NASCUS
National Association of State Credit Union Supervisors

June 11, 2015

The Honorable Randy Neugebauer
Chairman
Subcommittee on Financial
Institutions and Consumer Credit
Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable William Lacy Clay
Ranking Member
Subcommittee on Financial
Institutions and Consumer Credit
Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

Re: National Credit Union Administration Budget Transparency Act

Dear Chairman Neugebauer and Ranking Member Clay:

On behalf of the National Association of State Credit Union Supervisors (NASCUS),[1] I am writing to you today to express our strong support for the National Credit Union Administration Budget Transparency Act (H.R. 2287), introduced by Representative Mulvaney. The bill, which your subcommittee will consider in this afternoon's hearing, would require the National Credit Union Administration (NCUA) to open its budget process to notice and comment from stakeholders and the public.

NCUA is unique in that it both charters federal credit unions and administers the credit union share insurance fund. As both a charterer and share insurer, NCUA funds its operations through an operating fee charged directly to federal credit unions (FCU Operating Fee) and by transferring money from the share insurance fund to the agency through the Overhead Transfer Rate (OTR). How NCUA allocates its expenses and draws its operating funds substantially impacts the dual chartering system.

A formal notice and comment requirement for NCUA's budget, including the OTR, provides oversight, accountability and transparency. This is not only sound public policy, it also helps ensure an equitable playing field for state and federally chartered credit unions.

[1] NASCUS is the professional association of the 46 state credit union regulatory and territorial agencies that charter and supervise the nation's state-chartered credit unions.

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Currently, the agency funds 71.8% of its total budget from the OTR. Although the OTR is meant to cover only “insurance related” costs, NCUA charges virtually all activities related to safety and soundness in federal credit unions to the share insurance fund. By contrast, state-chartered credit unions pay the cost of their safety and soundness examinations to their chartering authority: state regulators. As a result, the cost of federal credit union examinations are being subsidized by the insurance fund, artificially reducing the cost of a federal charter as compared to a state charter.

For example, FCU Operating Fees budgeted for 2014 dropped $10.5 million (11.3%) as compared to the 2013 FCU Operating Fees, notwithstanding a $26.5 million increase in the NCUA Operating Budget for 2014. The reduction in FCU Operating Fees was a direct result of the corresponding 10.1% increase in the OTR for the same period. This represents a significant reallocation of direct assessment expenses for federal credit unions into indirect insurance fund contributions which are borne by both state and federal credit unions.

One of the reasons that the U.S. financial system is the most innovative in the world is that, at its core, it is a dual chartering system that fosters cooperative competition between state and federal chartering authorities. How NCUA allocates its operating costs has the potential to artificially imbalance the dual chartering system with respect to the credit union sector. A formal notice and comment process provides stakeholders a meaningful opportunity to evaluate and formally respond to NCUA’s allocation of expenses across the industry. NASCUS strongly supports this important legislation and urges the committee to advance H.R. 2287 as soon as possible.

If NASCUS can be of any assistance on this or any issue, please don’t hesitate to reach out to me directly, or to our Regulatory and Public Policy Counsel, Sabrina Bergen, at (703) 528-0669.

Sincerely,

Lucy Ito
President & CEO

cc: Members of the Subcommittee on Financial Institutions and Consumer Credit, House Financial Services Committee

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