

regulatory action is significant and therefore subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the executive order. OMB has determined that this proposed rule is not a “significant regulatory action” as defined in section 3(f)(1) of Executive Order 12866. Executive Order 13563 (“Improving Regulations and Regulatory Review”) directs executive agencies to analyze regulations that are “outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned.” Executive Order 13563 also directs that, where relevant, feasible, and consistent with regulatory objectives, and to the extent permitted by law, agencies are to identify and consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public. The proposed rule eliminates a nonsubstantive reference in § 701.39 regarding statutory lien authority. This proposed rule is consistent with Executive Order 13563.

Executive Order 14192, entitled “Unleashing Prosperity Through Deregulation,” was issued on January 31, 2025. Section 3(c) of Executive Order 14192 requires that any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations. This proposed rule is expected to be a deregulatory action for purposes of Executive Order 14192.

C. The Regulatory Flexibility Act

The Regulatory Flexibility Act generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities.⁶ If the agency makes such a certification, it shall publish the certification at the time of publication of either the proposed rule or the final rule, along with a statement providing the factual basis for such certification.⁷ For purposes of this analysis, the NCUA considers small credit unions to be those having under \$100 million in assets.⁸ The Board fully considered the potential economic impacts of the regulatory amendment on small credit unions.

The proposed rule eliminates a nonsubstantive reference in § 701.39

regarding statutory liens. Accordingly, the NCUA certifies the proposed rule would not have a significant economic impact on a substantial number of small credit unions.

D. The Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (PRA) generally provides that an agency may not conduct or sponsor, and not withstanding any other provision of law, a person is not required to respond to, a collection of information, unless it displays a currently valid OMB control number. The PRA applies to rulemakings in which an agency creates a new or amends existing information collection requirements. For purposes of the PRA, an information-collection requirement may take the form of a reporting, recordkeeping, or a third-party disclosure requirement. The NCUA has determined that the change in the proposed rule does not create a new information collection or revise an existing information collection as defined by the PRA.

E. Analysis on Executive Order 13132 on Federalism

Executive Order 13132 encourages certain regulatory agencies to consider the impact of their actions on state and local interests. The NCUA, an agency as defined in 44 U.S.C. 3502(5), complies with the executive order to adhere to fundamental federalism principles. This proposed rule is intended to eliminate an unnecessary reference without making any substantive change. The regulation applies only to FCUs. Thus, it is not intended to affect the division of responsibilities between the NCUA and state regulatory authorities with oversight of federally insured, state-chartered credit unions.

F. Assessment of Federal Regulations and Policies on Families

The NCUA has determined that this proposed rule would not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999. The proposed rule amends the regulation regarding an FCU’s authority to impose a statutory lien on a member but makes no substantive change; thus, this proposed rule is not expected to have any effect on family well-being.

List of Subjects in 12 CFR Part 701

Advertising, Aged, Civil rights, Credit, Credit unions, Fair housing, Individuals with disabilities, Insurance, Marital status discrimination, Mortgages, Religious discrimination, Reporting and recordkeeping requirements, Sex

discrimination, Signs and symbols, Surety bonds.

By the National Credit Union Administration Board, this 20th day of February, 2026.

Melane Conyers-Ausbrooks,
Secretary of the Board.

For the reasons stated in the preamble, the Board proposes to amend 12 CFR part 701, as follows:

PART 701—ORGANIZATION AND OPERATION OF FEDERAL CREDIT UNIONS

■ 1. The authority citation for part 701 continues to read as follows:

Authority: 12 U.S.C. 1752(5), 1755, 1756, 1757, 1758, 1759, 1761a, 1761b, 1766, 1767, 1782, 1784, 1785, 1786, 1787, 1788, 1789. Section 701.6 is also authorized by 15 U.S.C. 3717. Section 701.31 is also authorized by 15 U.S.C. 1601 *et seq.*; 42 U.S.C. 1981 and 3601–3610. Section 701.35 is also authorized by 42 U.S.C. 4311–4312.

§ 701.39 [Amended]

■ 2. Amend § 701.39 by removing paragraph (a)(1) and redesignating paragraphs (a)(2) through (5) as paragraphs (a)(1) through (4).

[FR Doc. 2026–03758 Filed 2–24–26; 8:45 am]

BILLING CODE 7535–01–P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 701

RIN 3133–AF98

Compensation in Connection With Loans to Members and Lines of Credit to Members

AGENCY: National Credit Union Administration (NCUA).

