OHIO CREDIT
UNION LEAGUE

June 24, 2019

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Comments on Advance Notice of Proposed Rulemaking: Compensation in Connection with Loans to Members and Lines of Credit to Members

Dear Mr. Poliquin,

The Ohio Credit Union League (OCUL) welcomes the opportunity to submit comments regarding the National Credit Union Administration's (NCUA) advance notice of proposed rulemaking (ANPR) on compensation in connection with lending, found in Part 701 of NCUA's regulations.

OCUL represents Ohio's 264 credit unions and their 3 million members. Of those 264 credit unions, 144 are federally-chartered; 70 are state-chartered, federally-insured; and, 50 are state-chartered, privately-insured. As such, we write to express our support for publishing this ANPR and to encourage the agency to move forward with rule making, creating a more flexible incentive-based compensation regulatory scheme for federal credit unions.

Credit Unions Should be Empowered to Attract the Best Employees

First, we wish to acknowledge the tremendous value of NCUA's Regulatory Reform Task Force, which identified this regulation as one to be evaluated and modernized. We agree with NCUA that it is prudent to provide greater flexibility to federally-chartered credit unions with respect to senior executive compensation plans that incorporate lending oriented performance metrics. We also fully concur with NCUA that risk mitigation and controls are important elements of any well-conceived senior executive compensation program to anticipate and evaluate potential unintended consequences.

We appreciate the broadness and flexibility of this ANPR, which allows the agency to receive an array of feedback. Holistically, OCUL supports a flexible approach to incentive-based compensation. As we have previously expressed, credit unions are diverse, and a one-size fits all approach is not efficient the majority of the time. As the agency researches and explores the framework of future changes to the rule, we urge the agency to utilize the Guidance on Sound Incentive Compensation Policies[1] adopted by the Federal Reserve, Federal Deposit Insurance Corporation, and Department of Treasury, as a foundation.

Credit unions should be empowered to develop performance-based senior executive compensation models that flexibly adjust over time as performance management evolves. Performance management will continue to incorporate measures of strength and success in "vital signs" that illuminate a credit union's progress at the company level. Lending success is clearly among these high-level vital signs, as are other discerning performance categories such at capital adequacy, asset quality, earnings strength, liquidity management, and so on. We believe credit unions should be afforded more flexibility to incorporate lending measures in balanced, risk-commensurate compensation frameworks both as a

[1] Docket No. OP-1374

10 West Broad Street, Suite 1100, Columbus, Ohio 43215
614-336-2894 • 800-486-2917 • fax 614-336-2895 • www.OhioCreditUnions.org

OHIO CREDIT UNION LEAGUE

core element of "the credit union's overall financial performance" and in more narrow, specific circumstances relating to a credit union's overall near-term lending goals (i.e. to mitigate concentration risk in one loan category-say point-of-purchase originated auto loans- by a well planned growth strategy in another-say real estate loans).

OCUL stresses the need for the agency to create more a flexible incentive-based compensation plan framework which empowers credit unions to competitively recruit potential employees through a comprehensive compensation package. As with all other items that have stemmed from the Regulatory Reform Task Force, OCUL looks forward to further collaborating with the agency. We highly value NCUA's efforts to engage the industry in its rule-making process. If you have further questions or would like to discuss OCUL's comments in more detail, please feel free to contact us at 800-486-2917.

Respectfully,

Paul L. Mercer
President

Miriah Lee
Regulatory Counsel