

May 16, 2016

Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

Re: Comments on Proposed Executive Compensation Rule

Dear Mr. Poliquin:

On behalf of Michigan First Credit Union, I would like to provide the following comment letter for the record regarding the National Credit Union Administration (NCUA) proposed rule on executive compensation. Thank you for the opportunity to provide our views on this potentially far reaching regulatory proposal that we consider to be absolutely unnecessary and a complete over-extension of the regulatory arm of NCUA to America's credit unions – in particular to the state chartered credit unions that it insures but does not directly regulate.

First, we would point out that NCUA's reading of the Dodd-Frank Act to require a rulemaking in regards to executive compensation is extremely tight and inflexible. There seems to be no reason why credit unions, a sector of the financial services industry that is both not-for-profit and cooperative in structure and played no role whatsoever in creating the financial crisis that Dodd-Frank was enacted in over-reaction to, should face a regulation regarding executive compensation when guidance (if required at all) would be the more appropriate action for NCUA to initiate.

Every problem does not have a regulatory solution. In fact, as this issue points out, every problem is not necessarily even a problem. It would be impossible to find any objective analysis (or likely any analysis at all) that would point to performance bonuses paid to credit union executives as having any contributory effect on either causing or maintaining the financial crisis which began in 2008. As far as credit unions are concerned, this is truly a solution in search of a problem.

In fact, it boggles the mind to try to figure out why NCUA – the regulator and insurer of the sector of the financial services industry that had the least to do with creating the financial crisis – feels that it is appropriate for it to be the first of the federal financial industry regulatory agencies to come forward with a proposal (and a regulatory one versus guidance) to implement this particular provision of Dodd-Frank. I cannot imagine the need for NCUA to even enact, based upon the credit union structural differential, such a regulation even if the other FFIEC agencies feel they must do so. However, I certainly cannot see the necessity of NCUA to lead the way in doing so with a regulatory solution.

This regulation seeks to place a regulator (and in the case of affected state chartered credit unions, an insurer) in the position of evaluating whether a credit union's executive compensation package is appropriate for that institution. It is the ultimate example of federal governmental overreach into the day to day operations, activities and decision-making of a credit union - and

with no justification beyond a very tight internal interpretation of a seven-year old statute that no other federal financial regulatory agency has prioritized sufficiently to propose such a rule.

The proposed regulation, despite its preamble that tries to minimize its potential impact and the statements of agency leaders as to their efforts to make it less burdensome, is a very slippery slope that NCUA and credit unions are best to stay away from.

While we believe that the restrictions, paperwork, monitoring and reporting requirements of the regulation as proposed is much more burdensome and an inappropriate overreach into the daily operations of a credit union than the circumstances justify, we are even more concerned about where this regulation could lead in years to come. Today's minimalist approach can easily be the foundation of tomorrow's maximalist approach.

Bottom line. As long as a credit union is safe, sound and well capitalized under both PCA net worth standards and the new NCUA risk-based capital requirements, a federal regulatory agency such as NCUA has no business whatsoever dictating any performance-based compensation plan for a credit unions executives. It is unnecessary, inappropriate and overreaching.

NCUA already has sufficient supervisory authority through its examination program to address any compensation plans that are resulting in unsafe and unsound practices at a federally insured credit union. This ability to reign in any "outliers" that may be paying bonuses or other compensation at a level beyond the credit union's ability to handle those costs in a safe and sound manner already exists. No regulation is required. Guidance perhaps could have a purpose to help guide those credit unions with capital needs or earnings challenges to know what the examiners will be looking for in regards to compensation packages in such a case.

A regulatory solution, however, is not the answer. NCUA should withdraw this proposal.

We do not recommend that the current NCUA Board merely fail to act on the proposal, thus leaving it on the agenda for some future NCUA Board to revive it. This proposal should be withdrawn by majority vote of the NCUA Board, thus making the statement that the agency itself recognizes that a regulation is not needed and that it has the ability to manage unsafe and unsound executive compensation packages through its supervisory authority.

Normally, we would suggest improvements to a regulatory proposal in the event that the agency elects to proceed toward a final rule in response to a particular need. However, in this case, our solid belief is that the entire concept behind this proposal as a regulatory solution to a legitimate problem is flawed beyond rehabilitation.

We encourage the NCUA Board to withdraw this proposed regulation. If there are indeed standards that need to be outlined for those credit unions that are not well-capitalized and have in place compensation programs that are not safe and sound, we strongly recommend that the NCUA Board issue guidance and re-affirm its supervisory authority to address these instances on a case by case basis through the examination process.

Thank you again for the opportunity to comment on this proposed regulation. If I can be a source of any further information on this comment letter, please do not hesitate to contact me at 248.443.4601.

Sincerely,

Michael D Poulos

Michael D. Poulos
President/CEO