



DCUC
DEFENSE CREDIT UNION COUNCIL

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Anthony R. Hernandez
President/CEO

November 28, 2023

The Honorable Jeanne Shaheen
Chair, Committee on Small Business
& Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, D.C. 20510

The Honorable Joni Ernst
Ranking Member, Committee on Small Business
& Entrepreneurship
United State Senate
428A Russell Senate Office Building
Washington, D.C. 20510

Re: Veterans Member Business Loan Act

Dear Senator Shaheen and Senator Ernst:

On behalf of our Board of Directors and over 35 million members, I am writing to request your support for S. 539, Veterans Member Business Loan Act which would exempt business loans made to veterans from current credit union business lending caps. Our member credit unions, along with virtually every credit union in the United States, proudly serve many veterans in their communities. We believe such legislation will make a difference for transitioning and existing veteran members and respectfully ask Congress to support legislation to assist our Nation's veterans and their families.

Our member credit unions are uniquely positioned and structured to offer this kind of support given branch offices located on the installation and in the community. Plus, with every credit union across the United States having at least one veteran member, the nationwide impact would be far and wide. Our industry sees many of our veterans starting their own businesses as they transition out of the military. As part of our ethos in serving the underserved, we believe we can assist where other lenders refuse.

We also note that not much has changed since Federal Reserve Bank of New York and the U.S. Small Business Administration (SBA) published a study in 2018 titled, "*Financing their Future: Veteran Entrepreneurs and Capital Access.*" The study found that military veteran business owners applied for more funding, submitted more loan applications per business, and yet were denied loans at a much higher rate than non-veteran business owners. Thus, it is imperative to keep our veterans borrowing from institutions they trust versus referring them elsewhere.

More can and should be done. Although the SBA's 7(a) program has grown in recent years, SBA guaranteed loans have benefited veterans far less than non-veterans (48% growth compared to 82%) – a point the author personally pointed out in on-the-record SBA meetings at the time. According to the study, veterans are denied for two reasons.

First, veterans are looking for "micro business loans" (under \$100,000). Commercial banks cannot underwrite these smaller loans in a cost-effective way and as such rarely offer these products. Additionally, no bank lobby narratives should ever prevent our veterans from wanting to succeed. Credit unions can and should be able to fill any gaps throughout the country.

Second, according to the report, underwriting veterans is complicated due to insufficient credit histories and little collateral. As any veteran knows, prolonged military service comes with unique stressors, such as frequent relocations and deployments which complicate the process.

This is where America's credit unions can help bridge the gap. The Defense Credit Union Council understands the difficulties inherent in a military career and we can help other credit unions see the same opportunity.

Exempting business loans made to veterans from the artificial member business lending caps is a great government policy. It makes it much easier to extend business credit to America's Veteran-Owned Businesses. Plus it sends a clear signal that our nation recognizes their impact in fostering entrepreneurship successfully building our economy. We hope you will consider this important legislation.

If there is anything more we can do to encourage other Members of Congress to support this legislation, please let us know. My office can be reached at (202) 734-5007 or at ahernandez@dcuc.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony R. Hernandez". The signature is written in a cursive, flowing style.

Anthony R. Hernandez