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

November 21, 2025

The Honorable French Hill
Chairman, House Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member, House Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Tim Scott
Chairman, Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Elizabeth Warren
Ranking Member, Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairmen Hill and Scott and Ranking Members Waters and Warren:

On behalf of the Defense Credit Union Council (DCUC) – which represents over 200 defense-oriented credit unions serving more than 40 million members, including countless military families and veterans – I write to respond to the American Bankers Association's (ABA) recent national survey and policy recommendations targeting credit unions. The ABA's campaign, centered on its **"National Survey: Majority of U.S. Consumers Think Congress Should Hold Credit Unions Accountable"**, makes several misleading claims regarding transparency, taxation, field of membership, and regulatory oversight. In my capacity as DCUC's Chief Advocacy Officer, I feel compelled to correct the record point-by-point. The ABA's narrative not only distorts the facts, but it also ignores the invaluable role credit unions play – especially for our servicemembers and communities – while glossing over the banking industry's own shortcomings and special tax breaks. I urge you to see through this banker-driven agenda and reaffirm your support for the mission-driven structure of credit unions.

The ABA argues that credit unions lack transparency and has specifically called for federal credit unions to be required to file IRS Form 990, a disclosure form for tax-exempt organizations. ABA highlights that **"most tax-exempt organizations must file…Form 990 to ensure basic transparency,"** noting that credit unions are currently exempt. It is true that Congress, decades ago, exempted federal credit unions from filing Form 990 – but *for good reason*. Federal credit unions are **"government instrumentalities"** with no federal income tax liability, and for over 50 years regulators have not needed a Form 990 to supervise them. Credit unions already operate under extensive transparency and oversight regimes. Every quarter, federal credit unions submit detailed **Call Report** filings to the National Credit Union Administration (NCUA), covering thousands of data points on their financial condition, lending, investments, executive compensation, and more. These reports are publicly available and **far more comprehensive than the information included in Form 990**. In short, credit unions are **already accountable** to regulators and members; an additional IRS form would be *redundant*. As DCUC emphasized in our letter to your committees last week, **mandating a Form 990 filing "would duplicate existing disclosures while imposing unnecessary administrative costs"** – especially on smaller community-based credit unions.

It bears emphasizing that forcing credit unions to file Form 990 is a solution in search of a problem. Even the NCUA – the actual regulator of credit unions – has not requested this change. The push for Form 990 is **not** coming from regulators or any genuine consumer protection concern; it is, rather, part of a broader lobbying campaign by bank trade associations to undermine credit unions. As I stated in DCUC's recent communication, this crusade is being driven by those who want to chip away at credit unions' tax-exempt status, not by those seeking better oversight. The irony here is palpable: banks accuse credit unions of "opacity" while many banks themselves operate with far less transparency in critical respects, a point I will address shortly.

Most importantly, adding duplicative reporting burdens would have real consequences for consumers. Credit unions, unlike banks, do not exist to maximize profit – they exist to serve their members. Diverting resources to unnecessary paperwork means fewer resources for member service. As I noted in our previous letter, **"Every dollar spent on duplicative compliance is a dollar not returned to members through better rates, lower fees, or community programs"**. This is not an abstract concern: those "members" include military families, veterans, and hardworking Americans who rely on credit unions for affordable loans and financial counseling. Requiring Form 990 would impose costs that ultimately come out of members' pockets, all for a document that **"would provide no meaningful new information to regulators"**. Congress exempted credit unions from such requirements precisely because of their unique public-purpose model. That model has not changed – and adding redundant filings would only hamstring credit unions' ability to fulfill their mission.

