DCUC
DEFENSE CREDIT UNION COUNCIL

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April 14, 2026

The Honorable **Jodey Arrington**
Chairman, House Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

The Honorable **Brendan Boyle**
Ranking Member, House Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Re: Written Statement for the Record — April 15, 2026, Hearing, "The President's Fiscal Year 2027 Budget Request"

Chairman Arrington and Ranking Member Boyle:

On behalf of the Defense Credit Union Council (DCUC) and our 200 credit union member credit unions that serve servicemembers, veterans, Guard and Reserve families, DoD civilian employees supporting the mission, and the communities that sustain readiness, I respectfully submit this statement for the Committee record for the April 15, 2026 hearing entitled "The President's Fiscal Year 2027 Budget Request."

DCUC appreciates the Committee's leadership in evaluating the FY2027 budget request and its broader implications for national priorities. For the defense community, "who pays" and "who loses access" are not theoretical questions. The choices made in the FY2027 budget cycle will shape financial readiness and resilience for military households and veteran families—particularly in times of disruption when credit unions repeatedly step in to prevent cascading financial harm.

This submission focuses on two urgent issues directly relevant to the FY2027 budget debate:

1. Protecting credit unions' longstanding federal tax status from being used—directly or indirectly—as a budget or reconciliation offset; and
2. Opposing the proposed cuts and restructuring of the U.S. Treasury's CDFI Fund account in the FY2027 budget request, which would reduce access to proven tools that support financial inclusion, small-dollar lending, and community investment—including in many military-adjacent markets.

Preserving credit union federal tax status must be a FY2027 budget "red line"

DCUC has been consistent and direct across multiple budget and reconciliation cycles: the federal tax treatment of credit unions is not an expendable budget offset. In our March 26, 2026, letter to House and Senate Budget Committee leadership, we stated:

"The federal tax treatment of credit unions is a deliberate public-policy choice … not a loophole to be traded away…"

That principle is rooted in structure and mission. Credit unions are member-owned, not-for-profit financial cooperatives. They return earnings to member-owners through better rates, lower fees, and services tailored to households—rather than distributing profits to shareholders. This model is especially consequential for military families facing frequent moves, deployments, and income volatility.

The credit union system is also not marginal to U.S. household finance. As of the end of Q4 2025, federally insured credit unions served approximately **144.7 million** members and held approximately **$2.43 trillion** in assets, per NCUA's system performance reporting. Within that broader system, DCUC has documented that defense-oriented credit unions collectively serve over **40 million** member-owners and manage over **$525 billion** in assets.

In budget negotiations, credit unions can appear to be a convenient offset because the exemption is listed in tax-expenditure tables. Treasury's FY2027 tax-expenditure report estimates the "Exemption of credit union income" at **$32.37 billion across FY2026–FY2035**. But Treasury also cautions that tax-expenditure estimates **do not necessarily represent receipts** that would follow repeal due to behavioral responses and interaction effects.

DCUC urges the Committee to treat that Treasury caution as a governing principle for FY2027 budget work: the Budget Committee should not allow static "pay-for lists" to mischaracterize the exemption as an easy, reliable revenue source for unrelated priorities.

Moreover, credible modeling indicates that eliminating the exemption could produce macroeconomic harm that undermines the intended fiscal objective. The Feinberg-Meade study cited in DCUC's Budget Committee correspondence estimates that eliminating the exemption could reduce GDP and reduce federal receipts over a decade—alongside associated employment losses—meaning the public cost can exceed the apparent fiscal gain.

Oppose "backdoor" tax-status erosion through duplicative compliance mandates like Form 990

DCUC also urges the Committee to treat Form 990 proposals as a budget-process risk to tax status—particularly if such provisions are advanced under the banner of "transparency."

NCUA's legal opinion explains that federal credit unions are **not required** to file IRS Form 990, and the IRS confirmed this in 1988. The IRS similarly states that federal credit unions under NCUA supervision are exempt under section 501(c)(1) and are not required to file Form 990, while state credit unions exempt under 501(c)(14)(A) generally do file annual information returns.

DCUC has opposed renewed Form 990 mandates because federal credit unions already disclose extensive information through quarterly NCUA Call Reports. In our communications responding to banking-trade-group proposals, DCUC emphasized that mandating Form 990 would be redundant and mission-draining. DCUC's message is simple and practical:

"Every dollar spent on duplicative compliance is a dollar not returned to members…"

For military families and veterans, the direct consequence of resource diversion is fewer dollars available for emergency relief loans, counseling, fee waivers, and other readiness-support practices credit unions deploy during disruptions and shutdown threats.

