basis for such certification.[19] For purposes of this analysis, NCUA considers small credit unions to be those having under $100 million in assets.[20] The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions.

The final rule is intended to ease the compliance burden on FCUs by limiting the number of sources that FCUs of all sizes must check to ensure compliance with applicable requirements. The rescission is also designed to reduce confusion by allowing FCUs to focus principally on applicable statutes and codified regulations. The rescission imposes no new requirements that would result in FCUs (irrespective of size) incurring an economic cost. To the extent the rescission has any economic impact, it will be indirect by reducing the staff time and other resources FCUs currently devote to checking potentially duplicative sources to ensure compliance with existing requirements in the Chartering Manual. Accordingly, NCUA certifies the final rule will not have a significant economic impact on a substantial number of small credit unions.

C. 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 rulemaking 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. NCUA has determined that the changes in the rule do not create a new information collection or revise an existing information collection as defined by the PRA. Accordingly, no PRA submissions to OMB will be made with respect to this rule.

D. Executive Order 13132 on Federalism

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on state and local interests.[21] NCUA, an agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order to adhere to fundamental federalism principles. NCUA expects that any effect on states or on the distribution of power and responsibilities among the various levels of government will be minor. This final rule would only affect FCUs. The final rule reinforces existing regulatory requirements applicable solely to FCUs and is not intended to affect the division of responsibilities between NCUA and state regulatory authorities with oversight of federally insured, state-chartered credit unions. The rulemaking therefore does not have 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.

E. Assessment of Federal Regulations and Policies on Families

NCUA has determined that this final rule will not affect family well-being within the meaning of Section 654 of the Treasury and General Government Appropriations Act, 1999.[22] The final rule relates to the chartering and FOM requirements for FCUs, and any effect on family well-being is expected to be indirect.

F. Congressional Review Act

Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996, also known as the Congressional Review Act (CRA), generally provides for congressional review of agency rules.[23] NCUA must submit a report to Congress and the Comptroller General when it issues a final rule, as defined by the CRA.[24] An agency rule, in addition to being subject to congressional oversight, may also be subject to a delayed effective date if the rule is a ''major rule.'' OIRA has determined that this rule is not a ''major rule'' within the meaning of the relevant sections of the CRA. NCUA will also file appropriate reports with Congress and the Comptroller General so this rule may be reviewed.

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 29th day of July, 2026.

Melane Conyers-Ausbrooks,

Secretary of the Board.

[FR Doc. 2026–16024 Filed 8–5–26; 8:45 am]

BILLING CODE 7535–01–P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Parts 701 and 721

RIN 3133–AF83

Credit Union Service Contracts

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final rule.

SUMMARY: The NCUA Board (Board) is revising 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: This final rule is effective on September 8, 2026.

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

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 to enhance the scope of FCU contractual agreements. 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 three [2] 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 Federal Credit Union Act (FCU Act) gives an FCU the

[19] 5 U.S.C. 605(b).

[20] 80 FR 57512 (Sept. 24, 2015).

[21] 64 FR 43255 (Aug. 4, 1999).

[22] Public Law 105–277, 112 Stat. 2681 (1998).

[23] 5 U.S.C. 801–808.

[24] 5 U.S.C. 804(3).

[1] 39 FR 44422 (Dec. 24, 1974).

[3] 63 FR 10756 (Mar. 5, 1998).

power to enter into contracts.[4] Additionally, the incidental powers provision of the 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 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 defines a FCU's authority 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 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.

On February 25, 2026, the Board issued a proposed rule to eliminate § 701.26 because it is unnecessary. The authority for an FCU to enter contracts for operational services is inherent in its charter and its general powers under the FCU Act.[8] Additionally, 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 NCUA's regulations. Accordingly, the Board proposed to rescind § 701.26 to reduce administrative costs and compliance complexity, enabling FCUs to serve their members more efficiently.

