AlaskaUSA®
Federal Credit Union

VIA EMAIL: regcomments@ncua.gov

June 24, 2019

Mr. Gerard Poliquin
Office of the General Counsel
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Mr. Poliquin:

Re: Compensation in Connection with Loans to Members and Lines of Credit to Members (RIN Number: 3133-AE97)

Alaska USA Federal Credit Union appreciates the opportunity to comment on the above-referenced advance notice of proposed rulemaking regarding the regulations limiting the compensation of officials and employees in connection with lending activity. Alaska USA is a federally chartered credit union with $7.9 billion in assets, serving over 668,000 members, with branches in Alaska, Washington, Arizona and California.

The financial services industry is complex, constantly evolving, and competitive. We recognize the long-standing concern that incentivizing loan growth could, in some circumstances, create inherent and inappropriate risks, but we believe this risk can be mitigated with demonstrable controls over the internal and external evaluation of the credit union's financial performance. Alaska USA regularly recruits for talent across the country, competing against not just credit unions, but large banks, fintech companies, insurance companies, and less regulated financial services firms. Recruiting and retaining the best executive talent is critical to Alaska USA's long-term growth strategy and its ability to manage a complex and widespread operation, while continuing to provide affordable and convenient financial services to our members.

In our experience, there is not a single industry methodology for developing executive compensation plans. The right plan will always be based upon a unique combination of credit union goals, market factors, the availability and strength of other health and welfare benefits, geographical considerations, regulator evaluations, the size and complexity of the institution, deliberate articulation of a compensation philosophy, the specific responsibilities of the executive, and the executive's performance against internally established metrics. Different institutions will weigh these factors differently, depending on their priorities, areas that need attention, and organizational strengths. Healthy and market appropriate loan growth and loan performance are just two of many goals, and goal achievement is one of many considerations.

Alaska USA utilizes a variety of vendors for compensation-related activities, both at the executive and non-executive level. Vendors are critical for nationwide and regional market data, cross-industry perspective, and to assist with modeling different scenarios. The ability to identify, retain, and maximize the constructive use of a compensation vendor is likely a reflection of credit union resources, internal talent,

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and the credit union's experience in the marketplace. The retention of such a consultant by the NCUA may be one way for the NCUA to get nationwide visibility into industry compensation practices, and to help modernize its practices and examiner guidance in this area.

While we support the basic structure of the regulation, we encourage the NCUA to rework §701.21(c)(8) to provide clear guidance to credit unions and examiners as to the definition of "overall financial performance" and to use the proposed definition provided by NAFCU in its comment letter on this topic. Additional regulation beyond this clarification is likely unnecessary and will only add additional confusion. We appreciate the NCUA's willingness to re-evaluate this regulation and provide additional context and clarity on this topic. The long-term success of credit unions will be directly tied to the capabilities, vision, and resources available to credit union leaders. Expanding options in this area, with appropriate risk mitigation, will serve the industry as a whole.

Sincerely,

Rachel Norman

Rachel Norman
Chief Administration Officer