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NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 701

RIN 3133–AF80

Suretyship and Guaranty; Segregated Deposit and Collateral

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final rule.

SUMMARY: The NCUA Board (Board) is amending its regulations to eliminate prescriptive segregated deposit and collateral requirements for suretyship and guaranty agreements. By removing these requirements, the Board is authorizing federally insured credit unions (FICUs) acting as sureties and guarantors to design products that address member needs while maintaining safety and soundness standards. Federal credit unions (FCUs), and federally insured, state-chartered credit unions (FISCUs) if permitted under state law to act as a surety or guarantor, continue to be subject to other requirements related to these arrangements, including the applicable lending regulations. The final rule follows publication of the December 29, 2025, proposed rule, and takes into consideration the public comments received.

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

FOR FURTHER INFORMATION CONTACT: Keisha Brooks, Attorney-Advisor, Office of General Counsel, at (703) 518–6540 or at 1775 Duke Street, Alexandria, VA.

SUPPLEMENTARY INFORMATION:

I. Introduction

A. Background

A federal credit union (FCU) may only engage in activities that are either expressly authorized by statute or within its incidental powers. The Federal Credit Union Act (FCU Act) explicitly grants FCUs the power to, among other activities, make loans to members and to provide letters of credit on behalf of members. The accompanying incidental powers provision states that each FCU may ''exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.'' The FCU Act defines the business for which each FCU is incorporated—''promoting thrift among its members and creating a source of credit for provident or productive purposes.'' In suretyship and guaranty agreements, a credit union promises to pay a member's obligations in the event of default. NCUA has recognized that acting as a guarantor or surety on behalf of a member is a logical extension of an FCU's authority to make loans to its members and to provide letters of credit on behalf of members; and involves risks that are similar in nature to the risks involved in an FCU's lending activity. NCUA's regulation at 12 CFR 701.20 (§ 701.20) sets the requirements for FCUs entering into suretyship and guaranty agreements for their members as an incidental power. The same requirements apply to FISCUs that are authorized under state law to enter into suretyship and guaranty agreements.

On December 29, 2025, the Board published a proposed rule to remove the specific segregated deposit and the detailed collateral criteria prescribed by § 701.20 for surety and guaranty agreements. Currently, paragraph (c)(3) of § 701.20 mandates a segregated deposit when a FICU serves as a surety or guarantor. Paragraph (d) of the section also requires a perfected security interest in collateral equal to 100 percent or 110 percent of the federal credit union's potential liability, depending on the type of collateral. The 100 percent collateral category includes cash; obligations of the United States or its agencies; obligations fully guaranteed by the United States or its agencies as to principal and interest; and notes, drafts, bills of exchange, and bankers' acceptances that are eligible for rediscount or purchase by a Federal Reserve Bank. The 110 percent category comprises real estate and marketable securities. The Board solicited public comments on these proposed changes to § 701.20, providing a 60-day comment period that concluded on February 27, 2026. This final rule takes into consideration the public comments received on the proposal.

B. Legal Authority

The Board is issuing this final rule pursuant to its authority under the FCU Act. Under the FCU Act, NCUA is the chartering and supervisory authority for FCUs and the federal supervisory authority for FICUs.[1] 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.[2] Section 207 of the FCU Act is a specific grant of authority over share insurance coverage, conservatorships, and liquidations.[3] 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.[4] Accordingly, the FCU Act grants the Board broad rulemaking authority to ensure that the federally insured credit union industry and the Share Insurance Fund remain safe and sound.

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 February 27, 2026, the Board received 15 comments regarding the proposed rule. Comments were submitted by an individual, state and regional credit union leagues, a national association representing state credit union supervisors and state-chartered credit unions, and national trade associations representing credit unions. After careful consideration of the issues raised by the commenters, the Board has decided to adopt the proposal without change.

In summary, this final rule amends § 701.20 to eliminate the specific segregated deposit and detailed collateral requirements for surety and guaranty agreements. The final rule retains two existing requirements designed to ensure the safety and soundness of surety and guaranty

[1] 12 U.S.C. 1752–1775.

