Jun October 7, 2025

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

October 30, 2025

The Honorable Tim Scott
Chairman, Senate Committee on Banking, Housing, and Urban Affairs
104 Hart Senate Office Building
Washington, DC 20510

The Honorable Elizabeth Warren
Ranking Member, Senate Committee on Banking, Housing, and Urban Affairs
311 Hart Senate Office Building
Washington, DC 20510

The Honorable French Hill
Chairman, House Committee on Financial Services
1533 Longworth House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member, House Committee on Financial Services
2221 Rayburn House Office Building
Washington, DC 20515

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

I write on behalf of the Defense Credit Union Council (DCUC), which represents over 200 credit unions with over 40 million members and $525 billion in assets that serve our nation's military, veterans, and their families. As Congress grapples with the impact of the recent federal government shutdown, we urge you to address a critical financial issue: the **negative credit impact on servicemembers, Coast Guard personnel, and federal employees who missed payments through no fault of their own**. It is fundamentally unfair that those who serve our nation or keep our government running should suffer lasting damage to their creditworthiness **because of a congressional funding lapse**. We ask for your leadership in ensuring **new protections** so that servicemembers and federal workers are not penalized for Congress's inability to pass timely appropriations.

When the government shuts down, hundreds of thousands of public servants and military personnel suddenly face pay interruptions. During the most recent shutdown, roughly **1.3 million active-duty servicemembers** were at risk of missing their mid-month paycheck, alongside thousands of Coast Guard members and civilian federal employees. In a previous 35-day shutdown (2018–2019), nearly **50,000 Coast Guard members went unpaid** due to the unique way their service is funded. **Military families are often not financially equipped to absorb even one missed paycheck**. In fact, about **a quarter of military families have less than $500 in savings**, making any pay gap devastating. As one military spouse explained, *"We are not exactly a demographic set up to absorb a missed paycheck… I could not absorb a $600 error in my paycheck and still put food on the table for three kids."* These examples underscore how acutely a funding lapse can threaten the financial stability of those who serve our country.

Beyond the immediate strain of unpaid bills, the **ripple effects on financial health are severe**. Missed mortgage, loan, or credit card payments trigger late fees and **can inflict lasting harm on credit reports and scores**. Unlike furloughed federal workers, who typically receive back pay after a shutdown, many military families and federal contractors must manage expenses with no pay until the impasse resolves.

Even if back pay eventually arrives, **any missed or late payments in the interim may be reported as delinquencies**, dragging down credit scores for years. As House Financial Services Committee leaders recently warned, *"missed payments caused by the government shutdown could have undue, lasting impacts on [affected individuals'] reported creditworthiness."* This means a temporary budget standoff can translate into long-term financial damage – lower credit scores, higher borrowing costs, and even potential security clearance issues for servicemembers. **No American's credit report should be scarred because Congress fails to do its job.**

Throughout the shutdown, credit unions and other financial institutions acted as **first responders** for financially distressed military and federal employee families. From day one of the funding lapse, credit unions mobilized to **"put members first"**, offering emergency relief to tide families over *"until Washington gets its act together."* We are proud to report that many DCUC member credit unions provided an extraordinary range of relief measures. **Many offered 0% interest furlough loans, skip-a-pay options on existing loans, waived overdraft and late fees, and penalty-free withdrawals for affected members**. These forms of assistance – essentially short-term, no-cost bridges – have been a financial lifeline for families living paycheck-to-paycheck during the impasse.

Regulators and industry groups have also encouraged prudent flexibility. In past shutdowns, federal regulators **formally urged lenders to work with affected borrowers** – for instance, in 2013 and again in January 2019, banking agencies issued joint statements encouraging **"prudent efforts to modify terms on existing loans"** for furloughed workers and servicemembers, and to avoid reporting adverse credit information where possible. The credit reporting industry has likewise taken steps: the Consumer Data Industry Association (CDIA) has emphasized that creditors can use special reporting codes to **"ensure that [a shutdown-related payment issue] is not treated negatively"** by credit bureaus. According to the CDIA, when lenders place an account in **forbearance or deferred payment status** due to a shutdown, it will have *"no negative impact"* on the consumer's credit score, as leading score models treat such accommodations neutrally. These existing tools and programs demonstrate that, **in theory, no worker or servicemember *has* to suffer a credit score drop because of a shutdown**.

However, the reality is that **not all affected individuals benefit from these voluntary measures.** Some may not know to contact their creditors immediately, or they might hesitate out of pride or fear. Others do reach out but encounter lenders who lack clear policies or proactive outreach. Gaps in awareness and implementation mean that despite best intentions, **some servicemembers and federal employees are indeed seeing their credit tarnished due to missed payments in a shutdown**. Relying on the goodwill of individual financial institutions is laudable but insufficient as a nationwide safety net. As I have noted publicly, credit unions' relief efforts – while vital – are *"stopgaps, not solutions."* Each shutdown, **credit unions have repeatedly stepped up with emergency loans and payroll advances**, helping thousands of military families weather the storm. But this charitable approach should not be the permanent plan. *"Credit unions will always stand by our servicemembers, but Congress must act to remove the threat of financial instability altogether."*. In short, **we cannot leave our servicemembers' financial security to ad-hoc charity or luck; they deserve dependable, systemic protections.**

