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DEFENSE CREDIT UNION COUNCIL

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Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Delivered electronically via: <https://www.regulations.gov>

RE: NCUA Regulatory Review 2026 [NCUA-2024-0014]

Dear Ms. Conyers-Ausbrooks:

The Defense Credit Union Council (DCUC),¹ welcomes the opportunity to provide feedback on the National Credit Union Administration's (NCUA) annual review of its existing regulations.² As contemplated by the Economic Growth and Regulatory Paperwork Reduction Act of 1996, the NCUA is voluntarily reviewing its regulations to identify rules that are outdated, unnecessary, or unduly burdensome. DCUC represents credit unions that serve active-duty military, veterans, and their families worldwide.

GENERAL COMMENTS

DCUC appreciates the NCUA's ongoing efforts to review and modernize its regulations. Periodic regulatory reviews are essential to ensure that legal and compliance requirements are clear, effective, and appropriately tailored to the evolving credit union industry.

As the NCUA conducts this review, DCUC encourages the agency to focus on three guiding principles. First, regulations should be proportionate to a credit union's size, complexity, and risk profile. Second, regulatory requirements should be periodically evaluated to ensure that thresholds, limitations, and compliance expectations reflect current economic and operational realities. Third, NCUA should prioritize principles-based regulatory provisions, which allow credit unions flexibility to comply with regulations in a manner consistent with their unique business models. The recommendations that follow are intended to advance these principles while preserving the safety and soundness of federally insured credit unions and the Share Insurance Fund.³

¹ The Defense Credit Union Council represents more than 200 defense-affiliated credit unions and over 40 million members—including active-duty servicemembers, Guard and Reserve personnel, veterans, Department of Defense civilians, and military families.

² See 91 Fed. Reg. 10343 (Mar. 3, 2026) (stating the NCUA is reviewing categories of its regulations in which the third and final request for comment focuses on "Corporate Credit Unions," "Directors, Officers and Employees," "Anti-Money Laundering and Bank Secrecy Act," "Rules of Procedure," and "Safety and Soundness.").

³ DCUC will provide comments on the topics proposed in this Notification of Regulatory Review except for the topic, "Anti-Money Laundering and Bank Secrecy Act," which DCUC will comment on separately in response to 91 Fed. Reg. 18304 (Apr. 10, 2026).

Finally, DCUC encourages the NCUA to continue engaging stakeholders throughout the regulatory review process. Industry roundtables, town hall meetings, webinars, and other outreach efforts provide valuable opportunities for credit unions to share operational challenges and offer feasible recommendations. Continued collaboration will strengthen both regulatory effectiveness and compliance and enable NCUA to complete rulemakings thoroughly and efficiently.

SPECIFIC COMMENTS

4. Corporate Credit Unions and the Central Liquidity Facility (CLF)

Although DCUC is not recommending specific regulatory amendments relating to corporate credit unions currently, we support statutory changes that provide greater flexibility and affordability to corporate credit unions to serve as agent members of the CLF on behalf of smaller affiliated credit union members. Specifically, DCUC supports statutory enhancements that would increase the CLF's maximum legal borrowing authority; permit access for corporate credit unions, as agent members, to borrow for their own liquidity needs; and enable agent members to join and serve smaller groups of their covered institutions.

DCUC urges the NCUA Board to continue its support for these CLF enhancements in its communications and testimony to Congress.

5. Loans and Lines of Credit to Officials – 12 CFR § 701.21(d)

DCUC recommends that the NCUA modernize the \$20,000 board-approval threshold contained in § 701.21(d).⁴ When originally adopted, this aggregate threshold provided a meaningful safeguard against insider abuse. However, inflation and changes in consumer lending have significantly reduced its effectiveness as a risk-based measure.

Today, routine automobile loans and other consumer credit products frequently exceed \$20,000, resulting in unnecessary administrative burden without providing a corresponding supervisory benefit. DCUC recommends increasing the threshold to at least \$75,000. This adjustment would better reflect current lending practices while preserving appropriate oversight of transactions involving officials.