[2] 12 U.S.C. 1766(a).

[3] 12 U.S.C. 1787.

[4] 12 U.S.C. 1789.

agreements. The first requires that the FICU's obligation under the agreement be limited to a fixed amount and limited in duration. Because the nature of a surety or guaranty agreement is a loan, the second provision requires that a FICU's performance under the agreement creates a loan that is permissible under the applicable lending regulations. The final rule also preserves state regulators' existing authority over FISCUs participating in surety and guaranty activities. In light of other requirements, the Board believes that maintaining a separate NCUA requirement for segregated deposits and collateral criteria specific to suretyship or guaranty agreements adds unnecessary complexity. The final rule will simplify the regulatory framework and reduce unnecessary compliance burdens.

B. Discussion of Public Comments

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

All substantive comments expressed support for eliminating the segregated deposit and collateral requirements outlined in § 701.20. They described the proposal as a practical update that aligns regulatory requirements with current risk-management expectations rather than prescriptive collateral formulas.

Several commenters highlighted that removing the collateralization rules would lessen compliance burdens and afford credit unions greater operational flexibility to develop innovative products that better serve their members. Additionally, two commenters indicated that the changes may reduce costs and simplify arrangements for small FCUs and state credit unions. Three commenters described the current collateral requirements as rigid and burdensome. Moreover, other commenters noted that the proposal would enhance operational efficiency while maintaining standards of safety and soundness.

NCUA Response. The Board appreciates the support expressed by the commenters and agrees that removing the prescriptive segregated deposit and detailed collateral requirements required by § 701.20 will reduce burden and provide FICUs the flexibility to design products that meet member needs. As noted, the Board has elected to adopt the proposed rule without change.

Four commenters noted that existing lending regulations, such as NCUA's commercial lending rules under 12 CFR part 723, render the additional deposit and collateral requirements for surety and guaranty agreements redundant and unnecessary. NCUA's member business loan and commercial lending regulations include collateral requirements that reflect a broad, principles-based regulatory approach. These principles are predicated on the Board's expectation that credit unions will maintain prudent risk management practices and sufficient capital to mitigate the risks associated with their commercial lending activities.

NCUA Response. The Board agrees that the prescriptive collateralization rules for surety and guaranty agreements required by § 701.20 are duplicative. As highlighted in the preamble to the proposed rule, § 701.20 requires that the suretyship or guaranty create an authorized loan under the applicable lending regulations. The Board emphasizes that a surety or guaranty agreement is not a mechanism to avoid the other applicable lending requirements. These requirements are designed to ensure the safety and soundness of lending transactions.

Section 701.20's segregated deposit and collateral requirements apply to FISCUs that are permitted to enter into suretyship and guaranty agreements under state law. Consequently, the proposed amendments would apply to such FISCUs. Four commenters from state and regional credit union leagues expressed support for eliminating these requirements, highlighting the advantages of regulatory relief through reduced compliance burdens and increased flexibility for member credit unions to introduce innovative products. Another commenter noted that the proposal empowered states to exercise authority over lending rules for state-chartered credit unions.

One commenter representing an association of state credit union supervisors and state-chartered credit unions expressed general support for the proposal, while underscoring the importance of maintaining the integrity of the state system and state authority within the dual-chartering framework. This association stressed that states should serve as the principal authority in establishing collateral requirements for state-chartered credit unions offering suretyship or guaranty services for members. This commenter recommended that the final rule explicitly communicate supervisory expectations and confirm that states retain the primary responsibility for tailoring requirements to their respective state-chartered credit unions.

The commenter also supported structural changes outside of § 701.20 to lessen administrative burden and improve clarity for FISCUs. The recommendations included consolidating deposit-insurance regulations into a dedicated subchapter for FISCUs, distinct from FCU operational provisions, and clarifying the circumstances in which NCUA serves as share insurer for all FICUs versus its role as the chartering or operating regulator for FCUs.