The ABA's materials place heavy emphasis on the credit union federal tax exemption, insinuating that credit unions no longer deserve this status. It cites survey figures suggesting that three times as many consumers think credit unions should pay federal taxes like banks (51% vs. 17%) – though tellingly, **only 17% of Americans even know that credit unions are tax-exempt in the first place**. In other words, the ABA's poll reflects a knee-jerk opinion from a mostly uninformed sample. It is not evidence of thoughtful public policy – it's a talking point. The truth is that Congress has repeatedly reviewed and upheld the credit union tax exemption over the past century, recognizing that credit unions' not-for-profit, member-owned structure **fundamentally benefits consumers and communities**. Unlike banks, credit unions return earnings to their member-owners (through better loan rates, higher savings yields, and lower fees) rather than funneling profits to shareholders. This difference is why federal law exempts credit unions from income tax – an exemption that represents an investment in community financial access. And that investment yields enormous returns. A 2025 independent study by Dr. Robert Feinberg and Dr. Douglas Meade found that the consumer benefits generated by credit unions – via lower rates and improved competition – amount to over $37 **billion** annually, translating to a **1,200% return on the value of the tax exemption** for consumers. In fact, despite these substantial consumer benefits, credit unions' market share remains under 10% of U.S. financial assets – roughly the same as when the federal credit union charter was created in 1934. The tax exemption is not about giving credit unions an "unfair advantage," as the banking lobby claims; it's about enabling a sector that stays focused on households of modest means. Credit unions use their tax advantage to **"make the vast majority of [their] loans to households,"** whereas banks devote most of their lending to businesses and commercial ventures. In short, credit unions are doing what Congress intended: providing financial services to everyday Americans, not Wall Street.

By contrast, it is the banking industry that enjoys **massive tax breaks and loopholes** which call into question their own contribution to the public. The ABA has been notably silent about the fact that hundreds of banks avoid corporate income taxes by exploiting the Subchapter S corporation status. Over 2,000 banks – including some quite large institutions – use this **Subchapter S election to bypass corporate taxes, saving an estimated $1.8 billion in taxes in 2022 alone**. This is hardly a trivial "small bank" accommodation; it has become a widespread tax avoidance strategy. Indeed, the **2017 Tax Cuts and Jobs Act delivered banks an estimated $447 billion in tax relief over ten years – roughly *16 times* the budget impact of credit unions' tax exemption**. The playing field is thus already tilted heavily in banks' favor on taxation. Bank lobbyists calling the credit union tax status an "unfair subsidy" are conveniently ignoring the enormous tax windfalls banks have received – windfalls far larger than the modest tax expenditure for credit unions.

Not only do banks enjoy these tax advantages, but many *fail to reinvest* meaningfully in their communities. DCUC and a coalition of credit union organizations have highlighted this hypocrisy: banks reap tax breaks and then often return only "**pennies on the dollar**" to community reinvestment efforts. Studies show that the vast majority of bank profits flow to shareholders and executives, with as little as 1% of profits directed to community development initiatives. Credit unions, on the other hand, reinvest their earnings into serving their member-owners – through better rates, lower fees, and community programs. This stark contrast raises an obvious question: who is truly earning their tax status – the institutions funneling gains to private shareholders, or the cooperatives returning value to local families? We would submit that the credit union model is *more than earning its keep* in the tax code, while many banks leverage every available tax strategy without delivering commensurate public benefit.

Finally, I must underscore an issue of **tax transparency**. The ABA complains about credit unions not filing Form 990, but consider this: **Subchapter S banks disclose very little about their own tax arrangements**. Because S-corporation bank income is passed through to a handful of shareholders, there is **no public reporting of corporate taxes paid, nor any visibility into the true effective tax rates their owners pay**. Many Subchapter S banks are privately held and not subject to SEC reporting, meaning key details – how their tax savings are used, who benefits, and whether any portion is reinvested locally – remain hidden from taxpayers and policymakers. In short, the banking industry's **"transparency"** on tax matters is often a one-way mirror: they demand credit unions publicly justify every penny of their tax benefit, while banks quietly pocket far larger tax breaks out of public view. This double standard should give lawmakers pause. Before accepting the ABA's premise that credit unions are somehow shortchanging the Treasury, Congress should examine whether **banks are paying their fair share and contributing fully to community needs**. DCUC has formally encouraged the Treasury Department to study banks' use of Subchapter S status, because fairness in tax policy demands scrutiny of *all* taxpayer-subsidized arrangements – not just credit unions'. If fairness and accountability are truly the goals, then the banking industry must be willing to look in the mirror as well.

