

August 29, 2017

National Credit Union Administration
1775 Duke St.
Secretary of the Board
Alexandria, VA 22314

RE: Comments on OTR Methodology

Dear Mr. Gerard Poliquin,

I am writing on behalf of Patelco Credit Union, which serves Northern California. We have over 300,000 Members and \$5 billion in assets. Patelco Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed Overhead Transfer Rate (OTR) Methodology.

We appreciate your wanting to make this process transparent, since it has a direct impact on the costs to us of your governance. We think your simplification of the calculation formula is a good step toward that transparency. While we disagree with the basic formula approach, we agree that your proposed adjustments do create a more equitable distribution of costs.

We would have liked to see a restructuring of costs to more parallel the national banking model. The OCC's budget for supervising national banks is entirely separate from the FDIC's budget for insuring national bank deposits. The fact that the NCUA has been charged with doing both enforcement and insurance does not necessarily mean the two functions should to be funded by an arbitrary allocation formula.

In the request of comment published in the Federal Register, the NCUA states federal credit unions (FCUs) and federally insured state-chartered credit unions (FISCUs) are treated the same because all credit unions are billed 1% of insured assets. FCUs need their money for both supervisory and insurance needs, while FISCUs only need it to cover their insurance. One allocation formula for both means FISCUs will in some fashion subsidize FCUs. FISCUs also have to pay their state examiners.

We applaud the net reduction on the OTR from 67% to 60% under the current proposal. It is definitely a move in the right direction. If the new allocation were applied to 2016, FCUs would have paid \$22.8 million (24%) more. The OTR was 50% for many years.

We suggest a standardized review period for this calculation. As the economy

rises and falls, the costs of insuring the fund will also fluctuate. We propose the expensing of these costs be revisited every five years to make sure the fees stay appropriate to the actual costs.

Again, thank you for this opportunity to comment.

Sincerely,

Jay Hartlove
Compliance Manager
Patelco CU

cc: CCUL