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June 24, 2019

Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke St  
Alexandria, VA 22314

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 Carolinas Credit Union League (CCUL), the association representing 130 credit unions in the Carolinas, submits the following comments in response to the National Credit Union Administration's (NCUA) request for comments on the advance notice of proposed rulemaking for compensation in connection with loans to members and lines of credit to members. More than financial institutions, credit unions are community institutions anchored in the people helping people philosophy. With that in mind, CCUL protects and advocates for credit unions and their best abilities to serve their member-owners and communities.

CCUL commends NCUA for issuing this Advance Notice of Proposed Rulemaking (ANPR) requesting credit union input for modernizing loan-based incentive compensation programs. We agree that NCUA's regulations concerning employee compensation in connection with loans to members and lines of credit to members has caused confusion and is in need of updating. We recommend combining a general regulatory framework supported by guidance.

The ANPR requests comments on whether loan-based incentive compensation plans should be governed by a bright line rule. Rather than a bright line rule, CCUL recommends the agency focus on ensuring credit unions mitigate the riskier elements of a loan-based incentive compensation plans. When drafting a proposed rule we suggest NCUA consider the 2010 interagency guidance on loan incentive compensation plans that focuses on: (1) balanced incentive compensation agreements; (2) compatibility with effective controls and risk management; and (3) strong corporate governance.

CCUL does not believe an inflexible one-size fits all approach is effective for supervising loan-based incentive compensation plans. The various methodologies to loan-based compensation plans as well as the subtle differences that distinguish a well-managed plan from an inappropriate plan necessitate a guidance and supervisory review approach rather than a bright line rule.

In conclusion, we contend that a case-by-case analysis of these plans within a framework of guidance, is the best approach. A bright line prescriptive regulatory approach will impair a credit union's ability to develop competitive incentive-based

Sincerely,

A handwritten signature in blue ink that reads "Jeanne Couchois".

Jeanne Couchois  
SVP Risk Management Resources, General Counsel