



12 CFR Part 708a

RIN 3133-AG01

Bank Conversions and Mergers, Subpart A – Conversion of Insured Credit Unions to Mutual Savings Banks

AGENCY: National Credit Union Administration (NCUA)

ACTION: Proposed rule.

SUMMARY: The NCUA Board (Board) is proposing to amend its regulations governing the conversion of insured credit unions into banks. The NCUA Board proposes to eliminate certain prescriptive procedural, disclosure, and communication requirements. This action reduces unnecessary regulatory burdens and provides credit union boards of directors with greater flexibility to exercise their business judgment. The intended effect of these changes is to simplify compliance for credit unions, reduce administrative costs, and modernize the conversion process, while ensuring members receive clear and effective disclosures.

DATES: Comments must be received on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

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–2026–0266. Follow the “Submit a comment” instructions. If you are reading this document on 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 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 Woodard-Stephens, Staff Attorney, Office of General Counsel, National Credit Union Administration, at 1775 Duke Street, Alexandria, Virginia, 22314 or by telephone at (703) 518-6540.

SUPPLEMENTARY INFORMATION:

I. Introduction

The Board proposes to amend its regulations at subpart A of 12 CFR part 708a, which governs bank conversions and mergers. The primary purpose of this proposed rule is to partially or wholly eliminate several sections within subpart A “Conversion of Insured Credit Unions to Mutual Savings Banks”. Under the authority of the Federal Credit Union Act (FCU Act), the regulations at part 708a establish a procedural framework for transactions that fundamentally alter a credit union’s charter or structure.

A. Background

The Board established regulations at 12 CFR part 708a, subpart A, in a final rule published in the *Federal Register* on December 22, 2006. 71 FR 77167. The original purpose of this subpart was to govern the process by which a federally insured credit union may convert to a mutual savings bank. Section 708a.101 provides the definitions for this part, including the term “clear and conspicuous”, a term used as a standard for the subsequent notice requirements in both subpart A and subpart C. Section 708a.103 provides credit union boards with specific media to use for notice requirements before voting on a proposal to convert. Section 708a.104 imposes specific disclosure requirements that a credit union board must follow after complying with § 708a.103. Finally, § 708a.113 provides a set of non-binding voting guidelines to assist credit unions in conducting a fair and legal member vote, with suggestions covering state law applicability, member eligibility, and the use of voting incentives.

B. Legal Authority

The FCU Act grants the Board a broad mandate to issue regulations governing both federal credit unions and federally insured state-chartered credit unions. Section 120 of the FCU Act is a general grant of regulatory authority, and it authorizes the Board to prescribe rules and regulations for the administration of the FCU Act. 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 insured credit unions. Finally, the Board is required to issue regulations regarding the conversion of insured credit unions to mutual savings banks. 12 U.S.C. 1785(b)(2)(G).

II. Proposed Rule

A. Proposed Amendments to Reduce Regulatory Burden

The Board is proposing several amendments to subpart A of 12 CFR part 708a to reduce unnecessary regulatory burdens.

The Board proposes to eliminate several provisions that are overly prescriptive and impose burdens on a credit union's board of directors during the initial phases of conversions. These changes are intended to restore the board's role in exercising its fiduciary duties and business judgment while still ensuring that members receive clear and effective disclosures to make informed decisions.

The Board proposes to remove § 708a.101's "clear and conspicuous" definition. This definition mandates specific formatting, such as bold type and a minimum 12-point font size. The Board believes this overly prescriptive definition is unnecessary and can hinder effective communication. It locks credit unions into a rigid standard that may not be optimal across different media, such as print and digital formats, and prevents them from using design principles that could more effectively draw member attention to key disclosures. While the FCU Act requires member notice, it is silent on specific formatting. Removing this definition will allow credit unions the flexibility to design disclosures that are effective and clear for their members. The Board preliminarily believes this definition may be unnecessary and burdensome but requests public comment on this determination.

Section 708a.103(a)(1) requires newspaper notice of the proposed conversion, and that the notice be posted in the lobby of the credit union's home office and on the home page of the website in a "clear and conspicuous" fashion. The Board proposes to revise the subparagraph (a)(1) requirements. The requirement to publish notice in a newspaper may no longer be one of the more effective tools for communicating with members in the digital age and may impose unnecessary costs. The Board preliminarily believes these requirements are unduly burdensome and overly prescriptive. The Board requests public comment on these changes.

Section 708a.104 governs disclosures and communications to members following the credit union board of director vote on a proposed conversion. Subparagraph (d)(2)

and paragraph (e) both provide prescriptive and detailed requirements that the Board now believes may be unduly burdensome. Subparagraph (d)(2) defines typographical requirements, which the Board proposes to remove. Subparagraph (e) currently requires communications to be written “in a manner that is simple and easy to understand. Simple and easy to understand means the communications are written in plain language...” This proposal would remove the last sentence providing examples. The definition of “plain language” provides a sufficient description. The Board requests public comment on these changes to reserve communication requirements for the discretion of credit union boards of directors.

