

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).

ACTION: Proposed rule.

SUMMARY: The NCUA Board (Board) is proposing to revise its regulations governing the organization and operation of federal credit unions (FCUs) by eliminating a provision related to credit union service contracts. The Board intends to reduce administrative costs and compliance complexity with this revision, enabling FCUs to serve their members more efficiently.

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

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–2026–0434. 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: Rachel Ackmann, Senior Attorney, Office of General Counsel, at (703) 518–6540 or at 1775 Duke Street, Alexandria, VA 22314.

SUPPLEMENTARY INFORMATION:

I. Introduction

A. Background

The NCUA originally issued rules related to FCUs entering service contracts in the 1970s.¹ In 1982, the rules governing service centers and other FCU contracting activities were combined into one section with the purpose of enhancing the scope of FCU contractual agreements.² Section 701.26 has remained largely unchanged since 1982 with one exception. A 1998 amendment removed a provision that treated advance payments to a vendor for more than 3 months of service as an investment in a credit union service organization, a change made to reduce regulatory burden and provide FCUs with greater flexibility in managing vendor contracts.³ Section 701.26 has not been amended since 1998.

B. Legal Authority

Section 107(1) of the FCU Act gives an FCU the power to enter into contracts.⁴ Additionally, the incidental powers provision of the Federal Credit Union Act (FCU Act) expressly grants FCUs the power “to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.”⁵ Accordingly, FCUs have broad authority to enter into contractual agreements to perform or engage in activities that are expressly authorized by the FCU Act or are incidental to the business of credit unions.

Additionally, the FCU Act includes a general grant of regulatory authority and it authorizes the Board to prescribe regulations for the administration of the FCU Act.⁶ Therefore, the Board has authority to regulate FCU contractual agreements.

Part 701 of the NCUA’s regulations codifies these FCU Act authorities and governs the organization and structure of FCUs, including a wide range of operational activities. The part establishes the framework for essential functions such as lending, governance, member services, and ensuring that FCUs operate in a safe and sound manner.

Section 701.26 addresses authority for an FCU to enter contracts for assets or services that relate to its daily operations. The regulation covers contracts with third-party vendors and

other organizations, including credit unions, that offer services to credit unions. The regulation also allows one FCU to represent one or more other credit unions or organizations in contractual arrangements with a third party and authorizes the sharing of fixed assets.⁷ Agreements must be in writing and must advise all parties subject to the agreement that the goods and services provided are subject to examination by the NCUA to the extent permitted by law. Section 701.26 does not give FCUs the authority to provide services directly to other credit unions but reflects authority to contract for assets or services that may be offered to credit unions through shared service arrangements. That is, § 701.26 does not address FCUs directly offering services to other credit unions.

II. Proposed Rule

The Board now proposes to remove § 701.26. The authority for an FCU to enter into contracts for operational services is inherent in its charter and its general powers under the FCU Act. The regulation’s principal requirement—that such agreements be in writing—is a standard business practice, which exists regardless of whether it is mentioned in the NCUA’s regulations. The Board continues to expect FCUs to adhere to standard business practices and maintain safe and sound practices regarding third-party contracts, including that all contracts should be written.⁸ Thus, the regulation is superfluous, and its removal will streamline the NCUA’s regulations.

The Board notes that § 701.26 provides that all subject agreements must advise parties of the NCUA’s examination authority. The Board believes this provision is unnecessary because the NCUA’s examination authority is generally limited to the products, services, and operations of the credit union, not vendors that may supply products and services. The NCUA will examine any such products and services in relation to the credit union offering them. One exception is related to the NCUA’s access to credit union service organization books and records that is included in part 712, but the Board does not otherwise require credit union vendors to provide the NCUA access to their books and

⁷ Examples of where an FCU may represent another credit union or organization include sharing of management services, loan operations, and negotiations with vendors for shared services or products. 47 FR 30460 (July 14, 1982).

⁸ SL No. 07–01 (2007), available at <https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/evaluating-third-party-relationships-0>.

¹ 39 FR 44422 (Dec. 24, 1974).

² 47 FR 30460 (July 14, 1982).

³ 63 FR 10756 (Mar. 5, 1998).

⁴ 12 U.S.C. 1757(1).

⁵ 12 U.S.C. 1757(17).

⁶ 12 U.S.C. 1766(a).

records.⁹ Accordingly, the Board does not believe the removal of this requirement would result in a substantive change to current NCUA policy.

The Board solicits comments on all aspects of the proposed rule. Additionally, the Board solicits comments on the authority under § 701.26 for FCUs, in joint operations and other resource sharing situations, to act as a representative of another credit union or organization. The Board has found that such FCU representation to be authorized under the incidental powers provision of the FCU Act. The authority, however, is not reflected in part 721.¹⁰ The Board solicits comment on whether it is necessary to amend part 721 to reflect this authority. The Board may amend part 721 in finalizing this proposed rule if it finds an amendment necessary for clarity.

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, the Board is proposing a rule to streamline its regulations governing the organization and operation of FCUs by eliminating a provision related to credit union service contracts. The intended effect is to reduce administrative costs and compliance complexity, enabling credit unions to serve their members more efficiently.

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

⁹ 12 CFR 712.3(d).

¹⁰ 12 CFR pt. 721. Section 701.26 does not give FCUs the authority to provide services directly to other credit unions. 54 FR 48110 (Nov. 21, 1989). FCUs are authorized to provide their services directly to other credit unions under various express powers and the incidental powers clause of the FCU Act. For example, correspondent services are services or functions provided by an FCU to another credit union that the FCU is authorized to perform for its own members or as part of its operation. Correspondent services are expressly included in part 721. The existing provision related to correspondent services is a separate and distinct activity from the authority granted in § 701.26. 66 FR 40845 (Aug. 6, 2001).

