



October 30, 2020

Mr. Gerard Poliquin  
Secretary of the NCUA  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Re: Overhead Transfer Rate Methodology and Operating Fee Schedule Methodology

Dear Mr. Poliquin:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the NCUA's request for comments regarding overhead transfer rate (OTR) methodology and operating fee schedule methodology. The ICUL member credit unions represent 99% of assets and members of Indiana's federally and state-chartered credit unions, with those memberships totaling more than 2.6 million consumers. As an organization that represents both federally and state-chartered credit unions, we are strong proponents of a fair and equitable system to determine the overhead transfer rate so that neither group will be unduly burdened or disadvantaged. We represent 34 state-chartered credit unions and 96 federally chartered credit unions (FCUs) in the state of Indiana. Although we have more federally chartered credit unions than state-chartered credit unions, the state-chartered credit unions represent 52 percent of Indiana's CU total deposits.

ICUL appreciates the NCUA Board's efforts for making the process more transparent and seeking comments. We continue to encourage the agency to substantiate insurance-related costs, so it can fairly determine the appropriate expense allocation for both federally and state-chartered credit unions.

NCUA states that including capital project budgets in the total amount subject to the OTR would ensure that the cost of new capital acquisitions is borne equally between FCUs and federally insured state-chartered credit unions. This approach appears to be reasonable and appropriate that capital projects would be included within the total annual amount budget subject to the OTR. We also agree that projected miscellaneous revenues be included within the total annual budget subject to the OTR.

ICUL supports NCUA's proposed annual inflationary updates to the operating fee schedule asset tier thresholds. Maintaining consistency between the total assets used for billing the operating fee to an individual FCU and the asset thresholds used for determining the rate tier into which each FCU falls will provide consistency with the NCUA's proposed change to a four-quarter average of reported assets in calculating the operating fee for an individual FCU.

We believe the NCUA should increase the asset threshold for FCUs that are not assessed an operating fee. Currently, that asset threshold is \$1 million and has not been adjusted for inflation since 2012. In the request for comment, NCUA discusses the possibility of a \$10 million asset threshold. Raising the threshold to \$10 million would assist a large number of credit unions that are considered small. Those savings can have a substantial positive impact for those credit unions. As noted by NCUA, there is

precedence because the FCU Act establishes that FCUs with less than \$10 million in assets do not have to comply with GAAP, and this is also the level below which a credit union could still be considered “new” under the Act’s prompt corrective action provisions.

ICUL supports diversity, equity, and inclusion, and the NCUA’s efforts to collect annual voluntary diversity self-assessment information from credit unions. We appreciate the NCUA’s efforts to encourage participation and considering whether a modest discount of a FCU’s operating fee if a credit union completes the annual assessment. Again, as an organization that represents both federally and state-chartered credit unions, we are strong proponents of a fair and equitable system to determine the overhead transfer rate so that neither group will be unduly burdened or disadvantaged. If the agency pursues this approach, it should determine how state-chartered credit unions will be equally provided the same benefit.

We appreciate the opportunity to comment on the request for comments regarding overhead transfer rate methodology and operating fee schedule methodology. We ask the NCUA to consider our comments as discussed above. If you have any questions about our letter, please do not hesitate to give me a call at (317) 594-5320.

Sincerely,

A handwritten signature in black ink that reads "John McKenzie". The signature is written in a cursive style with a large, stylized initial "J".

John McKenzie  
President, Indiana Credit Union League