Under §708a.104(f), a member may ask a converting credit union’s board to mail or e-mail conversion-related materials to other members who are eligible to vote on the conversion. The credit union board must send the materials if the request is timely and the materials meet criteria specified in the regulation. The Board proposes to remove subparagraph (f)(5) regarding submission of member materials to the Regional Director within 7 days of receipt of the member request if the credit union believes the member request to be improper. The Board believes credit union management officials can determine when to consult a Regional Director, again reserving communication requirements for the discretion of credit union boards of directors. The Board requests public comment on its proposal to remove this direction from subparagraph (f). Similarly, in subparagraph (f)(8), the Board proposes to remove direction for credit unions to send improper member materials to regional directors, the Board believes credit union management officials can determine improper submissions. The Board requests comments on these proposed changes.

B. Elimination of Non-Regulatory Guidance in Conversions

The Board’s last proposal in this rulemaking is to remove non-regulatory guidance from § 708a.113’s “Voting Guidelines” as it is non-binding and likely better

suites as non-regulatory guidance. This section does not establish any mandatory requirements; rather, it explicitly states that its contents are “guidelines as suggestions to help a credit union obtain a fair and legal vote.” It offers advice on matters such as the applicability of state law, determining voter eligibility, and scheduling meetings. While such guidance can be helpful, including it within the Code of Federal Regulations is inconsistent with the principles of good regulatory practice. Regulations should contain binding legal obligations, not suggestions.

Credit unions will still be required to conduct votes on conversions consistent with applicable law and regulation. However, the presence of non-binding guidance within a body of mandatory rules creates confusion for regulated entities, blurring the line between what is required and what is merely recommended. Removing this section will streamline the regulatory text and help credit unions to understand their legal duties. This action is supported by the fact that the provision itself acknowledges its advisory nature and, as such, it is not statutorily required to be included in the regulation. The Board seeks public comment on the proposed removal of § 708a.113. Specifically, the Board asks whether removing these non-binding guidelines from the regulation would improve clarity and whether providing this information through other, non-regulatory channels is necessary. The Board would remind credit unions they are still required to conduct votes on conversions consistent with applicable law and regulation

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 proposes to eliminate certain prescriptive procedural, disclosure, and communication requirements. This action is necessary to reduce unnecessary regulatory burdens and provide credit union boards of directors with greater flexibility to exercise their business judgment. The intended effect of these changes is to simplify compliance for credit unions, reduce administrative costs, and modernize the conversion process, while ensuring members receive clear and effective disclosures. The proposal and the required summary can be found at <https://www.regulations.gov>.

B. Executive Order 12866, 13563, and 14192

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.¹ This proposed rule, if finalized as proposed, is not expected to be an Executive Order 14192 regulatory action. 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 Management and Budget (OMB) in accordance with the requirements of the executive order.² Executive Order 13563 (“Improving Regulation and Regulatory Review”) supplements and reaffirms the principles, structures, and definitions governing contemporary regulatory review established in Executive Order 12866.³

This proposed rule was drafted and reviewed in accordance with Executive Order 12866 and Executive Order 13563. Analysis by the NCUA indicates the proposed amendments to modernize the conversion process do not collectively qualify as a “significant regulatory action” under E.O. 12866. The NCUA expects the proposed rule to produce only modest cost savings (at best). Moreover, the aggregate impact on the

¹ 90 FR 9065 (Feb. 6, 2025)

² 58 FR 51735 (Oct. 4, 1993)

³ 76 FR 3821 (Jan. 21, 2011).

credit-union sector, market for depository-institution services, and macro-economy should prove modest. Based on DCE analysis, the NCUA expects this proposed rule, if adopted, to marginally reduce the transactions costs of conversions. OMB has determined that this proposed rule is not a “significant regulatory action” as defined in section 3(f) of Executive Order 12866.

C. The Regulatory Flexibility Act

The Regulatory Flexibility Act⁴ 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.⁵ For purposes of this analysis, the NCUA considers small credit unions to be those having under \$100 million in assets.⁶ The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions. Analysis by the NCUA indicates that, if finalized, these proposed amendments will not adversely and disproportionately burden small FICUs under the RFA.

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 of 1995

The Paperwork Reduction Act of 1995 (PRA) generally provides that an agency may not conduct or sponsor, and notwithstanding any other provision of law, a person is not required to respond to, a collection of information, unless it displays a currently valid

⁴ 5 U.S.C. 601 *et seq.*

⁵ 5 U.S.C. 605(b).

⁶ 80 FR 57512 (Sept. 24, 2015).

OMB control number.⁷ For purposes of the PRA, an information-collection requirement may take the form of a reporting, recordkeeping, or a third-party disclosure requirement. This rule does not propose to revise an existing information collection.