ACTION: Proposed rule.

SUMMARY: The NCUA Board (Board) is issuing for public comment a proposal to amend the NCUA’s regulation that limits a federally insured credit union (FICU) official and employee compensation in connection with loans to members and lines of credit to members. These regulations have generated confusion and are unduly restrictive. To provide clearer and more flexible standards, the proposed rule would expressly permit incentive and bonuses to employees, including senior management, to incorporate lending metrics as part of compensation based on a credit union’s overall financial performance.

DATES: Comments must be received by April 27, 2026.

⁶ 5 U.S.C. 601 *et seq.*

⁷ 5 U.S.C. 605(b).

⁸ 80 FR 57512 (Sept. 24, 2015).

ADDRESSES: Comments may be submitted in one of the following ways. (*Please send comments by one method only*):

- *Federal eRulemaking Portal:* <https://www.regulations.gov>. The docket number for this proposed rule is NCUA–2026–0431. Follow the “Submit a comment” instructions. If you are reading this document on [federalregister.gov](https://www.federalregister.gov), you may use the green “SUBMIT A PUBLIC COMMENT” button beneath this rulemaking’s title to submit a comment to the [regulations.gov](https://www.regulations.gov) docket. A plain language summary of the proposed rule is also available on the docket website.

- *Mail:* Address to Melane Conyers-Ausbrooks, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314–3428.

- *Hand Delivery/Courier:* Same as mailing address.

Mailed and hand-delivered comments must be received by the close of the comment period.

Public inspection: Please follow the search instructions on <https://www.regulations.gov> to view the public comments. Do not include any personally identifiable information (such as name, address, or other contact information) or confidential business information that you do not want publicly disclosed. All comments are public records; they are publicly displayed exactly as received and will not be deleted, modified, or redacted. Comments may be submitted anonymously. If you are unable to access public comments on the internet, you may contact the NCUA for alternative access by calling (703) 518–6540 or emailing OGCMail@ncua.gov.

FOR FURTHER INFORMATION CONTACT: Ian Marenga, Associate General Counsel Office of General Counsel, at (703) 518–6540 or at 1775 Duke Street, Alexandria, VA 22314.

SUPPLEMENTARY INFORMATION:

I. Introduction

A. Background

The Board recognizes that the NCUA’s regulations in this area, which were last updated over 30 years ago, are unduly restrictive, especially as applied to senior executive compensation plans.¹ Accordingly, in April 2019,² the Board issued an advance notice of proposed rulemaking (ANPR) seeking comment on how to update the regulations so that FICUs can offer competitive compensation plans without

encouraging inappropriate risks, incentivizing bad loans, or negatively affecting safety and soundness.

Now, as part of its deregulatory efforts under pre-existing procedures and in accordance with Executive Order 14219, the Board is proposing to update the regulation to reduce regulatory burden by providing greater clarity and flexibility as to the compensation plans FICUs can offer employees. These changes are intended to reduce compliance burdens without diminishing statutory protections or the NCUA’s supervisory authority.

Currently, § 701.21(c)(8)(i) of the NCUA’s regulations establishes a blanket prohibition on the direct or indirect receipt of any commission, fee, or other compensation by any FICU official or employee, or an immediate family member of either, in connection with any loan made by their FICU.³ However, § 701.21(c)(8)(iii) carves out four exceptions to this blanket prohibition. Specifically, § 701.21(c)(8)(iii) permits:

(A) Payment, by a credit union, of salary to employees;

(B) Payment, by a credit union, of an incentive or bonus to an employee based on the credit union’s overall financial performance;

(C) Payment, by a credit union, of an incentive or bonus to an employee, other than a senior management employee, in connection with a loan or loans made by the credit union, provided that the board of directors of the credit union establishes written policies and internal controls in connection with such incentive or bonus and monitors compliance with such policies and controls at least annually; and

(D) Receipt of compensation from a person outside a credit union by a volunteer official or non-senior-management employee of the credit union, or an immediate family member of a volunteer official or employee of the credit union, for a service or activity performed outside the credit union, provided that no referral has been made by the credit union or the official, employee, or family member.

Section 701.21(c)(8) applies directly to federal credit unions (FCUs) and is applied to federally insured, state-chartered credit unions (FISCU) by § 741.203(a).⁴

³ 12 CFR 701.21(c)(8)(i).