6. Reimbursement, insurance, and indemnification of officials and employees – 12 CFR § 701.33

Credit union boards increasingly face complex oversight responsibilities involving cybersecurity, technology, enterprise risk management, and regulatory compliance. As such, DCUC recommends that the NCUA expressly clarify that director and volunteer official education, certification programs, and governance trainings are permissible reimbursable expenses when appropriately documented and approved. More explicit regulatory language under § 701.33 could reduce uncertainty and encourage director education and stronger governance.

⁴ See 12 C.F.R. § 701.21(d)(1) (“the approval of the board of directors of the Federal credit union in any case where the aggregate of loans to an official and loans on which the official serves as endorser or guarantor exceeds \$20,000 plus pledged shares.”).

Furthermore, as stated in DCUC's March 27, 2026 comment letter, we strongly support the NCUA's current proposed rule to enable federal credit union (FCU) boards to provide reimbursement of reasonable dependent care costs incurred by volunteer officials.⁵ DCUC agrees with this change because it will provide FCUs with greater flexibility to create better work-life balance for volunteer officials, thereby encouraging greater and broader involvement with the credit union industry. Credit unions that can attract the best possible board members for leadership positions create a foundation for success, which contributes to the safety and soundness of the credit union system. This proposed rule would give FCU boards the discretion to adopt written policies that provide for the reimbursement or direct payment of dependent care costs, so such payments would not be mandatory and an FCU board of directors may adopt a more stringent policy or prohibit such reimbursement entirely.

We encourage the NCUA to finalize this proposed rulemaking promptly.

7. Management Official Interlocks – 12 CFR § 711

DCUC supports the NCUA's recent proposed rulemaking that would amend current § 711.3(c) to increase the major assets prohibition thresholds from \$1.5 billion and \$2.5 billion to \$10 billion each.

The proposal appropriately reflects the substantial growth of depository institutions since the thresholds were established and better aligns regulatory requirements with current market realities. By focusing the prohibition on larger institutions that present greater competitive concerns, the proposal maintains the intent of the Depository Institution Management Interlocks Act while reducing unnecessary restrictions on smaller institutions.⁶ Accordingly, DCUC supports adoption of the proposal as drafted.

8. Fidelity Bond and Insurance Coverage for Federal Insured Credit Unions – 12 CFR § 713

DCUC recommends that the NCUA modernize the deductible and compliance provisions contained in § 713 to better reflect current operational and insurance market conditions.

First, the maximum permissible deductible amounts should be increased. Existing thresholds no longer reflect the size, complexity, and risk management capabilities of federally insured credit unions and may limit flexibility in obtaining cost-effective coverage. NCUA should substantially increase the permissible deductible limits to reflect current operational risks, insurance market conditions, and sophistication of federally insured credit unions.

Second, the NCUA should extend the current 30-day compliance periods in §§ 713.6 and 713.7 to 60 days. Credit unions often require additional time to communicate with insurers, evaluate coverage options, obtain approvals, and implement policy changes. Extending the compliance period would provide operational flexibility without negatively impacting safety and soundness.

⁵ See Defense Credit Union Council Comment Letter on NCUA's Proposed Rule on Reimbursement of Dependent Care Costs for Federal Credit Union Officials, Docket No. NCUA-2026-0067 (Mar. 27, 2026).

⁶ See 12 U.S.C. §§ 3201-3208.