II. Final Rule

A. Overview

This final rule follows publication of the proposed rule and takes into consideration the comments received on the proposal. By the close of the public comment period on April 27, 2026, the Board received 12 public comments. Comments were submitted by individuals, FCUs, state credit union leagues, and national credit union trade associations. After careful consideration of the issues raised by the commenters, the Board has decided to adopt the proposal with one change. The final rule amends NCUA's incidental powers rule to reflect FCU authority to represent one or more other credit unions or organizations in contractual arrangements with a third party and authorizes the sharing of fixed assets.

B. Discussion of Public Comments

This section of the preamble discusses the significant issues raised by the commenters, and the Board's responses to the comments.

One individual commenter opposed the proposed rule. This commenter generally raised concern about NCUA's deregulatory efforts and stated the proposal prioritized reducing regulatory obligations over maintaining the safeguards necessary to protect credit union members, but the commenter did not have comments specific to the proposed rule.

Another commenter did not outrightly oppose the proposed rule but expressed substantial concerns. The commenter noted that service provider relationships remain operationally significant to many FCUs and can present third-party risk. The commenter was in favor of removing outdated prescriptive language only if maintaining sound risk management expectations, such as adopting clear guidance to replace it. The commenter reasoned that without a clear framework, contracts may omit essential provisions such as audit rights and information security obligations. The commenter also suggested that removal could lead to unclear expectations and inconsistent examiner interpretations across regions on what is standard business practice.

The Board agrees with the commenter that third-party service provider relationships remain operationally significant, and sound due diligence related to contractual relationships is imperative to the success of these relationships. The Board notes that it 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.[9] However, § 701.26 does not impose any minimum standards for contracts, outside of the requirement for contracts to be in writing. Therefore, while the Board agrees with the importance of managing third-party relationships, the removal of § 701.26 does not raise any concern regarding FCU management of third-party relationships. The Board also does not believe that removal of § 701.26 leads to unclear expectations regarding standard business practices.

Most commenters supported removing § 701.26. Commenters pointed to redundance with the FCU Act, which includes authority for FCUs to enter contracts for operational services. Other commenters stated that it is unnecessary to explicitly state that FCUs must execute contracts in writing, as that is standard business practice. One commenter noted that state law may require contracts to be in writing. Many commenters stated that removing § 701.26 would streamline regulations, reduce administrative costs, and allow FCUs to operate more efficiently without compromising safety and soundness. The Board agrees with these commenters as outlined in the proposed rule.

One commenter encouraged the Board to consider reaffirming, either in the preamble to the final rule or through supervisory guidance, that the removal of § 701.26 does not alter existing expectations regarding written contracts, vendor oversight, or safe and sound third-party risk management practices. The Board is reaffirming that the removal of § 701.26 does not alter existing expectations regarding written contracts, vendor oversight, or safe and sound third-party risk management practices. To operate safely and soundly, FCUs must carefully consider the potential risks these relationships

[4] 12 U.S.C. 1757(1).

[5] 12 U.S.C. 1757(17).

[6] 12 U.S.C. 1766(a).

[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] 91 FR 9185 (Feb. 25, 2026).

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

may present and how to manage them. FCUs should consider how contracts address important terms, such as audit rights, information security obligations, business continuity expectations, indemnification, performance metrics, data ownership/return provisions, termination for cause or convenience language, and dispute resolution terms.

The proposed rule specifically sought comments on whether part 721 should be updated to explicitly recognize the authority of FCUs, in joint operations and other resource sharing situations, to act as a representative of another credit union or organization. Commenters were mixed. One commenter did not believe it was necessary as part 721 provides sufficient flexibility to include this authority, but a few commenters recommended updating part 721. One commenter generally stated that the absence of clear regulatory text may create uncertainty for FCUs, examiners, and third-party partners. One commenter stated that NCUA should clarify whether a corporate credit union may act in such a representative capacity. Section 701.26 does not govern corporate credit unions permissible activities and permissible activities for corporate credit unions are subject to § 704.12.