⁴ 12 CFR 741.203(a) (“Any credit union which is insured pursuant to title II of the Act must: (a) Adhere to the requirements stated in . . . § 701.21(c)(8) of this chapter concerning prohibited fees. . . . Federally insured state chartered credit unions in a given state are exempt from these requirements if the state supervisory authority for

FICUs have demonstrated confusion about how to interpret the term “overall financial performance” in § 701.21(c)(8)(iii)(B). As noted, § 701.21(c)(8) contains a general prohibition against most credit union employees and officials receiving compensation made “in connection with any loan” a FICU makes, but provides exceptions, including one that permits incentive compensation to employees based on the FICU’s overall financial performance. FICUs have expressed uncertainty about whether the NCUA permits loan metrics such as aggregate loan growth to be a factor in assessing overall financial performance. They also have asserted that the regulation is subject to varying interpretations and levels of enforcement across the NCUA’s regions.

The NCUA received 27 comments on the ANPR, representing a variety of perspectives on how the NCUA should improve the current regulations. Generally, commenters overwhelmingly supported changes, additional clarity, or both in this area, describing the current regulation as outdated and unclear. The commenters differed in their preferred approaches, with some favoring changes to the current regulation and others advocating flexible guidance. Under either approach, commenters generally favored a principles-based approach. Several commenters were concerned about the NCUA defining “overall financial performance” prescriptively and preferred guidance or commentary to clarify that credit unions may consider lending as part of a broad and balanced set of organizational goals and performance measures. Only one commenter opposed modernizing the regulation, citing safety and soundness and consumer protection concerns. This commenter stated that loan-related incentives are risky and opined that loan incentives can easily overrun any established guardrails.

Based on a review of the regulation and the comments and the NCUA’s own experience in implementing the regulation, the NCUA determined limitations on compensation tied to lending are still necessary. Thus, § 701.21(c)(8) remains a general prohibition with defined exceptions. However, to provide FICUs with further clarity and increased flexibility to provide compensation plans in alignment with modern practices, the proposed rule would clarify employees,

that state adopts substantially equivalent regulations as determined by the NCUA Board or. . . . In nonexempt states, all required NCUA reviews and approvals will be handled in coordination with the state credit union supervisory authority[.]”.

¹ 60 FR 51886 (Oct. 4, 1995).

² 84 FR 16796 (Apr. 23, 2019).

including senior management, can receive incentives or bonuses related to lending metrics as part of compensation, provided they are based on a FICU's overall financial performance. The proposal would achieve this by adopting a regulatory definition of "overall financial performance" that supersedes the NCUA's current understanding of the term and simultaneously provides FICUs with more flexibility and a clearer framework.

The proposed definition would provide broader standards that would allow FICUs to consider lending as part of a broad and balanced set of organizational goals and performance measures.

B. Legal Authority

The Board is issuing this proposal pursuant to its authority under the Federal Credit Union Act (FCU Act). Under the FCU Act, the NCUA is the chartering and supervisory authority for federal credit unions and the federal supervisory authority for FICUs.⁵ The FCU Act grants the NCUA a broad mandate to issue regulations governing both FCUs and all FICUs. Section 120 of the FCU Act is a general grant of regulatory authority and authorizes the Board to prescribe rules and regulations for the administration of the FCU Act.⁶ Section 207 of the FCU Act is a specific grant of authority over share insurance coverage, conservatorships, and liquidations.⁷ Section 209 of the FCU Act is a plenary grant of regulatory authority to issue rules and regulations necessary or appropriate to carry out its role as share insurer for all FICUs.⁸ Accordingly, the FCU Act grants the Board broad rulemaking authority to ensure that the credit union industry and the National Credit Union Share Insurance Fund remain safe and sound.

II. Proposed Rule

Section 701.21(c)(8) generally prohibits most credit union employees and officials from receiving compensation made "in connection with any loan" a FICU makes, but provides exceptions, including one that permits incentive compensation to employees based on the FICU's overall financial performance. The Board is proposing to amend § 701.21(c)(8) by adopting a broad definition of "overall financial performance" that provides regulatory clarity and additional flexibility for the types of bonus or

incentive payments that can be made to a FICU employee, including a senior management employee, based on the FICU's overall financial performance. Specifically, the Board proposes to adopt the following definition:

Overall financial performance means a quantifiable metric or set of metrics, set by a credit union's board of directors, used to measure a credit union's achievement of targeted performance goals. No compensation plan may permit any unsafe or unsound practice or any unsafe or unsound reliance on individual metrics which may include, but not be limited to, lending-related goals and metrics. No compensation plan may permit compensation in conflict with other applicable laws.