Another theme in the ABA's narrative is that credit unions have strayed from their founding mission by expanding their fields of membership and services. The ABA points out that today some credit unions "**offer membership nationwide with multimillion-dollar marketing campaigns**" and have even acquired a number of tax-paying community banks. ABA President Rob Nichols went so far as to claim that credit unions' growth "clearly does not reflect Congress' original intent" in granting them preferential treatment. These assertions distort the history and present reality of credit unions. Yes, credit unions have grown over the decades – often *because* they have stepped up to serve populations and areas that banks chose to leave behind. Congress's "original intent" for credit unions was (and remains) to serve people of modest means, to promote thrift, and to make credit available for provident purposes through a cooperative, not-for-profit model. That intent is alive and well. Modern credit unions still operate under statutory field-of-membership constraints – every federal credit union has a defined community, employer group, or other common bond that it serves, as outlined in its charter. What **has** changed in recent years is the landscape of the financial services market: community banks have consolidated or closed in droves, and technology has enabled even local institutions to reach consumers beyond immediate neighborhood boundaries. In this context, credit unions' ability to serve broader fields of membership (including underserved areas approved by NCUA) is a feature that **allows them to fulfill their mission, not betray it**. For example, over the last 13 years banks have shuttered more than 20,000 branches across the country, often pulling out of rural towns and inner-city neighborhoods. In the same period, credit unions have added hundreds of branches, **"rushing in to fill the void and serve American communities left by banks"**. When a credit union runs an outreach campaign or opens its membership, it is typically to ensure that financially underserved people can join and access affordable services – the very outcome Congress desired.

Similarly, when credit unions acquire smaller banks (and it is important to note these acquisitions *are* primarily of small community banks seeking buyers), they frequently do so to preserve banking services in communities that might otherwise lose a financial institution altogether. Each of these transactions undergoes regulatory approval by NCUA (and often the FDIC or state regulators for the bank's side) to ensure the merger serves the public and the credit union's members. The number of such credit union acquisitions is modest – especially compared to the **enormous wave of bank-on-bank mergers** that have led to unprecedented concentration in the banking industry. The ABA's fixation on a few dozen credit union purchases of banks must be viewed in context: the nation's banking assets are **nearly ten times larger** than the entire credit union sector (roughly $25 trillion vs. $2.4 trillion). **Credit unions' share of the financial services market remains around 8–9%, as it has for many decades**. There is no credible argument that credit unions have grown beyond their mandate to a point that threatens bank viability. If anything, the restrained growth of credit unions underscores how they remain true to their conservative mission – focusing on members' needs rather than aggressive expansion.

To the extent credit unions now serve a somewhat broader membership than in 1934, it has been with Congress's blessing. Congress updated credit union laws (in 1998 and other times) specifically to allow more flexibility in fields of membership, including the ability to reach underserved communities, because lawmakers recognized that our financial system benefits when more consumers have access to cooperative, affordable financial services. The fundamental **"not-for-profit, member-owned"** nature of credit unions has *not* changed. Importantly, credit unions remain democratically controlled by their member-owners (one member, one vote), and they do not have outside stockholders demanding profit at any cost. This intrinsic accountability to members is a powerful guardrail ensuring that credit unions pursue service, not profit. By contrast, banks – even local banks – ultimately answer to shareholders whose interests may not align with the needs of the community.

In sum, the evolving practices the ABA complains of (wider membership access, modest acquisitions, growth in assets) are in fact evidence of credit unions **doing what they have always done** – serving communities in need – but on a scale that reflects modern realities. Far from "running afoul of their mission," credit unions are delivering on that mission in areas that banks have deemed unprofitable or have exited. That is something to be lauded, not censured. Congress should be proud that the framework it created for credit unions 90 years ago is still empowering local, member-centric institutions to thrive and expand access to financial services. We appreciate that mission-driven credit unions remain tax-exempt and free to reinvest in their communities – it is precisely why they have been able to step up where banks would not.

The ABA also suggests that credit unions operate under a lighter regulatory touch and advocates for "regulatory parity" with banks. Their survey claims that a majority of consumers want credit unions held to the **"same legal standards"** as banks for consumer protection, and over half say credit unions should have **Community Reinvestment Act (CRA)**-style obligations and face the same scrutiny on mergers as banks. First, let's clarify: credit unions *are* heavily regulated institutions. Federally chartered credit unions answer to the NCUA, an agency just as rigorous in supervision as any bank regulator. Credit unions must meet stringent capital requirements, undergo regular safety and soundness examinations, and comply with the full suite of federal consumer protection laws (from Truth in Lending to the CFPB's regulations). The notion that credit unions are unregulated "wild cards" is simply false. Even NCUA Chairman Todd Harper – whose comments the ABA has cherry-picked – has affirmed the importance of the credit union mission and the need for appropriate oversight distinct from banks. Where gaps or new risks have emerged (e.g. in the area of large credit unions buying banks or expanding certain powers), NCUA has shown it is willing to act within its authority. For instance, NCUA's planned rule on executive compensation disclosure (noted above) and its close monitoring of credit union acquisitions demonstrate that the regulator is engaged. In short, credit unions are **not** getting a free pass by regulators.