It is time for Congress to translate these lessons into **permanent protections** for those who serve the country. We respectfully urge the Senate Banking Committee and House Financial Services Committee to work – in coordination with other relevant committees – on solutions that will safeguard the credit of servicemembers, Coast Guard personnel, federal employees, and contractors during any future funding lapse. **Our key recommendations are as follows:**

1. **Enact a "Shutdown Credit Protection Act"** – Congress should consider legislation to **prevent adverse credit reporting for obligations missed due to a government shutdown.** Similar to how the CARES Act protected borrowers who obtained COVID-related forbearances, a shutdown-related bill could require that when a federal employee or servicemember misses a payment because their paycheck was withheld, the lender must report the account as current (or report a special code indicating "affected by federal shutdown"). This would ensure that **credit scores are not dinged** for those participating in an approved deferral or making partial payments until backpay is received.
2. **Press for Consistent Regulatory Action and Industry Compliance** – In the interim before any new law is passed, Congress can use oversight and moral suasion to ensure **existing tools are fully utilized**. We commend members of this Committee who have already called on financial regulators to act. For example, Ranking Member Maxine Waters recently wrote to federal regulators and industry trade groups urging proactive assistance and asking that **"modified credit arrangements intended to help customers…do not end up being reported…in a manner that hurts creditworthiness."** We urge the Committees to hold hearings or briefings with regulators (CFPB, Federal Reserve, NCUA, OCC, FDIC) and the credit bureaus to ensure that **all lenders and servicers understand the flexibility available to assist affected borrowers**. Regulators should re-issue and publicize their shutdown guidance at each threat of lapse, and examine lenders' compliance with it. The credit reporting agencies, for their part, should be encouraged to continue accommodating special payment codes or consumer statements that flag shutdown-related delinquencies.

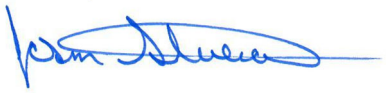
No shutdown-related accommodation should ever result in a negative credit mark – and Congress should hold the financial industry accountable to that standard, through oversight or additional regulation if needed.

3. **Support Broader Measures to Provide Financial Certainty for Servicemembers** – Ultimately, the best way to protect the finances of our troops and public servants is to **ensure they never miss a paycheck in the first place**. We heartily applaud the bipartisan efforts underway to achieve this. Notably, the **Pay Our Troops Act of 2025** and the **Pay Our Coast Guard Parity Act of 2025** have been proposed to guarantee uninterrupted pay for military and Coast Guard personnel during a shutdown. DCUC has strongly supported these bills as *"moral imperatives that guarantee those who defend our nation are paid on time, no matter what."* We urge you to work with your colleagues on to advance such legislation. In the meantime, **financial protections like those described above must serve as a critical backstop**. Even with guaranteed pay for uniformed servicemembers, many civilian defense employees and contractors could still face income loss in a shutdown. Thus, parallel provisions – such as no-interest loans, automatic forbearance on mortgages, and waiver of credit card late fees for affected federal workers – should be promoted. We recommend exploring the expansion of the **Servicemembers Civil Relief Act (SCRA)** or other laws to cover shutdown-specific scenarios. For example, SCRA could be amended to prevent any adverse action or interest accrual on obligations of active-duty members who are not paid due to a funding lapse. Likewise, Congress could incentivize or require lenders to offer short-term **"shutdown forbearance" programs** to all impacted federal employees, not just military, and to **suspend credit bureau reporting of missed payments during the lapse**. These steps would ensure holistic coverage so that **no public servant's credit is wrecked by a political impasse**.
4. **Continue Engaging Industry and Nonprofits** – We also encourage continued dialogue with financial industry stakeholders and nonprofits serving military families to refine these protections. DCUC and its member credit unions stand ready to share data and success stories from the recent shutdown to inform policy solutions. For instance, **credit unions' proactive relief programs (0% loans, skip-a-pays, fee waivers) can serve as a model** for what responsible lenders can do. We believe many banks and credit card issuers would support standardized measures that put consumers first in extraordinary times – indeed, during the shutdown, countless institutions demonstrated compassion by deferring payments and waiving fees. By working with the industry, Congress can craft rules that are *fair to consumers* yet *feasible for lenders* to implement quickly. In addition, organizations like the National Military Family Association and Blue Star Families can offer insights on military financial readiness and the secondary effects of credit troubles (such as impacts on security clearances or retention). **A collaborative approach** will ensure that any new policy truly addresses on-the-ground challenges faced by those who serve.

In closing, we urge you to use your Committees' jurisdiction over our financial system to shield the very people who protect our country and keep our government running. **No servicemember, Coast Guardsman, or federal worker should have to worry that a congressional impasse will destroy their credit score or financial future.** The next time a shutdown looms, families should know that their homes, cars, and credit ratings will remain secure even if their paycheck is delayed. We thank you for your attention to this critical issue and for any actions you take to prevent hardworking Americans from being used as *"bargaining chips in a budget standoff."*

DCUC and our member credit unions have seen first-hand both the **desperate need for relief** and the **power of swift action** during the recent shutdown. We have been inspired by the "people helping people" ethos on display, but we firmly believe that **temporary relief should not be a substitute for a permanent solution**. Congress must ensure our troops' and public servants' financial security just as they ensure our national security. We stand ready to work with you on advancing legislation or regulations to accomplish these goals. If you have any questions, please do not hesitate to email me at jstverak@dcuc.org or contact me via the phone at 202.557.8528.

Sincerely,



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