



Regulatory Comment: Refund of Interest

THE ISSUE:

On February 25, 2026, the National Credit Union Administration (NCUA) Board released a [proposed rule](#) to rescind a regulation that addresses the refund of interest to members.

IMPACT TO CREDIT UNIONS:

The proposed removal of Section 701.24 would have no substantive effect on federal credit union (FCU) authority, because the authority to vary interest refunds and make exclusions is already provided by Section 113(9) of the Federal Credit Union Act (FCU Act). The removal would simplify the NCUA's regulatory code by eliminating mostly redundant text and limiting the number of sources that FCUs must check to ensure compliance with laws and regulations. However, the proposal would remove several regulatory provisions that currently provide operational guardrails and clarity but are not expressly included in the FCU Act.

KEY POINTS:

- Section 113(9) of the FCU Act authorizes an FCU's board of directors to issue interest refunds to members from income earned. Section 701.24 of the NCUA's regulations generally restates this statutory framework.
- The removal of the regulation would eliminate some provisions that are not reflected in the FCU Act. While the regulation expressly permits an FCU's board of directors to exclude certain extensions of credit from an interest refund and conditions the payment of interest refunds on the declaration and payment of dividends on share accounts, the FCU Act itself is silent on these matters.

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: April 13, 2026 — [Submit here](#)
- Comments due to the NCUA by April 27, 2026
- Questions? Contact [Tyler Maron](#), Regulatory Advocacy Counsel, America's Credit Unions
- Agency contact: Ian Marenga, Associate General Counsel, Office of General Counsel, at (703) 518-6540

QUESTIONS TO CONSIDER:

1. Do you support the proposed removal of Section 701.24, and how would the removal provide regulatory relief for credit unions?
2. Should any of the current regulation be preserved?
3. How should the NCUA address regulatory provisions being removed that are not expressly included in the FCU Act, such as requirements related to dividend declarations, loan exclusions, and variations in refund percentages?
4. Given that portions of the regulation are not included in the FCU Act, would you support the position that the NCUA should provide an official guidance for clarity?

BACKGROUND:

Section 113(9) of the FCU Act authorizes an FCU's board of directors to issue interest refunds to members of record at the close of business on the last day of any dividend period based on income. Such refunds must be based on income earned and allocated in proportion to the interest paid by those members. Section 701.24 of the NCUA's regulations codifies this statutory authority from the FCU Act into the NCUA's regulations and permits an FCU's board to authorize an interest refund to members from income earned during a dividend period. The regulation further allows the refund percentage to vary by the type of extension of credit and interest rate charged and permits the exclusion of certain categories of loans, such as delinquent loans, from the refund. Finally, Section

701.24 permits an interest refund only if dividends on share accounts have been declared and paid for the applicable dividend period.

SECTION-BY-SECTION ANALYSIS

The NCUA's proposed removal of Section 701.24 of the regulatory code would modestly reduce regulatory burden by removing duplicative language to that in the FCU Act. However, the proposal would remove regulatory provisions that are not addressed in the FCU Act.

701.24 (a)

Section 701.24 only permits a refund of interest to be made for a dividend period if dividends on share accounts have been declared and paid for that period. In other words, an FCU board must declare and pay share dividends for the period before it can issue any interest refunds. The proposed rule would remove that requirement. Under the proposal, an FCU board may be able to issue an interest refund even if it did not declare dividends for that period, so long as the refund is from "income earned and received." Practically, the removal may give FCU boards flexibility on timing and recipients of distributions.

701.24 (b) & (c)

The regulation also dictates that an FCU's board of directors may vary the interest refund percentage based on the type of extension of credit and interest rate charged. The board may also exclude a particular type of extension of credit from an interest rate refund. These components are not in the FCU Act. The NCUA notes in its proposal that it interprets section 113(9) of the FCU Act to allow an FCU's board of directors to vary the interest refund according to the type of extension of credit and the interest rate charged, and to make certain exclusions from a loan interest refund. However, an interpretation is not binding, and the NCUA's position on varying interest refunds may change in the future. Accordingly, we are considering requesting that the NCUA provide an official interpretation guidance, retain subsection (c) in the regulation, or pursue a corresponding amendment to the statutory language in the FCU Act.