As for the **Community Reinvestment Act**, Congress intentionally did not include credit unions in the CRA when it was enacted in 1977, for a logical reason: credit unions have a built-in community reinvestment mission. Banks were subjected to CRA because too many were *excluding* low-income and minority neighborhoods – behavior credit unions were not engaged in. By design, every federal credit union has a specified field of membership, and they are bound to serve those member communities' needs. The record shows credit unions excel at this: for example, during the recent COVID-19 pandemic and other crises, credit unions targeted aid to affected members and participated actively in programs like the Paycheck Protection Program, often outperforming their relative market size in reaching small businesses and consumers. And as noted, credit unions have continued lending in distressed areas even as banks pulled out. If Congress ever considers extending CRA or similar mandates to credit unions, that discussion must acknowledge the **qualitative differences** in mission and structure between credit unions and banks. Imposing bank-style regulations indiscriminately on credit unions could hamstring the very practices that make credit unions effective at serving those whom banks have historically neglected.

The ABA also calls for Congress to hold oversight hearings on credit unions – implying some lax oversight or nefarious activity that needs investigation. Let me be clear: credit unions do not fear oversight. We are confident that an objective review of credit union performance would only highlight the contrast between credit unions' member-focused service and banks' profit-driven decisions. In fact, at a recent ABA convention, one of the ABA's own championed the idea of a hearing, ostensibly because credit unions are acquiring community banks. We would welcome the opportunity to testify. If such a hearing scrutinizes credit unions, fairness dictates it should also scrutinize comparable bank activities – for instance, how banks use their tax advantages, how they meet (or fail to meet) community needs, and why so many bank branches have closed in recent years. The **"transparency and accountability"** that the ABA rhetorically seeks should apply to all. Perhaps the banking industry should be asked why, despite record profits and taxpayer-funded safeguards, it still struggles to serve large portions of the population that credit unions gladly reach. The bottom line is that the **call for a congressional hearing is a political maneuver**. There is no crisis of credit union oversight warranting emergency action – NCUA and other regulators have these institutions well in hand. By all accounts, credit unions remained safe and sound through the pandemic and continue to operate with comparatively low levels of risk (credit unions, for example, did not engage in the kind of speculative trading or complex derivatives that led some banks into trouble in recent years). If anything, prudential regulators have expressed *some* concerns about certain growing credit unions – and those are being addressed through the normal regulatory process, not through sensational congressional interventions. We trust that Congress recognizes the difference between genuine oversight needs and the ABA's desire to handicap competitors.

Perhaps the most troubling aspect of the ABA's narrative is that it ignores what truly matters to our constituents: which institutions are tangibly delivering for people and communities, especially in times of crisis. **Accountability should ultimately be measured by outcomes**, not by the volume of paperwork filed or poll questions posed out of context. And by that measure, credit unions have proven time and again that they are accountable to their mission and their members. The ABA's survey press release came out in November, but consider what was happening in the real world at that very time: the nation was on the brink of a federal government shutdown (October 2025), and hundreds of thousands of military service members and federal employees faced the possibility of missed paychecks. Credit unions across the country immediately mobilized to help. As news outlets widely reported, credit unions were *first on the scene* with relief programs: offering 0% interest emergency loans, **skip-a-payment plans, fee waivers, and other lifelines** to affected families. They did this proactively, before any paycheck was missed. At the largest defense credit unions and many community credit unions, these programs kicked in automatically – a reflection of their core mission to support members in good times and bad.