In proposing this definition, the Board is aiming to clarify that FICUs have the flexibility to provide compensation plans that incorporate lending as part of a broad and balanced set of organizational goals and performance measures that reflect the FICU's overall financial performance. This could include, for example, aggregate loan growth or loan performance metrics such as loan delinquency or loss rates. The Board recognizes that FICUs need flexibility to adapt compensation to reflect their organizational goals and market demands. The proposed definition is intended to allow FICUs to offer competitive compensation plans without encouraging inappropriate risks, incentivizing bad loans, or negatively affecting safety and soundness.

The Board considered whether to include examples of metrics in the definition of overall financial performance but felt that a broad and principles-based definition would provide FICUs the most latitude to execute their business judgment as to their own financial performance goals and the appropriate compensation for meeting them. While the Board is proposing this principles-based definition, the Board does stress that FICUs are always expected to operate in a safe and sound manner and in compliance with all applicable laws. Accordingly, the proposed definition explicitly states that no compensation plan may permit any unsafe or unsound practice or any unsafe or unsound reliance on individual metrics. In reviewing compensation plans based on a FICU's overall financial performance, the NCUA would expect FICUs to demonstrate that their boards have fully considered how the compensation plans incentivize the goals of the FICU and that the metrics do not incentivize any unsafe or unsound practices, either individually or in the aggregate. The proposed definition also states that no

compensation plan may permit compensation in conflict with other applicable laws.

The Board is also proposing to amend the exception provided in § 701.21(c)(8)(iii)(B) for providing an employee with compensation based on the FICU's overall financial performance to explicitly include senior management employees.

The Board solicits comments on all aspects of this proposal. The Board is particularly interested in input as to whether reference to lending-related metrics should be included in the definition of overall financial performance.

III. Regulatory Procedures

A. Providing Accountability Through Transparency Act of 2023

The Providing Accountability Through Transparency Act of 2023 (5 U.S.C. 553(b)(4)) requires that a notice of proposed rulemaking include the internet address of a summary of not more than 100 words in length of a proposed rule, in plain language, that shall be posted on the internet website under section 206(d) of the E-Government Act of 2002 (44 U.S.C. 3501 note) (commonly known as *regulations.gov*).

In summary, to provide more flexible standards that are more in line with modern practices while still prioritizing safety and soundness, the proposed rule includes a definition of overall financial performance that clarifies the metrics by which all credit union employees may be compensated.

The proposal and the required summary can be found at <https://www.regulations.gov>.

B. Executive Orders 12866, 13563, and 14192

Pursuant to Executive Order 12866 ("Regulatory Planning and Review"), as amended by Executive Order 14215, a determination must be made whether a regulatory action is significant and therefore subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the Executive Order.⁹ Executive Order 13563 ("Improving Regulation and Regulatory Review") supplements and reaffirms the principles, structures, and definitions governing contemporary regulatory review established in Executive Order 12866.¹⁰ This proposed rule was drafted and reviewed in accordance with Executive Order 12866 and Executive Order 13563. OMB has determined that this proposed rule is

⁵ 12 U.S.C. 1752–1775.

⁶ 12 U.S.C. 1766(a).

⁷ 12 U.S.C. 1787.

⁸ 12 U.S.C. 1789.

⁹ 58 FR 51735 (Oct. 4, 1993).

¹⁰ 76 FR 3821 (Jan. 21, 2011).

not a “significant regulatory action” as defined in section 3(f)(1) of Executive Order 12866.

Executive Order 14192 (“Unleashing Prosperity Through Deregulation”) requires that any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations.¹¹ This proposed rule is expected to be a deregulatory action for purposes of Executive Order 14192.

C. Regulatory Flexibility Act

The Regulatory Flexibility Act¹² generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. If the agency makes such a certification, it shall publish the certification at the time of publication of either the proposed rule or the final rule, along with a statement providing the factual basis for such certification.¹³ For purposes of this analysis, the NCUA considers small credit unions to be those having under \$100 million in assets.¹⁴ The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions.

