



## NATIONAL CREDIT UNION ADMINISTRATION

### 12 CFR Part 701

### RIN 3133-AF96

### Post-Election Training for New Board Members

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Proposed rule.

**SUMMARY:** The NCUA Board (Board) solicits public comment on a proposal to eliminate the regulatory requirement that each director of a federal credit union (FCU) attain a working familiarity with finance and accounting within 6 months after election or appointment. The Board believes the regulation is unnecessarily prescriptive.

**DATES:** Comments must be received by [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–2026–0430. Follow the “Submit a comment” instructions. If you are reading this document on [federalregister.gov](https://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](mailto:OGCMail@ncua.gov).

**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*

In a final rule published on December 28, 2010, the NCUA established § 701.4 to document and clarify the fiduciary duties and responsibilities of FCU directors.<sup>1</sup> This regulation was created to address concerns about director accountability and to ensure directors act in the best interests of the FCU’s membership. Among other requirements, the final rule set standards

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<sup>1</sup> 75 FR 81378 (Dec. 28, 2010).

for financial literacy for directors. Specifically, § 701.4(b)(3) requires that each director, at the time of election or appointment, or within a reasonable time thereafter, not to exceed 6 months, have at least a working familiarity with basic finance and accounting practices, including the ability to read and understand the FCU's balance sheet and income statement and to ask, as appropriate, substantive questions of management and internal and external auditors.

### *B. Legal Authority*

The Board is issuing this proposed rule pursuant to its authority under the Federal Credit Union Act (FCU Act).<sup>2</sup> Under the FCU Act, the NCUA is the chartering and supervisory authority for federal credit unions (FCUs) and the federal supervisory authority for federally insured credit unions (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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup>

## **II. Proposed Rule**

While the Board continues to believe that directors must have a working familiarity with basic finance and accounting practices, it proposes to eliminate § 701.3(b)(3). Upon reconsideration, the Board believes that the regulation is overly prescriptive. The members of an FCU are in the best position to elect qualified individuals to the board. This policy determination is supported by the fact that the Federal Credit Union Act, while vesting each FCU board with

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<sup>2</sup> 12 U.S.C. 1751 *et seq.*

<sup>3</sup> 12 U.S.C. 1766(a).

<sup>4</sup> 12 U.S.C. 1789.

<sup>5</sup> 12 U.S.C. 1766(a).

“general direction and control” of the credit union at 12 U.S.C. 1761b, does not direct the NCUA to establish specific qualifications for directors.

Under the CAMELS Rating System, the NCUA will continue to assess “the capabilities of the board of directors and management, in their respective roles, to identify, measure, monitor, and control the risks of a credit union’s activities and to ensure a credit union’s safe, sound, and efficient operation in compliance with applicable laws and regulations.”<sup>6</sup>

### **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)) (Act) 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). The Act, under its terms, applies to notices of proposed rulemaking and does not expressly include other types of documents that the Board publishes voluntarily for public comment, such as notices and interim-final rules that request comment despite invoking “good cause” to forgo such notice and public procedure. The Board, however, has elected to address the Act’s requirement in these types of documents in the interests of administrative consistency and transparency.

In summary, the Board solicits public comment on a proposal to eliminate the regulatory requirement that each FCU director attain a working familiarity with finance and accounting within 6 months after election or appointment. The Board believes the regulation is unnecessarily prescriptive and that the FCU board itself is best suited to manage the ongoing education of its directors. The NCUA will continue to assess the competency of FCU boards using existing supervision tools under a risk-based examination approach.

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<sup>6</sup> NCUA, *Letter to Credit Unions 22-CU-05, CAMELS Rating System* (March 2022), <https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/camels-rating-system>.

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

*B. Executive Orders 12866, 13563, and 14192*

Pursuant to Executive Order 12866 (“Regulatory Planning and Review”), as amended by Executive Order 14215, a determination must be made whether a regulatory action is significant and therefore subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the Executive Order.<sup>7</sup> 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.<sup>8</sup> 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. Further, this proposed rule would eliminate the prescriptive regulatory requirement that each FCU director attain a working familiarity with finance and accounting within 6 months after election or appointment and is consistent with Executive Order 13563.

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.<sup>9</sup> This proposed rule is expected to be a deregulatory action for purposes of Executive Order 14192.

*C. Regulatory Flexibility Act*

The Regulatory Flexibility Act<sup>10</sup> 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

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<sup>7</sup> 58 FR 51735 (Oct. 4, 1993).

<sup>8</sup> 76 FR 3821 (Jan. 21, 2011).

<sup>9</sup> 90 FR 9065 (Feb. 6, 2025).

<sup>10</sup> 5 U.S.C. 601 *et seq.*

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.<sup>11</sup> For purposes of this analysis, the NCUA considers small credit unions to be those having under \$100 million in assets.<sup>12</sup> The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions.

The proposed rule would eliminate the requirement that FCU directors attain a working familiarity with finance and accounting within 6 months after election or appointment. As an initial matter, the NCUA notes that the proposed rule would relieve FCUs of current compliance costs and is deregulatory in nature.

It is probable that many new board members already have the required knowledge in finance and accounting at the time of election or appointment to an FCU board. Indeed, it is likely that such familiarity was a factor in their selection to the board. Therefore, to the extent that FCUs currently incur any costs to comply with the education requirements, such costs are unlikely to be significant because they are limited to the subset of new directors that lack the required familiarity. Accordingly, the economic impacts associated with rescinding this provision is equally unlikely to be significant.

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 notwithstanding 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

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<sup>11</sup> 5 U.S.C. 605(b).

<sup>12</sup> 80 FR 57512 (Sept. 24, 2015).

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. Executive Order 13132 on Federalism*

Executive Order 13132 encourages certain agencies to consider the impact of their actions on state and local interests.<sup>13</sup> The NCUA, an agency as defined in 44 U.S.C. 3502(5), complies with the executive order to adhere to fundamental federalism principles. This proposed rule applies solely to FCUs and therefore would not have a substantial 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. The NCUA welcomes comments on ways to eliminate, or at least minimize, any potential impact in this area.

*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.<sup>14</sup> The regulatory requirements that are the subject of this proposed rule are exclusively concerned with the education of FCU directors. The 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.

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<sup>13</sup> 64 FR 43255 (Aug. 10, 1999).

<sup>14</sup> Public Law 105-277, 112 Stat. 2681 (1998).

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

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Melane Conyers-Ausbrooks,  
Secretary of the Board.

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

**Part 701 – ORGANIZATION AND OPERATION OF FEDERAL CREDIT UNIONS**

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

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

**§ 701.4 [Amended]**

2. Amend § 701.4 by:

- a. Removing paragraph (b)(3); and
- b. Redesignating paragraph (b)(4) as paragraph (b)(3).

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