And where were the banks? Many banks **"declined to commit to similar action,"** as one news report put it. In fact, it took public prodding by lawmakers for some banks to even consider matching the credit union response. A Congressman in Colorado, observing credit unions' rapid response, publicly **"urged banks to show the same compassion and readiness credit unions had already demonstrated"**. This contrast was noted in media coverage across the nation. While credit unions were extending millions of dollars in no-interest loans and working one-on-one with anxious families, some of the largest banks were conspicuously quiet about any relief they would offer. **Even the ABA's hometown news (Washington, DC) highlighted that surge in federal employee loan applications being met by credit unions, not banks.**

These events underscore a fundamental truth: **credit unions are accountable where it counts – in the communities, during crises, when people need help**. This is not an isolated example. We saw the same pattern during past government shutdowns (2018–2019, for example) when credit unions instituted special programs for Coast Guard members and other unpaid personnel, while many banks were either absent or far less forthcoming. We saw it during natural disasters and the pandemic – credit unions often volunteered loan forbearance and emergency support ahead of any mandates. This is the ethos of member-owned cooperatives in action. As DCUC wrote in a public response, **"This is the accountability that matters: measurable, immediate support for people in crisis. It stands in stark contrast to the ABA's attempt to reinterpret a selective poll as a referendum on credit union integrity."** In other words, no survey result can paper over what the American people see with their own eyes. And what they see is that credit unions consistently **show up** for their members and communities, whereas banks too often **fall short** when there's no profit motive.

To drive this point home, let me quote directly from DCUC's statement responding to the ABA's survey rollout: **"While banks were silent, credit unions delivered financial stability to military families on the brink of missing paychecks. No survey can rewrite these facts."**. Indeed, the facts speak louder than any loaded survey questions. When nearly 1.3 million active-duty service members were at risk of missing pay in October, credit unions had relief at the ready. Banks, by and large, did not – until they were shamed into it. That is the real-world scoreboard of accountability.

I share this not to claim that every credit union is perfect or that banks never do anything commendable – many banks do step up in charitable ways at times. But the pattern is clear and rooted in structural differences: a bank's first duty is to its shareholders' bottom line, whereas a credit union's first duty is to its member-owners' financial well-being. That difference tends to become stark during times of economic stress. Congress foresaw this dynamic when it created credit unions and granted them a tax status to bolster their community focus. We urge you to remember these concrete outcomes when evaluating the ABA's claims. The **banking lobby's narrative omits the context** that the banking industry, despite its vastly greater size and profit, was not the one offering to waive fees or cut interest rates for ordinary Americans on the verge of hardship – the not-for-profit credit unions were.

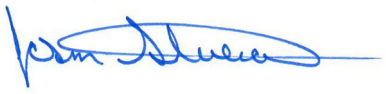
In closing, I urge you, as the leaders of the committees overseeing our financial system, to reject the ABA's narrative and its slate of self-serving policy recommendations aimed at hampering credit unions. The call for credit unions to file Form 990 and face new "oversight" mandates is but one piece of a broader campaign to erode the credit union model. This campaign is **not** about protecting consumers or taxpayers – it is about eliminating the competitive and structural differences that make credit unions so valuable to 130 million Americans. Congress should see these efforts for what they are: an attempt by the banking industry to snuff out competition from credit unions, the very institutions that keep banks honest and push them to serve consumers better.

I urge you to continue standing with America's credit unions, as Congress has for decades. That means **opposing any measures to saddle credit unions with unnecessary filings like Form 990, resisting any narrowing of credit unions' tax status**, and rejecting the premise that credit unions are unaccountable. Credit unions are accountable **to their members** and to federal regulators – and as illustrated above, they are delivering immense public value in return for their tax exemption. In contrast, banks already enjoy tax advantages (like Subchapter S) and regulatory benefits far beyond those of credit unions, all while often retreating from the very communities credit unions are rushing to serve. It would be perverse to penalize credit unions for succeeding in their mission where banks have failed in theirs.

On behalf of DCUC and the credit unions serving our military and veteran communities, I thank you for your continued support of the credit union difference. We ask that you **reject all parts of the ABA's agenda targeting credit unions** – from the transparently punitive Form 990 proposal to the drumbeat for undermining credit unions' tax status, field of membership, or regulatory framework. Instead, we welcome a fact-based dialogue on how all financial institutions, banks and credit unions alike, can best serve American consumers. Such a dialogue must start with facts and fairness, not one-sided surveys.

Mission matters. Service matters. Credit unions will always show up when it counts – and we are grateful that Congress has long recognized and enabled our cooperative mission. We look forward to working with you to strengthen financial access for all Americans. Thank you for your consideration and for seeing through misleading claims to the truth: credit unions are already accountable, and they deliver where banks do not.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the US House and Members of the US Senate