

# Cooperative Credit Union Association

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*Creating Cooperative Power*

October 30, 2020

Mr. Gerard S. Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

**RE: RIN 3133-AF24, Cooperative Credit Union Association, Inc. Comments on the Proposed Rule on Fees Paid by Federal Credit Unions**

**BY ELECTRONIC MAIL ONLY: <http://www.regulations.gov>**

Dear Mr. Poliquin:

On behalf of the member credit unions of the Cooperative Credit Union Association, Inc. (“Association”), please accept this letter relative to the request for comments issued by the National Credit Union Administration (“NCUA”) Board on a proposed rule (“proposal”) relative to the calculation of federal credit union fees. The Association is the state trade association representing approximately 200 state and federally-chartered credit unions located in the states of Delaware, Massachusetts, New Hampshire, and Rhode Island which further serve over 3.6 million consumer members.

The Association conducted a survey of its members on the provisions of the proposed rule and member views provide the basis for this comment letter.

## **A. Overview**

The approach the NCUA takes in determining federal credit union operating fees is significant, not only because such fees are statutorily required, but also because changes in the calculation of the operating fee can affect its need for funding from other sources. Such sources include the overhead transfer from the National Credit Union Share Insurance Fund (“NCUSIF”), to which all federally- insured credit unions must contribute.

The Association generally supports the proposal as it would make several changes to how the NCUA calculates federal credit union operating fees. From the viewpoint of the Association, the most noteworthy proposed change relates to how “total assets” are determined as they are the basis upon which operating fees are based.

## **B. Recommendations**

Under the proposal, NCUA's current practice of using projections of federal credit union assets is replaced. NCUA seeks to calculate operating fees on the average of a federal credit union's most recently reported quarterly assets. The Association supports this change and believes that it will serve to help flatten the impact of any seasonal fluctuations in a federal credit union's total assets, as well as reduce the likelihood that the NCUA collects too little or too much in fees based upon projections.

The Association also notes that charter changes, such as mergers and conversions, can also affect operating fees. The proposal seeks to rely on the most recent Call Report data to calculate fees of any federal credit union that converts from or merges with a federally-insured state chartered credit union. NCUA proposes to rely on assets reflected on the Call Report filed with NCUA by the time its budget is approved for conversions to federal charters from entities not insured by the NCUSIF. No operating fee would be charged if such a conversion to federal charter occurs in the last quarter of the year as NCUA would not possess timely data.

For mergers involving federally-insured credit unions, NCUA seeks to combine assets over the past four quarters, but would not combine assets when a non-federally-insured entity merges into a federal credit union. Rather, a federal credit union would pay its fee based on its Call Report data over the last four quarters. Purchases and assumptions involving credit unions would continue to be treated as mergers for purposes of calculating the fee.

In each of these circumstances, the Association acknowledges that the proposal may result in some discrepancies in the treatment of fees. However, the NCUA has proposed practical approaches that do not appear to significantly affect fee payments and is in support.

The proposal also provides that federal credit unions converting to or merging into any other type of charter will not be entitled to a fee refund. This approach is supported for non-credit union entities. Furthermore, the NCUA's expansion of the rule to address federal credit union conversions and mergers that involve resulting entities that are not insured by the NCUSIF is also supported.

It should be noted that the Association believes that the NCUA should treat mergers into and conversions with state chartered, federally-insured credit unions differently. While the current rule bars the payment of a fee refund when a conversion to or merger into a state chartered, federally-insured credit union occurs, the Association requests that the NCUA reconsider this issue since the resulting credit union's NCUSIF deposit will reflect the merger, unlike a combination with an entity that is not NCUSIF-insured, and the resulting entity is not a federal credit union.

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In addition to the changes addressed above, the proposal seeks to exclude from “total assets” certain Paycheck Protection Program loans and borrowings found under similar lending programs in the future without having to amend the rule. The Association believes that credit unions and others could be informed of any future exclusions in an NCUA Letter to Federal Credit Unions and is supported by the Association as a common sense regulatory approach.

**C. Conclusion**

The proposal seeks to make several changes in federal credit union fee assessment methodology and total asset determinations. The Association generally supports the proposal as it would promote accuracy and result in practical approaches to fee calculation in a variety of circumstances. Looking ahead, the Association also requests that the NCUA reconsider pro rata fee refunds if a federal credit union converts to or merges into a federally-insured state chartered credit union.

Thank you for the opportunity to share the views of the Association’s members on the proposed rule relative to fees paid by federal credit unions. If you have any questions about the recommendations set forth in this comment letter or require further information, then please do not hesitate to contact the Association at [govaff-reg@ccua.org](mailto:govaff-reg@ccua.org).

Sincerely,



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RM/mac/kb