In response to commenters, the final rule amends part 721 to explicitly recognize the authority of FCUs, in joint operations and other resource sharing situations, to act as a representative of another credit union or organization. The provision permits an FCU to represent another credit union in contractual arrangements, but does not authorize an FCU to provide any other services or activities to FCUs, only to act as a representative.[10]

III. Regulatory Procedures

A. Executive Orders 12866, 13563, and 14192

Pursuant to Executive Order 12866 (''Regulatory Planning and Review''), a determination must be made whether a regulatory action is significant and therefore subject to review by the Office of Information and Regulatory Affairs (OIRA), within 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 final rule was drafted and reviewed in accordance with Executive Order 12866 and Executive Order 13563. OIRA has determined that this final rule is not a ''significant regulatory action'' as defined by section 3(f) 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 final rule is considered an Executive Order 14192 deregulatory action.

B. Regulatory Flexibility Act

The Regulatory Flexibility Act[14] 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.[15] For purposes of this analysis, NCUA considers small credit unions to be those having under $100 million in assets.[16] The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions.

The final 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 NCUA's regulations. The Board considers the regulation to be superfluous, and its removal streamlines NCUA's regulations, thereby reducing burden.

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

C. 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 rulemaking 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. NCUA has determined that the changes in the rule do not create a new information collection or revise an existing information collection as defined by the PRA. Accordingly, no PRA submissions to OMB will be made with respect to this rule.

D. Executive Order 13132 on Federalism

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on state and local interests.[17] 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 changes only apply to and affect FCUs and do not affect state-chartered credit unions. The final rule has 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 NCUA and state regulatory authorities with oversight of federally insured, state-chartered credit unions.

E. Assessment of Federal Regulations and Policies on Families

NCUA has determined that this final rule will not affect family well-being within the meaning of Section 654 of the Treasury and General Government Appropriations Act, 1999.[18] The final rule relates to FCUs' contractual requirements, and any effect on family well-being is expected to be indirect.

F. Congressional Review Act

Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996, also known as the Congressional Review Act (CRA), generally provides for congressional review of agency rules.[19] NCUA must submit a report to Congress and the Comptroller General when it issues a final rule, as defined by the CRA.[20] An agency rule, in addition to being subject to congressional oversight, may also be subject to a delayed effective date if the rule is a ''major rule.'' OIRA has determined that this rule is not a ''major rule'' within the meaning of the relevant sections of the

[10] 66 FR 40845 (Aug. 6, 2001).

[11] 58 FR 51735 (Oct. 4, 1993).

[12] 76 FR 3821 (Jan. 21, 2011).

[13] 90 FR 9065 (Feb. 6, 2025).

[14] 5 U.S.C. 601 *et seq.*

[15] 5 U.S.C. 605(b).

[16] 80 FR 57512 (Sept. 24, 2015).

[17] 64 FR 43255 (Aug. 4, 1999).

[18] Public Law 105–277, 112 Stat. 2681 (1998).

[19] 5 U.S.C. 801–808.

[20] 5 U.S.C. 804(3).

CRA. NCUA will also file appropriate reports with Congress and the Comptroller General so this rule may be reviewed.

List of Subjects

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.

12 CFR Part 721

Incidental powers, Credit unions.

By the National Credit Union Administration Board, this 29th day of July, 2026.

Melane Conyers-Ausbrooks,

Secretary of the Board.

For the reasons stated in the preamble, the NCUA Board amends 12 CFR parts 701 and 721 as follows:

PART 701—ORGANIZATION AND OPERATION OF FEDERAL CREDIT UNIONS

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

Authority: 12 U.S.C. 1752(5), 1755, 1756, 1757, 1758, 1759, 1761, 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 12 U.S.C. 4311–4312.

§ 701.26 [Removed and reserved]

■ 2. Remove and reserve § 701.26.

PART 721—INCIDENTAL POWERS

■ 3. The authority citation for part 721 continues to read as follows:

Authority: 12 U.S.C. 1757(17), 1766 and 1789.

