

NCUA LETTER TO FEDERAL CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: February 2017 **LETTER NO.:** 17-FCU-01
TO: All Federal Credit Unions
SUBJ: Operating Fee Scale Adjusted for 2017
ENCL: [Operating Fee Schedule for 2017](#)

Dear Board of Directors and Chief Executive Officer:

As discussed in the NCUA Board Meeting on November 17, 2016, while NCUA's operating budget increased 2.5 percent, the 2017 Operating Fee Scale is increased by 25.5 percent for consumer-based federal credit unions with assets over \$1 million. The primary driver for the growth in the fee is the lower amount of funds drawn directly from the Share Insurance Fund as determined by the calculated overhead transfer rate.

Credit unions with less than \$1 million in assets remain exempt from the Operating Fee. As a result, these smallest federal credit unions will not be charged any Operating Fee for a fifth consecutive year.

The 2017 Operating Fee Schedule for *your* credit union is enclosed. The enclosed chart will help you calculate the exact dollar amount of your credit union's Operating Fee. The chart also references a web link to NCUA's online calculator at <http://opfee.ncua.gov>.

If your credit union owes any Operating Fee, it will be due by Monday, April 17, 2017, as described immediately below. The rest of this letter provides additional insight on the calculation method.

How is the Operating Fee calculated?

The insurance and supervision activities of the NCUA are funded through the revenue accruing to the Share Insurance Fund and from the Operating Fees on federal credit unions. The two major factors influencing the 2017 Operating Fee rate change are the Overhead Transfer Rate and the growth of federal credit union assets.

NCUA uses the Overhead Transfer Rate each year to determine how much of the agency's Operating Budget is funded by the Share Insurance Fund. The Overhead Transfer Rate is calculated from the annual allocation of NCUA resources used for insurance-related functions. Generally, if the Overhead Transfer Rate increases, the Operating Fee collected from federal credit unions decreases. Conversely, if the Overhead Transfer Rate decreases, the Operating Fee collected from federal credit unions generally increases.

Why is the rate changing?

For 2017, NCUA calculated that the share of resources used for insurance-related functions would be smaller than it was in 2016. As a result, the Overhead Transfer Rate for 2017 decreased from 73.14 percent to 67.68 percent. This decline in the Overhead Transfer Rate, along with a projected 5.1 percent rise in federal credit union assets, largely accounts for the rise in the Operating Fee rate.

The chart below further explains why the Operating Fee rates in each class will rise by 25.46% in 2017. The Overhead Transfer Rate decrease of six percent from 2016 accounts for most of the rate adjustment increase. The increase of long-term capital investments accounts for close to a quarter of the growth. Changes to the Operating budget account for the remainder of the change.

| Operating Fee Average Rate Adjustment Components | |
|---|----------------------------------|
| | Percent of rate adjustment |
| Overhead Transfer Rate decrease (72.14% to 67.68%) | 66% |
| Long-term capital investments | 24% |
| Changes to the Operating Budget | 10% |

To preserve the relationship of the Operating Fee Scale to federal credit unions within each asset tier, the asset range for each tier is adjusted by the projected growth of federal credit union assets. Based on projected federal credit union asset growth, the 2017 asset ranges are increasing by 5.1 percent. You will see the new asset ranges to the right of the adjusted fee rates on the enclosed chart.

When will NCUA bill credit unions for the 2017 Operating Fee?

In March 2017, federal credit unions with assets greater than \$1 million will receive an invoice for their 2017 Operating Fee.

At the same time, all federally insured credit unions will receive notice of any amount needed to adjust their Share Insurance Fund capitalization deposit to 1 percent of insured shares, as required by the Federal Credit Union Act.

- Your Operating Fee will be based on assets reported as of December 31, 2016.

- Your capitalization deposit may adjust up or down, based on the insured shares reported as of December 31, 2016.

NCUA will combine your Operating Fee and capitalization deposit adjustment into a single invoice for which payment will be due April 17, 2017.

How do I make the payment to NCUA?

For federal credit unions signed up to pay through Pay.gov, no further action is required. Payment will occur automatically on the due date.

Other federal credit unions will need to send payment by Monday, April 17, 2017, according to the instructions included with the invoice.

In an effort to continually improve our processes, NCUA published the full methodologies for calculating the Operating Fee and the Overhead Transfer Rate in the *Federal Register* on January 27, 2016.¹ Each methodology was open for public comment for a period of 90 days. The comments and recommendations received will be analyzed and presented at a future open NCUA Board meeting.

If you have any questions about this letter, please contact NCUA's Office of the Chief Financial Officer at ocfomail@ncua.gov.

Sincerely,

/S/

J. Mark McWatters
Acting Chairman

Enclosure

¹ See 81 FR 4674 for the Operating Fee and 81 FR 4803 for the Overhead Transfer Rate methodology.

NCUA OPERATING FEE SCHEDULE FOR 2017

Your operating fee is based upon the total assets of your credit union as of December 31, 2016.

FOR NATURAL PERSON FEDERAL CREDIT UNIONS

If total assets are more than \$1,000,000, the operating fee assessment is:

| | | | |
|------------|----------------|-----------------|------------------------|
| 0.00022831 | on the first | \$1,340,204,272 | of assets, plus |
| 0.00006654 | on the next | \$2,715,233,720 | of assets, plus |
| 0.00002222 | on assets over | \$4,055,437,992 | |

Examples: A credit union with \$1,000,000 in total assets has an operating fee of: \$0.

A credit union with \$1,250,000 in total assets has an operating fee of:
 $(\$1,250,000 \times 0.00022831) = \285.39

A credit union with \$2,400,000,000 in assets has an operating fee of:
 $(\$1,340,204,272 \times 0.00022831) + ((\$2,400,000,000 - \$1,340,204,272) \times 0.00006654) = \$376,500.85$

A credit union with \$5,000,000,000 in total assets has an operating fee of:
 $(\$1,340,204,272 \times 0.00022831) + ((\$4,055,437,992 - \$1,340,204,272) \times 0.00006654) + ((\$5,000,000,000 - \$4,055,437,992) \times 0.00002222) = \$507,641.86$

FOR CORPORATE CREDIT UNIONS

| If total assets are over | But not over - | The operating fee assessment is: |
|--------------------------|----------------|---|
| \$50,000,000 | \$100,000,000 | \$10,825.55 plus 0.0001987 of the total assets over \$50,000,000 |
| \$100,000,000 | no limit | \$20,760.55 plus 0.0000123 of the total assets over \$100,000,000 |

Operating Fee Calculator at <http://opfee.ncua.gov/>