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## National Credit Union Administration

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### BOARD ACTION MEMORANDUM

**TO:** NCUA Board

**DATE:** November 20, 2014

**FROM:** Chief Financial Officer *MANW*

**SUBJ:** 2015 Operating Fee

**ACTION REQUESTED:** Board approval of the operating fee structure and the assessment scale for 2015.

**DATE ACTION REQUESTED:** November 20, 2014

**OTHER OFFICES CONSULTED:** Office of the Executive Director, Office of Examination and Insurance, Office of National Examination and Supervision, and Office of the Chief Economist

**VIEWS OF OTHER OFFICES CONSULTED:** Concur

**BUDGET IMPACT:** The ability of NCUA to carry out its planned budget is dependent upon an adequate level of operating revenue.

**RESPONSIBLE STAFF MEMBER:** Chief Financial Officer Mary Ann Woodson

**BACKGROUND:** Section 105 of the Federal Credit Union Act provides the NCUA Board with the authority to assess an operating fee on federal credit unions to finance expenses incurred in carrying out its responsibilities under the Act. On an annual basis the Board is to determine the period for the fee, the method of assessment, and the date of payment. The Board must give consideration to its budget and to the ability of federal credit unions to pay when determining the fee.

**SUMMARY:** The operating fee will be assessed to federal credit unions based on December 31, 2014 year-end assets. Credit unions with assets less than \$1 million will not be assessed an operating fee. To set the assessment scale for 2015, federal credit union asset growth is projected to December 31, 2014. Based on the June 30, 2014, 5300 data, the annual growth is projected to be 3.8 percent at year end. The asset level dividing points will be increased by this same projected growth rate. Assets are indexed annually to preserve the same relative relationship of the scale to the applicable asset base.

In establishing the rate applied to each asset level, a number of factors, as shown in Attachment 1, resulted in an operating fee rate decrease of 0.90 percent for natural person federal credit unions. Among these considerations was the July Board action to reduce the 2014 operating budget by \$1.1 million. This reduction to cash needs considers the operating fund's policy to hold a one-month reserve for contingencies.

The corporate federal credit union rate scale remains unchanged from prior years.

Attachment 2 shows the proposed operating fee scale.

**RECOMMENDED ACTION:** It is recommended that the NCUA Board approve the following items related to the operating fee to be implemented for the 2015 assessment cycle:

1. Increase the asset level dividing points for the natural person federal credit union operating fee scale by 3.8 percent, which is equal to the estimated asset growth.
2. Decrease the natural person federal credit union operating fee rates by 0.90 percent, which is equal to the rate adjustment indicated on Attachment 1.
3. Require the Operating Fund to maintain sufficient cash reserves equal to one month of expenses plus any contingencies.
4. Collect operating fees by Wednesday, April 15, 2015.

ATTACHMENTS:

- 2015 Projected Operating Fee Requirements
- 2015 Proposed Operating Fee Scale

**PROJECTED FISCAL YEAR 2015 OPERATING FEE REQUIREMENTS**

(amounts in millions)

<b>1</b>	<b>Proposed Operating Budget</b>	\$ 279.50
2	Overhead Transfer Rate <b>71.8%</b>	\$ (202.12)
3	Interest Income	\$ (0.02)
4	Miscellaneous (rents, publication fees, FOIA fees)	\$ (0.96)
<b>5</b>	<b>Net</b>	\$ <b>76.40</b>
6	Operating Fund Cash Balance Adjustment	\$ (1.10)
7	Accrued Annual Leave (based on historical annual increase)	\$ (1.00)
8	Depreciation (building, leasehold, equipment)	\$ (5.60)
9	Capital Acquisitions	\$ 8.87
10	Payment of King Street Note Payable (scheduled principal payments)	\$ 1.42
<b>11</b>	<b>Budgeted Operating Fee Requirements</b>	\$ <b>78.99</b>
12	Corporate Federal CU Operating Fees	\$ (0.30)
<b>13</b>	<b>Natural Person FCU Operating Fees Required</b>	\$ <b>78.69</b>
14	Fees projected with Asset Growth of <b>3.80%</b>	\$ (79.41)
<b>15</b>	<b>Difference</b>	\$ <b>(0.72)</b>
<b>16</b>	<b>Average Rate Adjustment Indicated (line 15 divided by line 14)</b>	<b>-0.90%</b>

**PROPOSED 2015 OPERATING FEE SCALE**

**FY2014 Natural Person Federal Credit Union Scale**

<u>Asset Level</u>		<u>Operating Fee Assessment</u>			
\$0	\$1,000,000	\$0.00			
\$1,000,000	\$1,172,780,934	\$0.00	+ 0.00018450	X total assets over	\$0.00
\$1,172,780,934	\$3,548,817,485	\$216,378.08	+ 0.00005377	X total assets over	\$1,172,780,934
\$3,548,817,485	and over	\$344,137.57	+ 0.00001795	X total assets over	\$3,548,817,485

**FY2015 (Proposed) Natural Person Federal Credit Union Scale**

Projected FCU asset growth rate                      3.80%    Change in asset level dividing points  
 Operating fee rate change                                -0.90%    Change in assessment rate percentages

<u>Asset Level</u>		<u>Operating Fee Assessment</u>			
\$0	\$1,000,000	\$0.00			
\$1,000,000	\$1,217,346,609	\$0.00	+ 0.00018284	X total assets over	\$0.00
\$1,217,346,609	\$3,683,672,549	\$222,579.65	+ 0.00005329	X total assets over	\$1,217,346,609
\$3,683,672,549	and over	\$354,010.16	+ 0.00001779	X total assets over	\$3,683,672,549

**FY2015(Proposed) Corporate Federal Credit Union Scale**

<u>Asset Level</u>		<u>Operating Fee Assessment</u>			
\$50,000,000	\$100,000,000	\$10,598.20	+ 0.00019870	X total assets over	\$50,000,000
\$100,000,000	and over	\$20,533.20	+ 0.00001230	X total assets over	\$100,000,000