NCUA Response. The Board is always interested in feedback on the clarity of its regulatory requirements and remains committed to working with all credit unions to ensure the clarity of their regulatory obligations. The Board observes that, under current NCUA regulations, a FISCU's authority to enter into surety or guaranty agreements depends on state law. The Board recognizes that such authorities derive from relevant state legislation, applicable state regulations, or official interpretations by the state supervisory authority. As discussed in both the proposed rule's preamble and this preamble, the relevant lending regulations will continue to govern all FICUs, including FISCUs authorized under state law to participate in surety and guaranty activities. For example, 12 CFR part 723 outlines commercial lending standards applicable to all FISCUs, but states may implement equivalent regulations as deemed acceptable by NCUA, thereby preserving oversight over their institutions. The Board emphasizes that the current regulatory framework recognizing state-specific business lending rules remains unchanged. The commenter's other suggestion is outside the scope of the rulemaking. Accordingly, the Board has not revised the rule in response to the comment.

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.[5] 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.[6] This final rule

[5] 58 FR 51735 (Oct. 4, 1993).

[6] 76 FR 3821 (Jan. 21, 2011).

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.[7] This final rule is considered an Executive Order 14192 deregulatory action.

B. Regulatory Flexibility Act

The Regulatory Flexibility Act[8] 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.[9] For purposes of this analysis, NCUA considers small credit unions to be those having under $100 million in assets.[10] The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions.

The final rule does not impose any new requirements that would result in small FICUs incurring an economic cost. To the extent that the final rule would have any economic impacts, they will be deregulatory in nature. The current rule authorizes FCUs to enter into suretyship and guaranty agreements. The final rule would remove the segregated deposit and collateral requirements for FCUs to enter into such agreements imposed by § 701.20. It is unlikely that small credit unions will participate in either of these activities. Less prescriptive regulation of surety/guarantor agreements may also encourage FICUs (irrespective of size) to increase the scale of this activity. Less prescriptive regulation should lower FICU supervision and examination expenses as well. To the extent that small FISCUs are authorized to enter into surety and guaranty agreements under state law, small FISCUs may similarly benefit from the removal of the segregated deposit and associated collateral requirements imposed by § 701.20.

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 reviewed this rule and determined that it does not create any new or revise any existing collections of information. 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.[11] NCUA, an agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order to adhere to fundamental federalism principles. This final rule would apply to all FICUs, including FISCUs. FISCUs, however, may act as a surety or guarantor for members only to the extent permitted by their specific state law. NCUA expects that any effect on states or on the distribution of power and responsibilities among the various levels of government will be minor. The final rule is not intended to affect the division of responsibilities between NCUA and state supervisory authorities with oversight of FISCUs.

The final rule would remove the segregated deposit and collateral requirements imposed by § 701.20 when FCUs or FISCUs act as a surety and guarantor. FISCUs would remain subject to the other requirements, including compliance with the applicable lending regulations. The final rule may, therefore, have some 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. However, to the extent the rule has any such effects, it will be to reduce the federal regulatory burden on FISCUs.

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.[12] The final rule relates to the collateral requirements for FICUs to enter into surety and guaranty agreements, and any effect on family well-being is expected to be indirect. The final rule is exclusively concerned with removing separate segregated deposit and collateral requirements specific to such agreements imposed by a federal regulation. Any potential positive effect on family well-being, including financial well-being is, at most, 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.[13] NCUA must submit a report to Congress and the Comptroller General when it issues a final rule, as defined by the CRA.[14]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.

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

[7] 90 FR 9065 (Feb. 6, 2025).

[8] 5 U.S.C. 601 *et seq.*

[9] 5 U.S.C. 605(b).

[10] 80 FR 57512 (Sept. 24, 2015).

[11] 64 FR 43255 (Aug. 4, 1999).

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

[13] 5 U.S.C. 801–808.

[14] 5 U.S.C. 804(3).

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, 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.

§ 701.20 [Amended]

■ 2. Amend § 701.20 by revising paragraph (c) to read as follows and removing paragraph (d).

§ 701.20 Suretyship and guaranty.