6. General authorities and duties of Federal credit union directors – 12 CFR § 701.4

DCUC encourages the NCUA to amend the § 701.4(e) succession planning requirements finalized in December 2024. While we understand the need for credit unions to have succession plans, we believe § 701.4(e)(3) regarding the specific contents of the succession plan is too prescriptive. NCUA should replace the prescriptive requirements in § 701.4(e)(3) with a principles-based standard that allows boards to develop succession plans appropriate to their size, complexity, and governance structure. DCUC acknowledges that the final rule with these requirements became effective recently, on January 1, 2026,⁷ but still urges the NCUA to make this change consistent with its recent principles-based rulemaking approach.⁸

In addition, DCUC opposes the NCUA's recent proposed rulemaking that would eliminate § 701.4(b)(3) because the provision establishes a minimal safety-and-soundness foundation for board competency that is critical to effective governance and credit union oversight.⁹

In the proposal, the NCUA states that the board requirement is overly prescriptive. However, the requirement is neither overly prescriptive nor burdensome. The section does not mandate immediate expertise, specific coursework, certifications, or training but instead requires a “working familiarity” of basic practices with a willingness to ask questions of management and auditors. Credit unions retain flexibility in how directors meet this standard within a reasonable time. Conversely, eliminating this provision would remove a baseline expectation for director competency, increasing the risk that boards lack the knowledge necessary to effectively oversee management, understand financial reports, and respond to supervisory and audit findings.

Furthermore, this standard is necessary for credit unions to comply with 12 CFR § 701.4(b)(4), which requires that boards “direct management’s operations of the [FCU] in conformity with the requirements set forth in the Federal Credit Union Act, this chapter, other applicable law, and sound business practices.” Retaining § 701.4(b)(3) ensures alignment with this requirement as board oversight requires a foundational level of financial understanding.

If the NCUA is concerned about the lack of flexibility with 12 CFR § 701.4(b)(3), particularly for smaller credit unions, it should revise, rather than eliminate, the section by providing additional time such as one year, instead of six months, to satisfy the standard. This is a better solution to address the NCUA's current concerns.

7. Loans to members and lines of credit to members – 12 CFR § 701.21

Section 701.21 authorizes federal credit unions to make loans to members and issue lines of credit, including credit cards, to members.¹⁰ The section also interprets provisions relating to maturity, rate of interest, security, and prepayment penalties.

⁷ See 89 Fed. Reg. 104865 (Dec. 26, 2024).

⁸ DCUC is providing this feedback acknowledging that the NCUA has stated that because the impact of the rule is not yet clear, the Board is not seeking comment on the final rule in this decennial review.

⁹ See 91 Fed. Reg. 9177 (Feb. 25, 2026).

¹⁰ This section interprets provisions in 12 U.S.C. 1757(5).

With regard to § 701.21(c)(7)(ii) on temporary rates, at least every 18 months, the NCUA Board will “determine if federal credit unions may extend credit to members at an interest rate exceeding 15 percent.”¹¹ We encourage the NCUA to consider, before its next 18-month review, whether this ceiling should be increased to greater than 18 percent—such as 19 or 20 percent—to provide credit unions with more varied lending options to serve their members, particularly in underserved communities. The NCUA Board should not consider 18 percent to be the default setting if the interest rate environment warrants a higher rate.

We also encourage the NCUA to enhance its Payday Alternative Loan (PALs) program. The regulation allows credit unions to charge one thousand basis points above the NCUA’s maximum rate for payday alternative loans (PALs).¹² The NCUA should increase this one thousand basis points amount to offer more meaningful pricing variability, such as allowing an increase to at least 1250 basis points. This will enable credit unions to be more competitive in providing this short-term lending.

DCUC also recommends that NCUA amend its PALs requirements to increase the loan amount ceiling to at least \$2000 for PALs I and at least \$4000 for PALs II loans and allow for longer maturity limits for both PALs programs.¹³ These changes would reflect the current inflationary environment, allow the PALs program to help more consumers, and make the program more competitive with short-term loans offered by less regulated entities.

In order to make both PALs I and PALs 2 loans more cost efficient for credit unions to originate, we strongly encourage the NCUA to amend §§ 701.21(c)(7)(iii)(A)(7) and (iv)(A)(6) to allow credit unions to charge a higher fee for processing PALs applications. Currently, the allowable fee in the regulation is no more than \$20, which does not fully cover the expense of processing PALs applications. The NCUA should allow for fees of at least \$50 to adequately offset operational costs.

