

From: [Rosin, Larry](#)
To: [Board Comments](#)
Subject: Larry Rosin-Comments on OTR Methodology
Date: Friday, April 22, 2016 5:31:21 PM

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

Dear Mr. Poliquin,

On behalf of our Board of Directors and our 37,000 members, I am concerned with the NCUA's proposal to increase the Overhead Transfer Rate (OTR) which ultimately leads to additional financial burden on state chartered credit unions (SCUS). By definition, the OTR is the percentage of annual expenses that the NCUA Board uses to determine the amount it will take from the National Credit Union Share Insurance Fund (NCUSIF) to cover the NCUA's annual "insurance-related" expenses. Operating expenses incurred by the NCUA is funded by two sources, from the agency itself and fees assessed to FCUS; not enough to cover its costs. The NCUSIF generates its revenue through interest earned from deposits provided by all credit unions, essentially half and half from SCUS and federally chartered credit unions (FCUS). The NCUSIF is then used to fund the NCUA's operating expenses while operating fees assessed to FCUS have decreased and therefore reducing their expenses. Thus, the proposal that leads to SCUS funding an increasing percentage of the NCUA's needs, disproportionately to FCUS is inequitable, and gives the FCUS a competitive advantage. The flawed OTR threatens the dual chartering system. Since state and federal charters compete on costs, FCUS has its costs lowered while SCUS do not.

NCUA in its role as a chartering authority, has safety and soundness obligations to all credit unions in addition to just protecting the insurance fund. State chartered and federally insured credit unions must be treated equitably. NCUA's role as both the chartering authority and deposit insurance administrator obligates the agency to fairness. That concept appears to be missing with the proposal.

I recommend the following:

- The OTR methodology and calculations should allow for public comment for transparency sake. It is not appropriate that NCUA staff be allowed to dictate at will the OTR, with resulting consequences to credit unions without them having a "say".
- Remove the authority for the NCUA to have carte blanche in spending credit union system dollars.
- A more equitable approach in administering the OTR be found, one that doesn't disproportionately increase the financial burden to either SCUS or FCUS.
- Allow for methodology and calculations of the OTR to be made public.

Thank you for your consideration on this important matter.

Respectfully submitted,

Larry J. Rosin

MECU

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