



2018 Overhead Transfer Rate

Board Briefing

November 16, 2017

OTR - Principles

- 1. Time spent examining and supervising federal credit unions is allocated as 50 percent insurance related.**
- 2. All time and costs the NCUA spends supervising or evaluating the risks posed by federally insured state-chartered credit unions or other entities the NCUA does not charter or regulate (for example, third-party vendors and CUSOs) is allocated as 100 percent insurance related.**

OTR – Principles (Continued)

- 3. Time and costs related to the NCUA's role as charterer and enforcer of consumer protection and other non-insurance based laws governing the operation of credit unions (like field of membership requirements) are allocated as zero percent insurance related.**
- 4. Time and costs related to the NCUA's role in administering federal share insurance and the Share Insurance Fund are allocated as 100 percent insurance related.**

OTR – Application Step 1

Allocation of Workload Hours				
Workload Programs	(A)	(B)	(A) x (B)	
2018 Data	Budgeted Workload Hours	Percent Insurance-Related	Insurance-Related Workload Hours	Allocation Basis
Federal Credit Union Examination and Supervision ²	496,920	50%	248,460	Based on allocation principle 1 reflecting NCUA's roles as both prudential regulator and insurer.
State Credit Union Exam & Supervision ³	191,873	100%	191,873	Based on allocation principle 2 reflecting NCUA's role as insurer.
Consumer Compliance Reviews & Related Training	0	0%	0	Based on allocation principle 3 reflecting NCUA's role as prudential regulator.
Field of Membership & Chartering	500	0%	0	Based on allocation principle 3 reflecting NCUA's role as charterer.
CUSO and Third-party Vendor Reviews ⁴	6,690	100%	6,690	Based on allocation principle 2 reflecting NCUA's role as insurer. Field staff time conducting reviews of CUSOs and third-party vendors – NCUA does not charter or regulate CUSOs and third-party vendors.
Total	695,983	N/A	447,023	
Total Insurance-Related Workload Hours to Total Workload Hours			64.2%	Weighted average of field staff program time devoted to NCUA's role as insurer.