Finally, we encourage the NCUA to allow credit union members to be eligible for PALs I loans as soon as they become members of the credit union, eliminating the one-month membership requirement and providing greater consistency with the PALs II loans. This regulatory amendment is practical given the underwriting requirements for PALs loans.¹⁴ Allowing flexibility across both programs will help FCUs serve their members more effectively and be a resource to consumers who may otherwise rely on payday lenders or less regulated lenders for short-term lending.

¹¹ See 12 U.S.C. § 1757(5)(a)(vi) (“...Federal credit unions may make loans at rates not exceeding 15 percent per annum on the unpaid balance, inclusive of all finance charges. The Board may establish... an interest rate ceiling exceeding such rate, for periods not to exceed 18 months...”).

¹² See 12 C.F.R. § 701.21(c)(7)(iii) and (iv) (describing the NCUA’s requirements for its PALs I and PALs II programs).

¹³ See 12 C.F.R. § 701.21(c)(iii)(A)(1) and (iv)(A)(1).

¹⁴ See 12 C.F.R. § 701.21(c)(iii)(B)(2) (“underwriting standards should address required documentation for proof of employment or income, including as least two recent paycheck stubs. Federal credit unions should be able to use a borrower’s proof of recurring income as the key criterion in developing standards for maturity lengths and loan amounts so a borrower can manage repayment of the loan.”).

8. Investment and Deposit Activities – 12 CFR § 703

DCUC believes NCUA's investment pilot program in § 703.19 is underutilized due to uncertainty regarding eligible activities and the absence of a defined application review process. Under the NCUA's current investment pilot program, a limited number of credit unions can participate in investment activities permitted by the FCUA, but limited by NCUA regulations, if they receive NCUA approval.¹

DCUC requests that the NCUA provide a reasonable timeline, such as 30 or 60 days, for the agency's review and approval of these pilot applications. The NCUA should also provide more specificity in § 703 as to what investment types would be eligible for consideration under the pilot program and should specify that credit unions are allowed to collaborate with each other or CUSOs on applications for the program. These changes would increase participation, encourage innovation, and provide credit unions with greater certainty when considering pilot program opportunities.

9. Guidance Included in the Code of Federal Regulations (CFR)

As the NCUA engages in its regulatory review, DCUC encourages it to move any guidance or recommendations from the CFR so there is no confusion as to whether these provisions are legally binding requirements. Guidance, recommendations, or best practices can be communicated to credit unions through a Letter to Credit Unions or another non-codified document. This provides greater clarity and enables the NCUA to quickly make updates and changes without having to go through formal notice and comment procedures. The NCUA has already proposed changes to move guidance from the CFR in recent notices of proposed rulemaking this year. We encourage the NCUA to continue with these efforts for other guidance included in the CFR, such as for the "Guidance for an Interest Rate Risk Policy and an Effective Program."¹

10. Ongoing Collaboration

Collectively, the recommendations outlined in this letter would reduce unnecessary regulatory burden, improve operational flexibility, and strengthen all credit unions' ability to serve members while maintaining safety and soundness. Given the significant volume and pace of recent NCUA rulemakings, DCUC may provide supplemental recommendations as we receive additional feedback from our member institutions. We encourage the NCUA to continue engaging stakeholders throughout the review process to ensure that regulatory reforms are informed by operational experience and industry expertise.

Thank you for the opportunity to comment. DCUC looks forward to continued collaboration with the NCUA on regulatory modernization efforts that strengthen the credit union system and the members and communities it serves. If you have questions or would like to discuss our comments further, please contact me at jstverak@dcuc.org.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

¹ See 12 C.F.R. § 703.19(a) and (b).

¹ See 12 C.F.R. § 741, App. A.