional transparency and understanding. The request for comment provides alternative means for further transparency on the OTR and welcomes comments on aspects of the OTR methodology, the four principles, the added detail provided and clarifying statements, as well as the suggested alternatives for achieving further transparency. The request for comment also requests input on continuing to seek comment through the federal register or adding the OTR methodology to the annual one-third of regulations review.

**RECOMMENDED ACTION:** Board approval to issue a request for comment on the existing OTR methodology.

**ATTACHMENT:** Request for comment regarding NCUA's Overhead Transfer Rate methodology