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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 **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**.

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, conservatorships, and liquidations.[4] 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.[5] 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.

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[1] 91 FR 14484.
[2] 12 U.S.C. 1752–1775.
[3] 12 U.S.C. 1766(a).
[4] 12 U.S.C. 1787.
[5] 12 U.S.C. 1789.

Section 107(5) of the FCU Act[6] sets forth general requirements that an FCU must comply with to make loans. Section 206 of the FCU Act[7] sets forth the Board's authority to intervene in situations where any FICU, among other things, is engaging or has engaged in unsafe or unsound practices in conducting its business.

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 May 26, 2026, the Board had received 14 public comments. Comments were submitted by credit unions, state credit union leagues, national trade associations, and a national association of state credit union supervisors. After careful consideration of the issues raised by the commenters, the Board has decided to adopt the proposal without change.

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.

All 14 commenters offered unqualified support for the proposed rule. Commenters generally appreciated NCUA's efforts to modernize its regulatory framework governing indirect vehicle loans and agreed that existing supervisory and risk-management frameworks already provide meaningful safeguards. In general, commenters also stated that the proposal will help reduce regulatory burden, improve competitive equity, and allow credit unions to continue serving their members responsibly. Additional details regarding the specific comments received are included in the section-by-section analyses below.

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[6] 12 U.S.C. 1757(5).
[7] 12 U.S.C. 1786.

C. § 701.21 Loans to Members and Lines of Credit to Members

§ 701.21(h) Third party servicing of indirect vehicle loans. Current § 701.21(h)(1) limits the aggregate amount of indirect vehicle loans and participations in indirect vehicle loans a FCU may purchase from any one servicer to 50 percent of the credit union's net worth. After 30 months of experience with a particular servicer, paragraph (h)(1) increases the limit to 100 percent of net worth. Paragraph (h)(2) sets forth a process for a FCU to request a waiver from the concentration limits from its Regional Director. Paragraph (h)(3) sets forth a timeline for NCUA to provide written responses to waiver requests. Paragraph (h)(4) defines various terms, including the term "third-party servicer," which excludes federally insured depositories, wholly owned subsidiaries of those depositories, and certain servicing entities.

Commenters generally stated that the existing concentration limits do not sufficiently account for differences in institutional size, sophistication, business strategy, and risk-management capabilities, noting that the supervisory landscape has evolved considerably over the past two decades. Commenters suggested that credit unions today operate with varying levels of operational complexity, and boards are best positioned to establish policies and procedures tailored to their institution's indirect lending activities and overall risk profile. Commenters further noted that, since 2006, NCUA has developed broader supervisory expectations related to third-party vendor management, enterprise risk management, internal controls, and board governance that more comprehensively address these risks. Commenters also noted that the waiver process can create administrative burden and operational uncertainty despite the continued availability of supervisory oversight through the examination process. Finally, commenters pointed out that similar prescriptive concentration restrictions generally do not apply to other insured depository institutions participating in indirect auto lending

markets so removing § 701.21(h) will remove a potential competitive disadvantage for credit unions.

The Board agrees with commenters that the provisions in § 701.21(h) impose a prescriptive framework for the purchase of indirect vehicle loans serviced by third parties, which is unduly burdensome for credit unions. The Board believes that a FCU's board is in the best position to develop policies that are appropriately scaled to its purchases of indirect vehicle loans serviced by third parties. Accordingly, the final rule removes current paragraph (h) from § 701.21.

D. § 741.203 Minimum Loan Policy Requirements

§ 741.203(c). Current § 741.203(c) provides that federally insured, state-chartered credit unions (FISCUs) must adhere to the requirements set forth in § 701.21(h) concerning third-party servicing of indirect vehicle loans. Paragraph (c) also requires that, before a state-chartered credit union applies to a Regional Director for a waiver under § 701.21(h)(2), it must first notify its state supervisory authority. In addition, paragraph (c) states that the Regional Director will not grant a waiver unless the appropriate state official concurs in the waiver. Finally, paragraph (c) provides that the 45-day period for the Regional Director to act on a waiver request, as described in § 701.21(h)(3), will not begin until the Regional Director has received the state official's concurrence and any other necessary information.

