

From: [John McKenzie](#)
To: [Regulatory Comments](#)
Subject: ICUL comments on ANPR: Compensation in Connection With Loans to Members and Lines of Credit to Members RIN 3133-AE97
Date: Friday, June 21, 2019 12:42:51 PM

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

Re: ICUL comments on ANPR: Compensation in Connection With Loans to Members and Lines of Credit to Members RIN 3133-AE97

Dear Mr. Poliquin:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit the following comments on the National Credit Union Administration's (NCUA) Advance Notice of Proposed Rulemaking (ANPR) Compensation in Connection With Loans to Members and Lines of Credit to Members. The ICUL member credit unions represent 99% of assets and members of Indiana's credit unions, with those memberships totaling more than two million consumers.

The current rule contains a blanket prohibition on compensation to any credit union employee in connection with a loan made by the credit union. The current rule includes several exceptions to the prohibition, including:

- Salary to employees
- Incentive/bonus to an employee based on the credit union's "overall financial performance"
- Incentive/bonus to an employee, "other than a senior management employee," in connection with a loan made by the credit union, provided the board of directors has written policies and internal controls for such payment and monitors compliance with such policies and controls at least annually

The intent of the current rule is to limit undue risk taking by credit union staff in the lending area. We understand this concern and the intent of the rule; however, we believe that there are improvements and modernization to the rule that need to be made.

We do not believe that the approach of a blanket prohibition with specified exceptions needs to change. We do believe it is not necessary to exclude senior management from incentives and bonus. As credit unions compete with other financial institutions, fintech firms and other competitors looking to enter the lending market, they need the ability to be competitive in compensation. The concern with these employees taking on undue risk can be addressed through the overall structure of the program. The regulation could include sufficient risk management criteria (policies, reviews, reporting, etc.) to mitigate concerns that employees would take undue risks. Having the ability to include the lending component in an overall executive compensation or bonus program would better position credit unions to attract top talent.

As NCUA states in its commentary with the proposed rule, the term "overall financial performance" of the credit union has led to confusion and varying interpretation from the regulators. Specifically,

can loan metrics can be included in determining the overall financial performance of the credit union? With lending being such a key component of the financial success of a credit union, we believe that it is nearly impossible to measure overall financial performance without including loan metrics. As NCUA develops a proposed rule for further consideration, a better definition of “overall financial performance” and clarification of the metrics that can be included would be important.

As credit unions continue to develop loan products for consumer and commercial needs of their members, it is important that they be positioned to hire competent, qualified, and experienced staff to support these continually more complex areas of lending. Allowing incentives and bonuses for senior management tied to loans to members, with appropriate controls to mitigate risk, adds an additional tool for credit unions to attract strong employees to manage these complex areas.

We appreciate and support the NCUA’s ongoing review of existing regulations in an effort to identify regulations needing modification or ones that should be eliminated. We believe that credit unions continue to be significantly burdened by regulation, and any regulatory relief that the NCUA can provide would be welcomed.

We appreciate the opportunity to comment on the ANPR. Please feel free to contact me if you have any questions regarding this letter. I can be reached at (317) 594-5320.

Sincerely,

A handwritten signature in black ink that reads "John McKenzie". The signature is written in a cursive style with a large, stylized "J" and "M".

John McKenzie
President, Indiana Credit Union League