



DCUC
DEFENSE CREDIT UNION COUNCIL

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Anthony R. Hernandez
President/CEO

April 2, 2024

The Honorable Steven Bradford
Member, California State Senate
1021 O Street, Suite 7210

Re: Senate Bill 1075: Credit Unions: overdraft and nonsufficient funds fees. - Oppose

Dear Senator Bradford,

On behalf of America's 182 Defense Credit Unions and over 37 million members, I am writing in response to SB 1075 regarding certain prohibitions on covered financial institutions from charging non-sufficient funds (NSF) fees, when consumers overdraw on their checking or savings accounts. The Defense Credit Union Council advocates for all credit unions operating on all U.S. military installations and for credit unions serving our nation's veterans.

The Defense Credit Union Council has always advocated for laws and regulations that protect the financial readiness of our servicemembers stationed across the country, overseas, and in harm's way. While we applaud efforts to eliminate Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) at all levels of government, we are also concerned about conflicting regulations such as the Consumer Financial Protection Board's upcoming rulemaking. Federal preemption is another concern along with any state challenges in court as a result. These conflicting efforts can confuse credit unions and prevent them from ensuring their members' ability to pay for things when military members overspend on their accounts.

Thus, we seek better clarity in terms of compliance with the new rule. The good news is we do not see a widespread problem with the practice of NSF fees. However, there are always unintended consequences anytime a new rule is place. The Defense Credit Union Council agrees with our credit union counterparts in each of their concerns regarding this proposed rulemaking. Our concern is with the military members, particularly junior enlisted and junior officers who are just starting on their professional journeys. Our experience is these junior members are many miles away from home for the first time. Thus, there is no safety net or family members 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 need to be made which usually result in temporarily overspending 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 and one that serves as a deterrent from repeating the process. There are several innovative financial products and services that are meant to protect our servicemembers from harm. NSF fees can continue to be an effective program and there are always creative ways to implement a healthy overdraft program. However, burdensome regulations can stifle such innovation and eliminate worthy programs.

Serving Those Who Serve Our Country

Eliminating such programs invites financial predators onto the scene. Defense credit unions work very hard to keep such predators off the installation and away from vulnerable servicemembers. Thus, we are very concerned with the unintended consequences in promulgating a new law or rule.

Again, the Defense Credit Union Council appreciates an opportunity to highlight potential impacts on military members. As always, we believe we can be effective partners with state and federal regulators in ensuring a safe and secure financial environment for our nation's military and veteran communities. There is much we can do together.

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,



Anthony R. Hernandez, Colonel, USAF (Ret)