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(c) *Requirements.* The suretyship or guaranty agreement must be for the benefit of a principal that is a member and is subject to the following conditions:

(1) The federal credit union limits its obligations under the agreement to a fixed dollar amount and a specified duration and

(2) The federal credit union's performance under the agreement creates an authorized loan that complies with the applicable lending regulations, including the limitations on loans to one member or associated members or officials for purposes of §§ 701.21(c)(5), (d); 723.4(c).

[FR Doc. 2026–16027 Filed 8–5–26; 8:45 am]

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NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 701

RIN 3133–AF72

Limits on Loans to Other Credit Unions

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final rule.

SUMMARY: The NCUA Board (Board) is issuing this rule to remove the regulations related to approval and policies on making loans to other credit unions. While this provision will no longer be codified in regulation, federal credit unions remain subject to statutory requirements related to making loans to credit unions. Federally insured, state-chartered credit unions remain subject to any other applicable NCUA or state law or regulation. The final rule follows publication of a December 29, 2025, proposed rule, and takes into consideration the public comments recieved on the proposal.

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

FOR FURTHER INFORMATION CONTACT: Ariel Pereira, 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 regulations in § 701.25 govern the ability of a federal credit union (FCU) to make loans, including investments in subordinated debt, to other credit unions. In accordance with section 107(7)(C) of the FCU Act, the regulation establishes an aggregate limit on such loans of 25 percent of the lending FCU's paid-in and unimpaired capital and surplus.[1] It also sets limits for loans to a single credit union borrower. The regulation sets forth specific eligibility requirements and aggregate limits for FCUs that invest in the subordinated debt of other credit unions. The requirements of § 701.25 are made applicable to federally insured, state-chartered credit unions (FISCUs) through § 741.227.[2]

In addition to the limits discussed above, § 701.25 imposes documentation requirements on FCU boards of directors, and through § 741.227 on FISCU boards as well. Specifically, paragraph (b) of § 701.25 requires the board of directors to approve all loans to other credit unions and to establish written policies for managing the associated credit risk. The policies must specify the limits on the aggregate principal amount of loans the FICU can make to all other credit unions and the aggregate principal amount of loans the FICU can make to any single credit union. Such limits specific to the FICU may not exceed the generally applicable limits established in § 701.25.

On December 29, 2025, the Board published a proposed rule requesting public comment on the removal of the documentation requirements codified in 12 CFR 701.25(b).[3] As explained in the preamble to the proposed rule, the Board believes this portion of the regulation is unnecessary and overly prescriptive. The FCU Act already requires an FCU's board of directors to approve all loans to other credit unions.[4] Accordingly, for FCUs, § 701.25(b) is largely redundant of an existing statutory requirement. Moreover, FICU boards are in the best position to determine whether formal approval policies are necessary for such loans, consistent with the number, size, and risks associated with the FICU's lending practices. This final rule follows publication of the December 29, 2025, proposed rule, and takes into consideration the public comments received on the proposal.

B. Legal Authority

The Board is issuing this final rule pursuant to its authority under the FCU Act. Under the FCU Act, NCUA is the chartering and supervisory authority for FCUs and the federal supervisory authority for FICUs.[5] 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.[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 federally insured credit union industry and the Share Insurance Fund remain safe and sound.

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 February 27, 2026, the Board had received 10 public comments. Comments were submitted by credit union leagues, a national association of state credit union supervisors, trade organizations, and advocacy organizations. After careful consideration of the issue raised by the commenters, the Board has decided to

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[1] 12 U.S.C. 1757(7)(C). This statutory provision provides that an FCU may invest its funds ''in accordance with rules and regulations prescribed by the Board, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus.'' In addition, section 107(5)(A)(x) of the FCU Act limits the aggregate amount that a single member may borrow from an FCU to ''10 per centum of the credit union's unimpaired capital and surplus'' (12 U.S.C. 1757(5)(A)(x)).

[2] FCUs and FISCUs are collectively referred to as federally insured credit unions, or FICUs.

[3] 90 FR 60583 (Dec. 29, 2025).

[4] 12 U.S.C. 1757(5)(C).

[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.