DCUC
DEFENSE CREDIT UNION COUNCIL

1627 Eye St, NW
Suite 935
Washington, DC 20006

202.734.5007
www.dcuc.org

Jason Stverak
Chief Advocacy Officer

July 15, 2025

The Honorable Austin Scott
Chairman, Subcommittee on General Farm Commodities, Risk Management, and Credit
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Sharice Davids
Ranking Member, Subcommittee on General Farm Commodities, Risk Management, and Credit
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

Re: Financing Farm Operations: Credit Access in Rural Communities

Dear Chairman Scott and Ranking Member Davids:

On behalf of the Defense Credit Union Council (DCUC) – which represents over 200 member-owned, not-for-profit credit unions with more than $525 billion in assets and 40 million members (primarily active-duty service members, veterans, and their families) – thank you for holding this hearing on rural credit access. Our member credit unions serve as critical financial partners in rural America, including farm and ranch communities. As DCUC has emphasized, credit unions "provide essential access to credit and financial services for rural communities, including agricultural producers," often filling "the void left by large financial institutions that have pulled out of rural America". In these underserved areas, credit unions offer fair, affordable loans and financial education, yet they face longstanding structural obstacles that limit their ability to meet local needs. We welcome the Subcommittee's attention to these issues and urge you to consider how federal policy can enable credit unions to do more to support farmers and ranchers.

One major obstacle is the outdated member business lending (MBL) cap in the Federal Credit Union Act. Federal credit unions are limited to 12.25% of assets in member business loans, an "arbitrary" limit that "disproportionately harms…rural borrowers and small agricultural producers". In practice, this means many CUs must turn away would-be farm and ranch borrowers once they reach the cap – even when credit is available and needed. DCUC has long advocated modernizing this cap. Specifically, Congress should **exempt agricultural loans (especially to small and beginning farmers) from the cap or significantly raise the cap** so that community credit unions can responsibly expand lending in their service areas. For example, legislation such as the Veterans Member Business Loan Act (VMBLA) – which would exempt veteran-owned small business loans from the cap – should be supported and applied broadly to farmer and rancher borrowers. As one recent DCUC letter notes, "expanding or exempting rural and veteran loans from the MBL cap would allow credit unions to responsibly lend more". Analogous carve-outs for agricultural production and equipment loans would directly benefit rural economies and veteran farmers.

Credit unions are also handicapped by **outdated field-of-membership (FOM) rules** that limit their ability to serve nearby rural areas. Currently, many credit unions with a physical presence or existing community ties in a rural region cannot extend membership to adjacent farm towns without onerous approvals. Modernizing FOM rules – for example by streamlining community charter processes and allowing military- or veteran-focused credit unions to add rural service areas more easily – would help credit unions reach underserved farmers. As DCUC has recommended, regulators should "coordinate efforts to modernize the MBL cap and FOM framework" to unlock rural lending.

A second challenge is the **competitive disadvantage relative to the Farm Credit System (FCS)**. Both credit unions and FCS institutions are cooperatives with tax-exempt status, but FCS enjoys far broader lending powers and federal support. Unlike credit unions, Farm Credit banks face **no statutory business lending cap**, have broader authority to finance non-farm businesses, and operate under much looser community "charter" requirements. FCS institutions also have access to government-backed funding sources – for example, loans guaranteed through the Federal Agricultural Mortgage Corporation (Farmer Mac) – that are unavailable to credit unions. In short, the FCS's "government-backed status" and implicit subsidies have allowed it to expand into large commercial lending and to crowd out smaller local lenders. This imbalance "undermines the competitive landscape for local financial institutions" and reduces choices for family farms. We urge the Subcommittee to promote **regulatory parity** between credit unions and FCS banks. At a minimum, Congress should tighten FCS oversight and ensure it focuses on its original mission of serving family farms, not competing directly with community lenders. Policymakers should also encourage collaboration – for example, partnerships between Farm Credit associations and local credit unions – rather than a winner-take-all model that pushes credit unions aside.

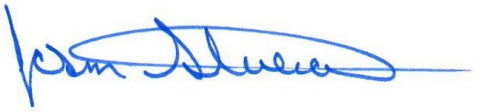
Beyond adjusting the lending cap and FCS oversight, DCUC recommends practical steps to **expand credit union involvement in federal rural lending programs**. Credit unions are eager to support farm borrowers but face unnecessary hurdles in SBA and USDA programs. For instance, many credit unions are either excluded from or underutilized in SBA's 7(a) and 504 programs due to restrictive rules. Congress should treat credit unions as equal SBA partners: streamline SBA lending rules, permit more credit unions to become SBA lenders, and **exclude SBA-guaranteed loans from counting against the MBL cap**. DCUC has applauded recent bipartisan efforts to "streamline SBA rules and encourage more credit union participation," and specifically urged that SBA-backed loans be carved out of the cap. Similarly, USDA's Farm Service Agency (FSA) and Rural Development programs should be opened wider to credit unions. Strengthening partnerships between USDA and credit unions – for example by encouraging credit unions to participate in FSA guaranteed farm loans and by funding pilot programs in rural areas – would give small and beginning farmers more options. We also echo calls to lower administrative barriers: credit unions already operate under strict NCUA and CFPB oversight, so USDA and SBA should accept credit union examinations in lieu of duplicative reviews and reduce paperwork for CU loan guarantees.

In summary, credit unions are uniquely positioned to boost economic growth in rural communities, but federal rules must be updated. **We urge the Subcommittee to support**: raising or exempting the MBL cap for ag and veteran loans, modernizing field-of-membership rules for rural areas, providing regulatory parity with the Farm Credit System, and streamlining credit union access to SBA and USDA lending programs. Such reforms – in combination with the MBL cap relief DCUC and allied groups have long sought – will enable credit unions to expand farm operating and equipment loans, help veterans enter agriculture, and sustain family farms that form the backbone of rural economies.

Thank you for your leadership on behalf of rural America. Credit unions stand ready to work with the Committee and USDA to implement these solutions and help ensure that America's farmers and ranchers have access to the full range of affordable credit they need. We appreciate the opportunity to provide this input and would be pleased to answer any questions or provide additional information.

If you have any questions or would like to meet to discuss this issue in greater detail please email me at jstverak@dcuc.org.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: Subcommittee on General Farm Commodities, Risk Management, and Credit