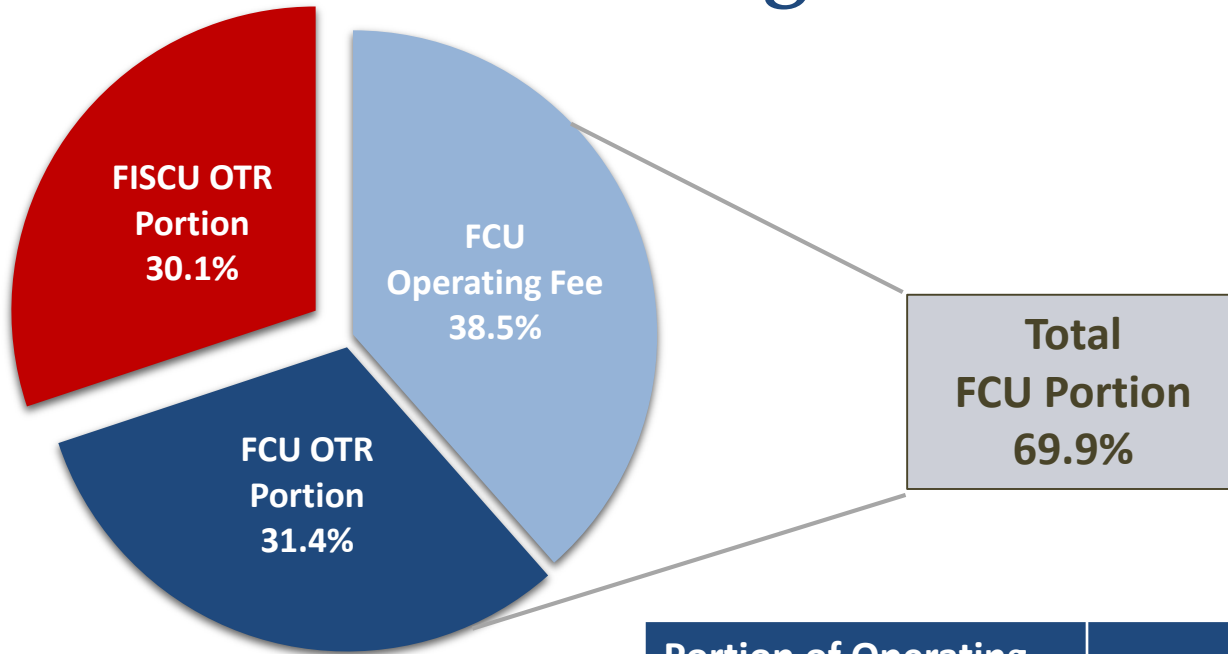
OTR – Application Step 2

Allocation of NCUA Operating Budget			
Cost Area (2018 data)	(A) Operating Budget \$Millions	(B) Percent Insurance- Related	(A) x (B) Operating Cost to be Borne by the Share Insurance Fund \$Millions
<p>Regions and ONES The financial budget for the agency’s five regional offices and ONES is allocated based on the weighted average of insurance-related activities calculated from the workload budget using principles 1, 2, and 3 in Step 1. Resources in the regions and ONES execute NCUA’s examination program. Thus, the budgeted costs related to these programs should receive the same allocation basis as the programs themselves.</p>	\$162.5	64.2%	\$104.4
<p>Asset Management Assistance Center Manages liquidation payouts and assets acquired from liquidations on behalf of the Share Insurance Fund. Thus, the OTR allocation factor is based on principle 4 and allocated at 100 percent insurance-related.</p>	\$4.4	100.0%	\$4.4
<p>Office of Consumer Financial Protection This office is responsible for all functions related to consumer compliance, financial protection, and member education. These activities are allocated based on principle 3 as 0 percent insurance-related. The office does some work with respect to federally insured state-chartered credit unions, including share insurance coverage matters, in NCUA’s role as insurer; these activities are allocated based on principle 4 as 100 percent insurance-related. The net of this combined activity results in an OTR allocation factor of 3 percent insurance-related.</p>	\$5.0	3.0%	\$0.1
<p>Office of Credit Union Resources and Expansion Processes charter applications and field of membership expansion requests. Provides consulting and training services for both federal credit unions and federally insured state-chartered credit unions. Also processes grants and loans for federally insured credit unions. Principle 1 is applied to the office’s work with federal credit unions and principle 2 is applied to the office’s work with federally insured state-chartered credit unions. Principle 3 is applied to the office’s work related to charting and field of membership. The net of this combined activity results in an OTR allocation factor of 31.4 percent insurance-related.</p>	\$10.4	31.4%	\$3.3
<p>Subtotal The 61.5 percent subtotal factor represents the dollar-weighted average of the above four cost centers (Regions and Ones, Asset Management Assistance Center, Office of Consumer Financial Protection and Access, and Office of Small Credit Union Initiatives) representing specific aspects of NCUA’s mission.</p>	\$182.2	61.5%	\$112.1
<p>All Other Offices This category includes the offices that design or oversee the agency’s mission and its related offices, or provide necessary support to mission offices or the entire agency. As such, the proportion of insurance-related activities for these offices correspond to that of the mission offices. Therefore, these office costs are allocated based on the weighted average of insurance-related activities calculated in the subtotal above.</p>	\$115.9	61.5%	\$71.3
Total	\$298.1		\$183.5

OTR – Application Step 3

OTR Calculation	
Operating Costs to be Borne by the Share Insurance Fund	\$183.5
÷ Total Operating Budget	\$298.1
=OTR	61.5%

2018 Distribution of Operating Budget Costs



Portion of Operating Budget Covered By:	FCUs	FISCOs
FCU Operating Fee	38.5%	0.0%
OTR x Percent of Insured Shares	31.4% (61.5% x 51.1%)	30.1% (61.5% x 48.9%)
Total	69.9%	30.1%