The National Association of State Credit Union Supervisors

August 7, 2023

Melane Conyers-Ausbrooks, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Re: NASCUS Comments on NCUA Request for Comment Regarding NCUA Operating Fee Schedule Methodology; Docket NCUA-2023-0072

To Ms. Conyers-Ausbrooks:

The National Association of State Credit Union Supervisors (NASCUS)[1] submits the following letter in response to the National Credit Union Administration's (NCUA's) request for comments regarding National Credit Union Administration Operating Fee Schedule Methodology.[2] NASCUS appreciates the opportunity to provide NCUA feedback and we commend NCUA for inviting recommendations for improvement of the agency's processes.

Background
As part of the budget process, the NCUA Board adopts an annual budget in the fall of each year to cover an "operating budget" for the costs of day-to-day operations and a "capital budget" related to estimated capital project expenditures. Determination of the annual operating fee funding requirements are calculated by subtracting from the annual budget NCUA's estimates for miscellaneous revenues collected, the Overhead Transfer Rate (OTR) funding of the budget, interest income and other miscellaneous adjustments made by the Board including an estimate of unallocated prior-period operating fees collected.

Once the estimated annual operating fee funding requirements are determined, the Board approved methodology is utilized by the CFO to determine the operating fee funding requirements of each individual FCU and make the appropriate recommendation to the Board.

Changes Proposed to the Operating Fee Methodology
Currently, NCUA exempts FCUs reporting average assets of $1 million or less during the four preceding calendar quarters from paying an operating fee. Under the proposal, the Board would immediately raise the average asset exemption level for FCUs to $2 million and annually adjust the exemption threshold in future years based on a calculated percentage of

[1] NASCUS is the professional association of the nation's 46 state credit union regulatory agencies that charter and supervise 1,986 state credit unions. NASCUS membership includes state regulatory agencies, state-chartered and federally chartered credit unions, and other important stakeholders in the state system. State-chartered credit unions hold over half the $2.2 trillion assets in the credit union system and are proud to represent nearly half of the 136.5 million credit union members.
[2] 88 FR 43149

average asset growth reporting on the call reports over the preceding four quarters. As the Operating Fee is applied only to FCUs, whether NCUA determines to exempt classes of FCUs from remitting an Operating Fee is a matter for NCUA, its charters, and federal charter stakeholders. We offer no opinion on the matter.

However, given that NCUA's budget is funded by both Operating Fees and transfers out of the Share Insurance Fund (SIF), state credit union system stakeholders do have an interest in ensuring that the Overhead Transfer Rate (OTR) is administered in an equitable manner in accordance with the Federal Credit Union Act.

The FCUA requires NCUA to examine its FCUs and utilize those Title I examinations in a manner that benefits the Share Insurance Fund (SIF)[3]. As NCUA noted in 1979 when it combined its three separate FCU fees into a single operating fee, Congress intended FCUs pay the full cost of those examinations through their operating fees, with the application of the OTR to cover only insurance related expenditures in a manner similar to the allocation of the separately funded state examination programs.[4]

NCUA's exemption of FCUs from remitting an Operating Fee should have no corresponding affect on the SIF and the OTR. To shift the costs of supervision of exempted FCUs to the SIF would be to ask the state system to pay the Operating Fee of those FCUs. This would have a destabilizing effect on the dual chartering system and state system stakeholders would object.

[3] 12 USC §1781(b)(1)
[4] 44 FR 11785 (Mar. 2, 1979).