Commenters generally stated that the requirements in current § 741.203(c) can result in additional operational complexity without providing meaningful supervisory benefit beyond the existing oversight inherent in state and federal examination processes. Commenters stated further that FISCUs already operate under robust supervisory frameworks that include board oversight, risk-management expectations, vendor due diligence requirements, and ongoing examination review by both state regulators and NCUA. As with FCUs, commenters felt that FISCUs are fully capable of developing

policies and controls that appropriately reflect the scale and complexity of their indirect lending activities. Finally, commenters stated that safety and soundness objectives can be more effectively achieved through risk-focused supervision and institution-specific governance practices.

The provisions in § 741.203(c) impose the same prescriptive framework in § 701.21(h) on FISCUs for the purchase of indirect vehicle loans serviced by third parties. The Board also believes that a FISCU's board is in the best position to develop policies that are appropriately scaled for its purchases of indirect vehicle loans serviced by third parties. Accordingly, consistent with the removal of § 701.21(h), the final rule also removes current paragraph (c) from § 741.203(c).

E. § 746.201 Authority, Purpose, and Scope

§ 746.201(c) Scope. Current § 746.201(c) lists rule sections and subsections covered under part 746, subpart B for appeals of initial agency determinations by a program office, which the petitioner has a right to appeal to the Board. Among other things, paragraph (c) lists § 701.21(h)(3), which this proposal would remove. NCUA did not receive comments on this change. Accordingly, the final rule removes the citation to § 701.21(h)(3) consistent with the other changes made by this rule.

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.[8] Executive Order 13563 ("Improving Regulation and Regulatory Review") supplements and reaffirms the principles, structures, and definitions governing

[8] 58 FR 51735 (Oct. 4, 1993).

contemporary regulatory review established in Executive Order 12866.[9] 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.[10] This final rule is considered an Executive Order 14192 deregulatory action.

B. Regulatory Flexibility Act

The Regulatory Flexibility Act[11] 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.[12] For purposes of this analysis, NCUA considers small credit unions to be those having under $100 million in assets.[13] The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions.

The final rule will remove NCUA's regulation regarding third-party servicing of indirect vehicle loans. This action reduces regulatory burden and provides credit unions with greater operational flexibility, consistent with a principles-based supervisory approach. The intent is to reduce administrative costs and compliance complexity,

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[9] 76 FR 3821 (Jan.21, 2011).
[10] 90 FR 9065 (Feb. 6, 2025).
[11] 5 U.S.C.601 *et seq*.
[12] 5 U.S.C. 605(b).
[13] 80 FR 57512 (Sept. 24, 2015).

enabling credit unions to serve their members more efficiently. 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.[14] 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 rule would remove a prescriptive limitation that currently applies to FISCUs, which would remove a federally imposed restriction on state-chartered entities. The rulemaking will 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 various levels of government.

[14] 64 FR 43255 (Aug. 4, 1999).

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.[15]

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.[16] NCUA must submit a report to Congress and the Comptroller General when it issues a final rule, as defined by the CRA.[17]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

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 741

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

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[15] Public Law 105–277, 112 Stat. 2681 (1998).
[16] 5 U.S.C. 801-808.
[17] 5 U.S.C. 804(3).

12 CFR Part 746

Administrative practice and procedure, Claims, Credit unions, Investigations.

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

Melane Conyers-Ausbrooks,
Secretary of the Board.

For the reasons discussed above, the NCUA Board amends 12 CFR parts 701, 741, and 746 as follows:

PART 701—ORGANIZATION AND OPERATION OF FEDERAL CREDIT UNIONS

1. The authority citation for part 701 is revised 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.

§ 701.21 [Amended]

2. In § 701.21, remove paragraph (h).

PART 741—REQUIREMENTS FOR INSURANCE

3. The authority citation for part 741 continues to read as follows:

Authority:12 U.S.C. 1757, 1766(a), 1781-1790, 1790d, 3331 *et seq;* 31 U.S.C. 3717.

§ 741.203 [Amended]

4. In § 741.203, remove paragraph (c).

PART 746—APPEALS PROCEDURES

5. The authority citation continues to read as follows:

Authority:12 U.S.C. 1766, 1787, and 1789.

§ 746.201 [Amended]

6. In § 746.201, amend paragraph (c) by removing the citation "701.21(h)(3)".

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