

August 29, 2017

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

Re: Request for Comment Regarding Revised Overhead Transfer Rate Methodology

Dear Mr. Poliquin:

On behalf of the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) request for comment regarding the revised Overhead Transfer Rate (OTR) Methodology.

HCUA appreciates that NCUA has responded to the earlier concerns of inequitable cost distribution by reviewing the current OTR with the goal of improving the process. HCUA represents both federal and state-chartered credit unions. Our goal is to ensure a fair distribution of the charges for the supervision of credit unions, consistent with the Federal Credit Union Act (FCUA), for all credit unions regardless of charter type. We oppose any overhead transfer of agency expenses to the National Credit Union Share Insurance Fund (NCUSIF) if they are not for legitimate, substantiated "insurance-related" costs, consistent with fairness to state and federal credit unions and compliant with the FCUA. We believe the proposed changes represent an approach that will lead to more fair and consistent assessments.

HCUA generally supports the underlying principles of the simplified OTR formula. One of the goals of this modeling should be a more consistent OTR applied to all credit unions compared to the current methodology. NCUA has recognized that the OTR has shifted significantly in the last decade. This fluctuation has placed a greater burden of funding of NCUA on state-chartered credit unions.

We appreciate that NCUA recognizes that enforcement of consumer protection is not insurance-related and that type of protection belongs to the state supervisory authority's (SSA) supervision. In addition, we believe that a complete allocation of insurance-related activities such as liquidations and resolutions is appropriate.

Since the number of troubled credit unions with higher CAMEL ratings has decreased dramatically, it seems that the OTR would have decreased as well. While there are other factors that might have a bearing on those activities related to insurance activities, such as the conversion of a federal charter to a state charter, with the improving economy and the strengthening of credit union balance sheets, the dramatic increase in the transfer rate is staggering and highlights the potential flaw in the fairness of the current methodology.

Under the proposed methodology, the percentage of the budget funded by the OTR and operating fee would be lower than in previous years which would result in a decrease of the FCU portion of the OTR and operating fees generating fees that are more in line with historical averages. HCUA agrees with CUNA who states that the NCUA's proposed approach is reasonable if it does not lead to spikes or frequent large fluctuations in the OTR. HCUA believes the proposed methodology achieves the goal of simplification, making the process easier to understand. This simplification could also save resources while maintaining a fair and equitable distribution of funding obligations.

As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,

A handwritten signature in black ink that reads "Bradley D. Douglas". The signature is written in a cursive style with a large initial 'B'.

Brad Douglas
President/CEO