



June 24, 2019

Gerard Poliquin, Secretary to the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria VA 22314

Compensation in Connection with Loans and Lines of Credit to Members  
RIN 3133-AE97

Dear Secretary Poliquin:

Clearview Federal Credit Union (Clearview) appreciates this opportunity to comment on the NCUA's advance notice of proposed rulemaking that addresses compensation and incentives related to loans and lines of credit to members. NCUA seeks to improve section 701.21 of its rules and regulations. Clearview is a federal credit union with \$1.2 billion in assets and approximately 104,000 members.

NCUA could improve the current rule by adopting a principles-based approach to compensation and incentives related to loans and lines of credit to members. Overall, the rule would state that credit unions are responsible for developing their own incentive criteria and establishing appropriate oversight to ensure incentives do not encourage undue risk. For example, the current rule might be replaced with a broad policy statement based on the Interagency Guidance on Sound Incentive Compensation Policies adopted in 2010 by the Comptroller of the Currency and other regulators. The core of that guidance rests on three principles:

1. Provide employees with incentives that strike an appropriate balance of risk and reward;
2. Incentives should be compatible with effective controls and risk management; and
3. Incentives should be supported by strong corporate governance and effective oversight.

We do not recommend adoption of the 2010 Guidance wholesale. It is aimed at large banking organizations and would not be appropriate for smaller asset sized credit unions. The three core principals enable credit unions to adopt incentive programs grounded with risk management and appropriate controls.

Along those lines, a factor-oriented approach to incentives is preferable to a "bright-line" test. Credit unions should develop metrics which could include loan volume, growth, or productivity. The incentive would be balanced by periodic reviews of the plan in comparison to the credit union's financial condition. A plan might include discretionary provisions enabling management to adjust incentives if unintended consequences occur.

In sum, NCUA's review of incentives and compensation related to loans and lines of credit is beneficial. A migration to a principles-based rule that empowers credit unions to develop reasonable incentive packages that enable us to attract quality talent is welcome. The credit union's management can balance the risk by including rational metrics and discretionary measures if unintended results occur, thereby preserving safety and soundness.

We would be happy to discuss our comments at your convenience.

Very truly yours,



Thomas R. Garver – SVP Admin & Risk  
Clearview FCU