



Regulatory Comment: Third-Party Servicing of Indirect Vehicle Loans

THE ISSUE:

On March 25, 2026, the National Credit Union Administration (NCUA) Board released a proposed rule to remove the NCUA's regulation regarding third-party servicing of indirect vehicle loans.

IMPACT TO CREDIT UNIONS:

The proposed rule has the potential to provide meaningful regulatory relief and reduce compliance and administrative costs for credit unions. The proposal would eliminate net-worth-based concentration limits tied to purchases of indirect vehicle loans facilitated by any one third-party servicer, along with the associated waiver process and response timelines. It will position credit union boards to develop policies and procedures that are appropriately scaled to their institutions' size and transactions.

KEY POINTS:

- The current rule caps purchases of indirect vehicle loans and participations serviced by any one third-party servicer to 50 percent of net worth, increasing to 100 percent after 30 months of experience with that servicer. It also provides a waiver process and NCUA response timelines.
- The NCUA proposes to remove § 701.21(h) entirely, based on the view that these requirements create a rigid, one-size-fits-all framework that is unduly burdensome for credit unions.
- The NCUA also proposes to remove § 741.203(c), which applies the same framework to federally insured, state-chartered credit unions and includes state supervisory authority concurrence requirements, and to remove the cross-reference in § 746.201(c).
- The NCUA will continue to monitor these activities through the examination process

ACTION NEEDED: Deadlines and contacts

Please use the comment link below to respond to America's Credit Unions' survey. This will help shape the discussion and better address your needs in our comment letters.

- Comments due to America's Credit Unions: May 12, 2026 — [Submit here](#)
- Comments due to the NCUA by May 26, 2026
- Questions? Contact [Tyler Maron](#), Regulatory Advocacy Counsel, America's Credit Unions
- Agency contact: John H. Brolin or Ariel Pereira, Senior Staff Attorneys, Office of General Counsel, at (703) 518-6540

QUESTIONS TO CONSIDER:

1. How would removing § 701.21(h)'s concentration limits improve operational flexibility for credit unions that rely on indirect auto lending through third-party servicers?
2. How should NCUA examiners evaluate a credit union's risk management and due diligence practices for third-party indirect auto lending in the absence of prescriptive limits?
3. Are there aspects of the current framework that should be retained?

BACKGROUND:

In 2006, the NCUA adopted a final rule governing purchases of indirect vehicle loans serviced by third parties, based on concerns that some credit unions could enter indirect lending programs without adequate due diligence, controls, or sufficient experience with a third-party servicer, particularly where the third party manages dealer relationships and services member loans. However, the NCUA argues that the current framework imposes prescriptive concentration limits and related waiver processes.

SECTION BY SECTION ANALYSIS

Section 701.21(h)

§ 701.21(h)(1) limits the aggregate amount of indirect vehicle loans and participations in indirect vehicle loans a federal credit union may purchase from any one servicer to 50 percent of the credit union's net worth.¹ After 30 months of experience with a particular servicer, paragraph (h)(1) increases the limit to 100 percent of net worth.² The subsequent subsection provides the framework for requesting a waiver from a Regional Director.³ The proposed rule would remove this framework. If the proposed rule is finalized, FCUs would independently develop policies scaled to their purchases of indirect vehicles loans serviced by third parties.

Section 741.203(c)

The proposal to remove Section 741.203 (c) mirrors the decision to remove Section 701.21(h). This section requires that federally insured, state-chartered credit unions must adhere to the requirements of Section 701.21(h), along with providing the process for waiver applications, including notification to the relevant state supervisory authority for certain waivers.⁴ Because the NCUA is proposing to remove Section 701.21, it is similarly seeking to remove this Section. Consequentially, if the proposed rule is finalized, federally insured, state-chartered credit unions would be responsible for setting their own policies for third party indirect vehicle loan purchases.

Section 746.201(c)

§ 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 includes a reference to Section 701.21(h)(3). Because the NCUA Board is seeking to remove Section 701.21(h)(3), it is proposing to remove the citation found in this section.

¹ 12 CFR § 701.21(h)(1)(i).

² *Id.* (ii).

³ *Id.* (3)-(4).

⁴ 12 CFR §741.203(c).