



DCUC
DEFENSE CREDIT UNION COUNCIL

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January 11, 2023

The Honorable Patrick McHenry
Chairman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representative
Washington, DC 20515

Re: Concerns with New CDFI Target Market Assessment Methodologies

Dear Chairman McHenry and Ranking Member Waters:

On behalf of the Defense Credit Union Council (DCUC) Board of Directors and over thirty-two million members worldwide, I am writing to express our concerns with new CDFI Target Market assessment methodologies which go into effect this April. The Defense Credit Union Council (DCUC) advocates for all defense credit unions located on United States military installations around the world. Everything we do is in support of our military and veteran communities, no matter which credit union they join.

Military bases are not typically located near affluent or even most middle-class neighborhoods and have historically been well outside city limits. Additionally, military personnel are no different in terms of meeting the threshold for the CDFI Fund's Low Income Targeted Population levels under the established criteria. Finally, the military is currently struggling with food insecurity, a lack of adequate spouse employment opportunities, access to affordable daycare along with the struggles of being far away from family members who can help.

Thus, America's defense credit unions have an important role in serving military members who need affordable housing while temporarily residing or deciding to retire in these communities. This is nothing new. Not-for-profit, member-owned military credit unions have a long history of serving lower income and minority consumers.

In fact, when looking at the Credit Union National Association's (CUNA) analysis of 2021 Home Mortgage Disclosure Act (HMDA) data, it is no surprise that:

- Applicants for first mortgage* originations at military credit unions reflected average income of \$130,189 – well below the \$169,164 average at US commercial banks

*Defined as 1-4 family, owner-occupied mortgage originations for FHA/VA/FSA/RHS, Conventional and Refinancings.

- Military credit union first mortgage loan amounts averaged \$282,486 – well below the \$327,840 average at US commercial banks
- Overall, 10.8% of military credit union first mortgage loan originations were to African Americans - over double the 4.8% share of total originations at commercial banks
- Overall, 10.2% of military credit union first mortgage loan originations were to Hispanic Americans – nearly double the 6.6% share of total originations at commercial banks

Serving Those Who Serve Our Country

This dedication to supporting the housing needs among lower-income and minority communities is important because it greatly increases financial well-being: home ownership is a key driver of wealth and inter-generational wealth transfers. Yet, it doesn't stop there.

As CDFIs also provide an opportunity for residents starting businesses, many of these are either owned or staffed with military spouses. This has an enormous impact on the military family to include improving the financial readiness of our nation's defenders. The quality of life for our military families also improves when investments in schools, health centers, and other community improvements are made via CDFIs. Particularly when on-base housing is expensive, limited, and in some cases substandard.

While we applaud the CDFI Fund's intent in limiting certification to those institutions who mirror the program's ideals and mission execution, we are concerned with new CDFI Target Market assessment methodologies as promulgated by the CDFI Fund. As these methodologies conflict with legal restrictions on obtaining racial, disability, or other demographic data per the Equal Credit Opportunity Act and Regulation B, they would preclude defense credit unions from legally obtaining this data. Other options to satisfy legal requirement are simply too burdensome and costly, particularly for smaller credit unions such as those on the installation.

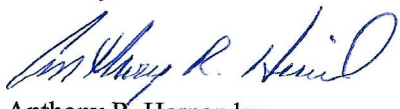
The result is many defense credit unions would be unable to maintain or become CDFI-certified and obtain Federal funding for their military and veteran communities. This downstream effects on the military community make this unacceptable for those who wear our nation's cloth.

We respectfully ask the committee to review these methodologies and determine whether a legislative fix is in order. We would be happy to meet with you soon to further discuss these impacts from a military perspective.

Defense credit unions are responsible lenders and have always offered quality products and services to keep predatory lending away from our military. This is why our member credit unions are dedicated to all DoD personnel on the installation.

If there are further questions regarding this matter, please contact me at (202) 734-5007 or at ahernandez@dcuc.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony R. Hernandez".

Anthony R. Hernandez