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June 24, 2019

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

RE: Compensation in Connection with Loans to Members and Lines of Credit to Members
RIN: 3133-AE97; Document Number: 2019-08166

Dear Secretary Poliquin,

GECU appreciates the opportunity to comment on the National Credit Union Association's proposal regarding Compensation in Connection with Loans to Members and Lines of Credit to Members. As the largest locally owned state-chartered credit union in El Paso, TX, serving a membership of over 390,800, and with assets greater than $2.8 billion, we commend the Agency on its commitment to balancing flexibility without encouraging inappropriate risks to safety and soundness.

Credit unions already face difficulty when competing for talent with other financial institutions as we are unable to offer the same long-term incentives without the ability to offer stock options. Therefore, we would not recommend implementing a "bright line test" that would restrict credit unions further. Additionally, a rule that was too specific or formulaic would not allow for credit unions to adopt measures specific to their size and complexity nor allow for them to assess for safety and soundness measures relative to their actual products' risk.

In 2010, other financial institution regulatory agencies (OCC, Federal Reserve, FDIC, OTS) provided guidance with considerable flexibility in structuring their incentive compensation arrangements in ways that both promote safety and soundness, and that help achieve compensation arrangements' other objectives. GECU recommends that the NCUA adopt similar guidance which would allow credit unions the ability to compete with other financial institutions on a more equitable basis and would further allow credit unions to adopt compensation arrangements that best fit their respective needs to avoid undue risk.

The Agencies agreed to be consistent with safety and soundness, and specified that compensation agreements should align with the following principles:

1. Provide employees incentives that appropriately balance risk and reward;
2. Be compatible with effective controls and risk-management; and
3. Be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

The guidance further advises implementation of compensation agreements consistent with these principles include some of the following features:

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- **Risk Balancing.** Compensation agreements should account for the full range of risks that employees' activities may pose for the organization, including credit, market, liquidity, operational, legal, compliance, and reputational risks.
- **Risk Sensitivity.** Four methods that are currently in use to make compensation more sensitive to risk are risk adjustment of awards; deferral of payment; longer performance periods; and reduced sensitivity to short-term performance.
- **Corporate Governance.** The board of directors should provide active and effective oversight by receiving data and analysis from management or other sources that are sufficient to allow the board to assess whether the overall design and performance of the credit union's incentive compensation arrangements are consistent with the credit union's safety and soundness.
- **Regular Review.** The entire process by which compensation agreements are adopted, reviewed for risk, oversight, etc. should be reviewed in its entirety at least annually to substantiate that the process aligns with the safety and soundness of the credit union. This would allow for credit unions to review and revise its incentive compensation arrangements and related controls to ensure that the implementation of arrangements do not provide employees incentives to take imprudent risks.

These principles and respective features would allow credit unions to actively examine the design and implementation of well-balanced incentive compensation arrangements. Thus we reemphasize the opposition for a rule that is too specific or "bright-lined" and instead urge the Agency to implement the principles already in practice by other financial institutions found in the Interagency Guidance on Sound Incentive Compensation Policies.

We appreciate the opportunity to comment on this proposal. If you have questions regarding our comments, please contact me directly at (915) 774-8203.

Sincerely,

Crystal Long
President/CEO

CL/dp