



DCUC
DEFENSE CREDIT UNION COUNCIL

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Anthony R. Hernandez
President/CEO

May 8, 2024

The Honorable Sherrod C. Brown
Chairman
Senate Committee on Banking, Housing,
and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Tim E. Scott
Ranking Member
Senate Committee on Banking, Housing,
and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Brown and Ranking Member Scott,

On behalf of America's Defense Credit Unions and over 37 million members, I am writing in response to the Senate Committee on Banking, Housing and Urban Affairs hearing on "Consumer Protection: Examining Fees in Financial Services and Rental Housing." The Defense Credit Union Council (DCUC) advocates for all defense credit unions located on United States military installations, and serving these communities living outside installations, stateside and abroad.

Everything we do is in support of our military and veteran communities, no matter which credit union they join. We are always concerned when unsuspecting consumers are subject to unfair and deceptive trade practices.

The Defense Credit Union Council agrees with our credit union counterparts in each of their concerns regarding government overreach to determine fees at individual credit unions. These decisions are best left to the democratically elected boards of directors for each of these institutions; They know and understand what is best for their members because they are one of them.

Our members' concern lies with the military members, particularly junior enlisted and junior officers who are just starting on their professional journeys. Our experience is that these junior members are stationed many miles from home for the first time. Thus, there is no safety net or family members close by to cover a sudden need for cash or credit.

Being new to the military, most have not saved enough to fund emergencies and sources for cash are hard to find. Plus, the Military Lending Act eliminated small dollar lending which could have bridged the gap. As a result, hard choices often need to be made which usually result in temporarily over drafting their checking or savings account, forgetting that rent or a purchase payment is due. Thus, we need a service or a practice that provides a safety net, one that serves as a deterrent from repeating the process. There are several innovative financial products and services that are meant to protect our service members from harm.

There are always creative ways to implement a healthy overdraft program. However, burdensome regulations can stifle such innovation and eliminate worthy programs.

Eliminating such programs invites financial predators onto the scene. Defense credit unions work very hard to keep predatory lenders off the installation and away from vulnerable servicemembers. In fact, defense credit unions have a rich history of providing safe financial programs to help make ends meet. This is why it is hard to support the CFPB's credit card late-fee rule because of the adverse impacts to military families.

Serving Those Who Serve Our Country

First, issuers will be forced to increase costs to offset delinquencies and charge offs. In fact, CFPB admits that the final late fee rule will cause harm to 74 percent of consumers who pay their credit cards on time. Higher principal and interest payments will increase the burden on all military consumers. This is in addition to current challenges such as food insecurity, spouse employment, and rising childcare costs. It is especially troubling since more military families rely on credit cards to make ends meet.

Second, CFPB's new rule makes it much more difficult for military leaders to establish good order and financial discipline. When credit card late fees are significantly reduced, there is less incentive to pay on time. Although military members are instructed to honor their credit card commitments, DoD lacks the mechanisms to prevent, intervene, or enforce standards until it is too late. Thus, it is hard to see how imposing government controls on late fees will improve financial discipline and responsibility. We fear CFPB's rule will make both worse.

Finally, while we are against absurdly high late fees, we believe the market can and will regulate what people can and are willing to pay. The credit card market is already competitive. Especially when marketing access for consumers with lower credit scores or little to no credit history. Those who can offer better terms and access to credit cards will prevail. Military families are very perceptive and cautionary when it comes to additional costs.

We are the first to work with our members to ensure they are prioritizing that fees remain as low as possible and assist service members and their families when they experience financial hardships. Many of our defense credit unions are regularly honored by the DoD for their work and dedication to their military and veteran members.

The Defense Credit Union Council values any opportunity to highlight potential impacts on military members. As always, we believe we can be effective partners with regulators in ensuring a safe and secure financial environment for our Nation's military and veteran communities.

If there is anything we can do to provide additional information on the impact of this regulation or other payments issues, please let us know. My office can be reached at (202) 734-5007 or at ahernandez@dcuc.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony R. Hernandez". The signature is fluid and cursive, with the first name being the most prominent.

Anthony R. Hernandez, Colonel, USAF (Ret)