DCUC therefore asks the Committee to ensure that the FY2027 budget process—budget resolution assumptions, reconciliation instructions, and any committee guidance—does not become a vehicle for "backdoor" efforts to erode credit union tax status through duplicative compliance mandates.

Oppose the proposed FY2027 CDFI Fund cut and restructuring; preserve the full program portfolio

The FY2027 budget request proposes a major reduction and restructuring of the Treasury CDFI Fund program account under a renamed "Rural Community Development Fund." Treasury requests **$119.5 million**, including **not less than $100 million** for a Rural Financial Assistance Program, with a requirement that recipients use **not less than 60%** of awarded dollars to support rural populations; and **up to $19.5 million** for administrative expenses.

Treasury's budget appendix also states that the FY2027 budget "proposes to eliminate separate funding" for multiple core CDFI Fund programs (including the CDFI Program, BEA, Small Dollar Loan Program, HFFI, and AmeriCorps CDFI Economic Mobility Corps) and that it "does not include authority to issue bond guarantees."

Using Treasury's FY2026 "est." baseline shown in the same appendix (**$324 million**), the FY2027 request implies a **~63% cut** (≈$204.5 million).

DCUC's position is that this proposed cut and program elimination would harm defense communities and underserved households by removing proven, targeted tools that expand access to safe and affordable credit. The CDFI Fund's own materials underscore both performance and demand:

- Treasury's CDFI Program reports that FY2024 awardees financed **more than 109,000 businesses**, provided funding for **more than 45,000 affordable housing units**, and originated **more than $24 billion** in loans and investments.
- The FY2024 annual report shows persistent oversubscription across key programs, reinforcing that demand exceeds available resources.
- The FY2024 FA awards announcement reported **357 CDFIs** received **$408.2M**, including **135 credit unions** among awardees—demonstrating direct relevance to credit unions' community investment capacity.

DCUC has previously warned that eliminating or severely reducing the CDFI Fund would push military families toward predatory lenders and undermine financial readiness. In a prior response to elimination proposals, DCUC described the fund as a "lifeline" for expanding emergency loans, financial education, and services in banking deserts.

DCUC's prior public record on these issues

For the Committee's convenience, DCUC has previously provided written statements and correspondence relevant to the FY2027 budget debate and the risks described above, including:

- **March 26, 2026** — DCUC letter to House and Senate Budget Committee leadership urging that "credit union tax status not be considered—directly or indirectly—as a revenue offset" in any "Reconciliation 2.0."
- **March 6, 2026 —** DCUC communication urging Congress to protect credit union tax status and regulatory framework ahead of anticipated reconciliation discussions.
- **February 12, 2025** — DCUC letter to the House Budget Committee supporting preservation of the credit union tax exemption during federal budget and reconciliation deliberations.
- **November 2025** — DCUC letters and public statements opposing Form 990 mandates for federal credit unions and describing such proposals as redundant and unnecessary.
- **May 2, 2025** — DCUC public response to proposed CDFI Fund elimination, emphasizing military family impacts and CDFI program outcomes.
- **October 14, 2025 —** DCUC letter urging reinstatement of the CDFI Fund capacity and describing the fund's role in underserved and military communities.

Requests to the Chairman and Ranking Member

DCUC respectfully requests that the Committee:

1. **Publicly and procedurally reject** any use of credit union tax status changes as a budget or reconciliation offset in FY2027 work, consistent with DCUC's March 26, 2026 request.
2. **Oppose any reconciliation-time amendments or manager's packages** that would repeal or narrow the exemption, impose size-based taxation, or advance "backdoor" tax-status erosion through duplicative compliance mandates.
3. **Use the April 15 hearing** to obtain clear testimony from the OMB Director on whether the FY2027 budget request assumes any changes to credit union taxation or reporting mandates, and to highlight Treasury's own caution against static tax-expenditure interpretations.

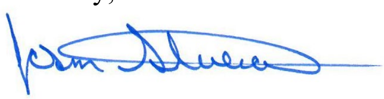
4. **Reject the proposed CDFI Fund cut and restructuring** and urge appropriators to maintain robust funding that preserves the full suite of CDFI Fund programs (including tools that support small-dollar lending and community investment capacity).

DCUC stands ready to brief Committee staff, provide member-level defense readiness impact narratives, and supply additional supporting documentation.

Thank you for your leadership and for your attention to protecting the financial readiness of those who serve our country.

Please contact me at Jason.Stverak@dcuc.org with any questions about DCUC's comments or any matters relating to credit unions.

Sincerely,



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