The proposed changes would reduce regulatory burdens and confusion by providing a definition of overall financial performance that clarifies the metrics by which all credit union employees may be compensated.

Accordingly, the NCUA certifies the proposed rule would not have a significant economic impact on a substantial number of small credit unions.

D. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (PRA) generally provides that an agency may not conduct or sponsor, and not withstanding any other provision of law, a person is not required to respond to, a collection of information, unless it displays a currently valid Office of Management and Budget control number. The PRA applies to rulemakings in which an agency creates a new or amends existing information collection requirements. For purposes of the PRA, an information-collection requirement may take the form of a reporting, recordkeeping, or a third-

party disclosure requirement. The NCUA has determined that the changes addressed in this notice do not create a new information collection or revise an existing information collection as defined by the PRA.

E. Executive Order 13132 on Federalism

Executive Order 13132 encourages certain agencies to consider the impact of their actions on state and local interests. The NCUA, an agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order to adhere to fundamental federalism principles. The proposed clarification would provide regulatory clarity and simplify administration of the NCUA’s regulations and thus would not have a direct effect on the states, the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government.

F. Assessment of Federal Regulations and Policies on Families

The NCUA has determined that this proposed rule would not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999.¹⁵ The proposed rule would provide regulatory clarity by adding a definition of overall financial performance. While the proposed definition is intended to reduce regulatory burden by providing regulatory clarity to allow FCUs greater flexibility to compensate employees, any potential positive effect on family well-being, including financial well-being is, at most, indirect.

List of Subjects in 12 CFR Part 701

Advertising, Aged, Civil rights, Credit, Credit unions, Fair housing, Individuals with disabilities, Insurance, Marital status discrimination, Mortgages, Religious discrimination, Reporting and recordkeeping requirements, Sex discrimination, Signs and symbols, Surety bonds.

By the National Credit Union Administration Board, this 20th day of February, 2026.

Melane Conyers-Ausbrooks,
Secretary of the Board.

For the reasons stated in the preamble, the NCUA Board proposes to amend 12 CFR part 701 as follows:

PART 701—ORGANIZATION AND OPERATION OF FEDERAL CREDIT UNIONS

■ 1. The authority citation for part 701 continues to read as follows:

Authority: 12 U.S.C. 1752(5), 1755, 1756, 1757, 1758, 1759, 1761a, 1761b, 1766, 1767, 1782, 1784, 1785, 1786, 1787, 1788, 1789. Section 701.6 is also authorized by 15 U.S.C. 3717. Section 701.31 is also authorized by 15 U.S.C. 1601 *et seq.*; 42 U.S.C. 1981 and 3601–3610. Section 701.35 is also authorized by 42 U.S.C. 4311–4312.

■ 2. Amend § 701.21(c)(8)(ii) to add the definition of “Overall Financial Performance” in alphabetical order to read as follows:

§ 701.21 Loans to members and lines of credit to members.

* * * * *

(c) * * *

(8) * * *

(ii) * * *

Overall Financial Performance means a quantifiable metric or set of metrics, set by a credit union’s board of directors, used to measure a credit union’s achievement of targeted performance goals which may include, but not be limited to, lending-related goals and metrics. No compensation plan may permit any unsafe or unsound practice or any unsafe or unsound reliance on individual metrics. No compensation plan may permit compensation in conflict with other applicable laws.

* * * * *

■ 3. Revise § 701.21(c)(8)(iii)(B) to read as follows:

§ 701.21 Loans to members and lines of credit to members.

* * * * *

(c) * * *

(8) * * *

(iii) * * *

(B) * * *

Payment by a Federal credit union of an incentive or bonus to an employee, including a senior management employee, based on the credit union’s overall financial performance.

* * * * *

[FR Doc. 2026–03754 Filed 2–24–26; 8:45 am]

BILLING CODE 7535–01–P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 701

RIN 3133–AF83

Credit Union Service Contracts

AGENCY: National Credit Union Administration (NCUA).

¹¹ 90 FR 9065 (Feb. 6, 2025).

¹² 5 U.S.C. 601 *et seq.*

¹³ 5 U.S.C. 605(b).

¹⁴ 80 FR 57512 (Sept. 24, 2015).

¹⁵ Public Law 105–277, 112 Stat. 2681 (1998).