E. 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. The proposed rule does not have substantial direct effects on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. The proposed rule would remove targeted prescriptive requirements that apply to converting federally insured credit unions, including federally insured, state-chartered credit unions. The proposal would not change the fundamental requirement to notify members or impose new requirements on state-chartered credit unions or state regulatory agencies. The NCUA has therefore determined that this proposed rule will not constitute a policy that has federalism implications for purposes of the executive order.

F. Assessment of Federal Regulations and Policies on Families

The NCUA has determined that this rule will not affect family well-being within the meaning of § 654 of the Treasury and General Government Appropriations Act.⁸ The proposed rule would apply to notices provided to consumers but is not intended to change fundamental member rights. Therefore, any effect on family well-being, including financial well-being, is expected to be indirect, at most.

List of Subjects

12 CFR Part 708a

⁷ 44 U.S.C. 3501-3520; 5 CFR part 1320.

⁸ Pub. L. 105-277, 112 Stat. 2681 (1998)

Bank deposit insurance, credit unions, Reporting and recordkeeping requirements.

By the National Credit Union Administration Board, this 9th 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 708a as follows:

PART 708a – Bank Conversions and Mergers

1. The authority citation for part 708a continues to read as follows:

Authority: 12 U.S.C. 1766, 1785(b), and 1785(c).

§ 708a.101. [Amended]

2. Amend § 708a.101 by removing “*Clear and conspicuous* means text in bold type in a font size at least one size larger than any other text used in the document (exclusive of headings), but in no event smaller than 12 point.”

§ 708a.103. [Amended]

3. Revise and publish § 708a.103(a)(1) as:

No later than 30 days before a board of directors votes on a proposal to convert, it must publish a notice in a clear and conspicuous fashion in the lobby of the credit union’s home and branch offices and on the credit union’s Web site, and a member’s home banking landing page, if it has one. If the notice is not on the home page of the Web site, the home page must have a clear and conspicuous link to the notice, visible on a standard monitor without scrolling, to the notice.

§ 708a.104. [Amended]

4. Revise § 708a.104 by:

- a. Removing and reserving paragraph (d)(2);
- b. Removing the last sentence of paragraph (e);

- c. Removing paragraph (f)(5);
- d. Redesignating subparagraph (f)(6) through (10) as subparagraph (f)(5) through (9) respectively; and
- e. In newly redesignated subparagraph (f)(7), delete the third sentence.

The revisions read as follows:

§ 708a.104 Disclosures and communications to members.

* * * * *

(d)

(1) * * *

(2) [Removed and Reserved]

(e) All written communications from a converting credit union to its members regarding the conversion must be written in a manner that is simple and easy to understand. Simple and easy to understand means the communications are written in plain language designed to be understood by ordinary consumers, and use clear and concise sentences, paragraphs, and sections.

(f)

(1) * * *

(2) * * *

(3) * * *

(4) * * *

(5) A credit union must ensure that its members receive all materials that meet the requirements of on or before the date the members receive the 30-day notice and associated ballot. If a credit union cannot meet this delivery requirement, it must postpone mailing the 30-day notice until it can deliver the member materials. If a credit union postpones the mailing of the 30-day notice, it must also postpone the special meeting by the same number of days. When the credit union has completed the delivery,

it must inform the requesting member that the delivery was completed and provide the number of recipients.

(6) The term “appropriate advance payment” means:

(i) For requests to mail materials to all eligible voters, a payment in the amount of 150 percent of the first class postage rate times the number of mailings, and

(ii) For requests to e-mail materials only to members that have agreed to accept electronic communications, a payment in the amount of 200 dollars.

(7) If a credit union posts conversion-related information or material on its Web site, then it must simultaneously make a portion of its Web site available free of charge to its members to post and share their opinions on the conversion. A link to the portion of the Web site available to members to post their views on the conversion must be marked “Members: Share your views on the proposed conversion and see other members views” and the link must also be visible on all pages on which the credit union posts its own conversion-related information or material, as well as on the credit union's homepage. The credit union may also post a content-neutral disclaimer using language similar to the language in paragraph (f)(3)(i) of this section.

(8) A converting credit union must inform members with the 90-day notice that if they wish to provide their opinions about the proposed conversion to other members, they can submit their opinions in writing to the credit union no later than 35 days from the date of the notice and the credit union will forward those opinions to other members. The 90-day notice will provide a contact at the credit union for delivery of communications, will explain that members must agree to reimburse the credit union's costs of transmitting the communication including providing an advance payment, and will refer members to this section of NCUA’s regulations for further information about the communication process. The credit union, at its option, may include additional factual information about the communication process with its 90-day notice.

(9) A group of members may make a joint request that the credit union send its materials to other members. For purposes of paragraphs (f)(2) and (f)(3) of this section, the credit union will use the name provided by the group.

§ 708a.113 [Removed]

5. Remove § 708a.113.

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