■ 4. Amend § 721.3, by adding paragraph (n) to read as follows:

§ 721.3 What categories of activities are preapproved as incidental powers necessary or requisite to carry on a credit union's business?

* * * * *

(n) *Representative activities.* Acting as a representative of and entering into a contractual agreement with one or more credit unions or other organizations for the purpose of sharing, utilizing, renting, leasing, purchasing, selling, and/or joint ownership of fixed assets or engaging in activities and/or services which relate to the daily operations of credit unions.

[FR Doc. 2026–16021 Filed 8–5–26; 8:45 am]

BILLING CODE 7535–01–P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Parts 701, 741, and 746

RIN 3133–AF88

Third-Party Servicing of Indirect Vehicle Loans

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final rule.

SUMMARY: The NCUA Board (Board) is issuing a final rule removing NCUA's unnecessarily prescriptive regulation regarding third-party servicing of indirect vehicle loans. This action will reduce regulatory burden and provide federally insured credit unions (FICUs) with greater operational flexibility, consistent with a principles-based supervisory approach. The intent is to reduce administrative costs and compliance complexity, enabling credit unions to serve their members more efficiently.

DATES: This final rule is effective on September 8, 2026.

FOR FURTHER INFORMATION CONTACT: John H. Brolin or Ariel Pereira, Senior Staff Attorneys, at (703) 518–6540; or at 1775 Duke Street, Alexandria, VA 22314.

SUPPLEMENTARY INFORMATION:

I. Introduction

A. Background

In 2006 NCUA approved a final rule (2006 Final Rule) governing FICU purchases of indirect vehicle loans serviced by third parties, which is codified in §§ 701.21(h) and 741.203(c) of NCUA's regulations. At that time, the Board recognized that indirect lending has certain advantages for credit unions, such as growth in membership and loans. The Board was concerned, however, that some credit unions may involve themselves in indirect lending programs without adequate due diligence, appropriate controls, or sufficient experience with a third-party servicer. At that time, the Board thought this could create undue risk when a third party manages a credit union's relationship with automobile dealers and with credit union members whose loans are serviced by the third party.

The resulting regulation governing third-party servicing of indirect vehicle loans set prescriptive, inflexible limits on the aggregate amount of indirect loans and participations in indirect loans. The 2006 Final Rule limits the aggregate amount of indirect loans and participations in indirect loans a credit union may purchase from any one servicer to 50 percent of the credit union's net worth, which, after 30 months of experience with a particular servicer, the rule increases the limit to 100 percent of net worth. These requirements create a rigid, one-size-fits-all framework that is unduly burdensome for credit unions. The Board believes that a credit union's board is in the best position to develop policies that are appropriately scaled to its activities. Removing NCUA's current regulatory requirements would reduce regulatory burden and provide credit unions with greater operational flexibility, consistent with a principles-based supervisory approach. Accordingly, on March 25, 2026, the Board issued a proposed rule to remove these prescriptive requirements and allow credit union boards to develop their own policies.[1] Public comments received on the proposal offered unqualified support. Accordingly, the Board is now issuing a final rule removing NCUA's unnecessarily prescriptive regulation regarding third-party servicing of indirect vehicle loans.

Credit union boards will continue to be responsible for developing policies and procedures that protect the safety and soundness of the credit union and ensure that their purchases of indirect vehicle loans serviced by third parties are appropriately scaled for the credit union's size and the complexity of the transactions. NCUA will continue to monitor credit unions' purchases of indirect vehicle loans serviced by third parties through the examination process.

B. Legal Authority

The Board is issuing this final rule pursuant to its authority under the Federal Credit Union Act (FCU Act). Under the FCU Act, NCUA is the chartering and supervisory authority for federal credit unions (FCUs) and the federal supervisory authority for FICUs.[2] The FCU Act grants 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.[3] Section 207 of the FCU Act is a specific grant of authority over share insurance coverage,

[1] 91 FR 14484.

[2] 12 U.S.C. 1752–1775.

[3] 12 U.S.C. 1766(a).