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.¹¹ Executive Order 13563 (“Improving Regulation and Regulatory Review”) supplements and reaffirms the principles, structures, and definitions governing contemporary regulatory review established in Executive Order 12866.¹² 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 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.¹³ 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. 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. For purposes of this analysis, the NCUA considers small credit unions to be those having under \$100 million in assets. The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions. The proposed rule only removes an existing regulatory provision related to FCU contracting. The regulation’s requirement—that such agreements be in writing—is a standard business practice, which exists regardless of whether it is mentioned in the NCUA’s regulations. The Board considers the regulation to be superfluous, and its removal would

streamline the NCUA’s regulations, thereby reducing burden.

Accordingly, the NCUA certifies the proposed rule would not impose 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 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 in the proposed rule do 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 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. The proposed changes would only apply to and affect FCUs and would not affect state-chartered credit unions. The proposed rule would have no effect on states or on the distribution of power and responsibilities among the various levels of government. Therefore, the Board affirms it will not 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 relates to FCUs’ contractual requirements, and any effect on family well-being is expected to be indirect.

List of Subjects in 12 CFR Part 701

Advertising, Aged, Civil rights, Credit, Credit unions, Fair housing, Individuals with disabilities, Insurance, Marital

¹¹ 58 FR 51735 (Oct. 4, 1993).

¹² 76 FR 3821 (Jan. 21, 2011).

¹³ 90 FR 9065 (Feb. 6, 2025).

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 set forth in the preamble, the NCUA Board proposes to amend 12 CFR part 701 to read 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.

§ 701.26 [Removed and reserved]

■ 2. Remove and reserve § 701.26.

[FR Doc. 2026–03757 Filed 2–24–26; 8:45 am]

BILLING CODE 7535–01–P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Parts 701 and 746

RIN 3133–AF95

Purchase, Sale, and Pledge of Eligible Obligations

AGENCY: National Credit Union Administration (NCUA).

ACTION: Proposed rule.

SUMMARY: The NCUA Board (Board) solicits public comment on a proposal to streamline its regulations governing the purchase, sale, and pledge of eligible obligations. The Board proposes to remove the prescriptive lists of items that must be addressed in the written policies adopted by a federal credit union (FCU). Although FCUs would still be required to maintain written policies, removing the mandated items will enable a more efficient and principles-based approach. The Board also proposes to remove detailed requirements regarding conflicts of interest and compensation. These regulatory provisions are unnecessary since FCUs are already governed by broader conflict of interest provisions in their bylaws and by the fiduciary duties of their officials.

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

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–2026–0432. 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:

Ariel Pereira and John Brolin, Senior Attorneys, Office of General Counsel, at (703) 518–6540, or at 1775 Duke Street, Alexandria, VA 22314.

SUPPLEMENTARY INFORMATION:

I. Introduction

A. Background

In a final rule published on May 9, 1977, the NCUA established the regulations currently codified in 12 CFR 701.23.¹ Section 701.23 implements section 107(13) of the Federal Credit Union Act (FCU Act), which authorizes CUs to purchase, sell, and pledge

eligible obligations to provide greater flexibility in meeting member demand and improving liquidity.² A 1981 final rule further enhanced this flexibility by excluding adjustable-rate mortgage loans from certain asset limitations and clarifying an FCU’s right to enforce “due on sale” clauses, thereby promoting safe and sound participation in the secondary mortgage market.³ The regulations have been periodically amended since then. Section 701.23 was most recently amended through a 2023 final rule that provided additional flexibility for federally insured credit unions (FICUs) to use advanced technologies and opportunities offered by the financial technology sector.⁴

B. Legal Authority

The Board is issuing this proposed rule pursuant to its authority under the FCU Act. Under the FCU Act, the NCUA is the chartering and supervisory authority for FCUs and the federal supervisory authority for FICUs. The FCU Act grants the NCUA a broad mandate to issue regulations governing both FCUs and FICUs. Section 120 of the FCU Act is a general grant of regulatory authority and authorizes the Board to prescribe regulations for the administration of the FCU Act.⁵ Section 209 of the FCU Act is a plenary grant of regulatory authority to the NCUA to issue regulations necessary or appropriate to carry out its role as share insurer for all FICUs.⁶ The FCU Act also includes an express grant of authority for the Board to subject federally chartered central, or corporate, credit unions to such rules, regulations, and orders as the Board deems appropriate.⁷

II. Proposed Rule

Section 701.23 governs the purchase of whole or partial loans from various sources, including the eligible obligations of an FCU’s own members, student loans, and real estate-secured loans. It establishes requirements for written policies, board approval, and limitations on the aggregate amount of purchased obligations. While section 107(13) of the FCU Act requires the Board to prescribe “rules and regulations” for the purchase, sale, and pledge of eligible obligations, the Board has determined that several provisions of § 701.23 are not statutorily required and impose an unnecessary regulatory burden. The Board is therefore

² 12 U.S.C. 1757(13).

³ 46 FR 38678 (July 29, 1981).

⁴ 88 FR 67570 (Sept. 29, 2023).

⁵ 12 U.S.C. 1766(a).

⁶ 12 U.S.C. 1789.

⁷ 12 U.S.C. 1766(a).

¹ 44 FR 27071 (May 9, 1979). The regulation was originally codified in § 701.21–8 but was subsequently redesignated as § 701.23 as part of the Board’s comprehensive 1984 revision of its lending regulations (49 FR 30683, Aug. 1, 1984).