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DEFENSE CREDIT UNION COUNCIL

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Anthony R. Hernandez
President/CEO

July 29, 2025

The Honorable Alex Padilla
United States Senate
Washington, DC 20510

The Honorable Kevin Cramer
United States Senate
Washington, DC 20510

Re: NCUA Central Liquidity Facility Enhancements Act

Dear Senator Padilla and Senator Cramer:

On behalf of America's over 200 defense credit unions and over 40 million members, I am writing to express the Defense Credit Union Council's **strong support** for the *NCUA Central Liquidity Facility Enhancements Act*. As President and CEO of the Defense Credit Union Council (DCUC) – the leading trade association for credit unions serving our nation's military and defense communities – I want to underscore that DCUC has **championed this initiative** as one of our top advocacy priorities.

We have been at the forefront of industry advocacy on this issue since the early days of the pandemic, recognizing that these enhancements are essential for the stability of credit unions and the financial readiness of military families. In fact, early in the pandemic, DCUC strongly encouraged our member credit unions to join the NCUA's Central Liquidity Facility (CLF) to bolster their ability to serve hard-hit military communities. We commend each of you for your bipartisan leadership in advancing this critical legislation, and we **urge all Senators to support its swift enactment**.

The NCUA's Central Liquidity Facility, managed by our federal regulator, is a **vital liquidity backstop** for credit unions of all sizes. It provides emergency lending to help credit unions meet unexpected liquidity needs, ensuring they can continue serving their members during times of financial stress. During the COVID-19 crisis, Congress temporarily enhanced the CLF's authorities (through the CARES Act), allowing corporate credit unions to act as "agent members" and purchase CLF capital stock on behalf of the smaller credit unions they serve. These temporary enhancements proved enormously successful: as a result, **over 4,100 credit unions gained access to the CLF, up from only 283 before the pandemic**.

This dramatic expansion in CLF participation – a testament to the cooperative nature of the credit union system – provided hundreds of small credit unions with a lifeline to weather the crisis. By enabling broader access to liquidity, the CLF enhancements helped credit unions remain resilient and continue lending to their communities (including on-base military communities) when members needed them most. The experience of the past few years leaves no doubt that **making these enhancements permanent is necessary to maintain credit union financial stability and readiness for future crises**.

Unfortunately, the **temporary CLF enhancements expired at the end of 2022**, and Congress has yet to enact a permanent solution. When these authorities lapsed, **3,322 credit unions – mostly smaller institutions under $250 million in assets – lost access to the CLF**, causing the facility's available liquidity capacity to contract by nearly **$10 billion**. In other words, without this legislation, roughly **three out of every four credit unions, including most minority-designated credit unions, have lost access to an important liquidity backstop** that proved its worth during the pandemic.

This outcome is untenable, especially amid today's economic uncertainties. Rising interest rates and inflation have increased liquidity pressures on financial institutions of all sizes. **Now is not the time to cut a liquidity lifeline for community-based lenders**, as former NCUA Chairman Todd Harper warned. This bipartisan bill directly addresses this issue by restoring and extending the CLF enhancements, allowing corporate credit unions to once again purchase CLF stock for a subset of their members over the next several years.

Importantly, this bill's reforms have been **scored by the Congressional Budget Office at no cost to the taxpayer**. In short, it offers a commonsense, zero-cost solution to strengthen the credit union system's safety net before the next crisis hits. It is also fully aligned with the NCUA Board's own unanimous request that Congress make these CLF authorities permanent. DCUC and the broader credit union industry have advocated for this since 2020, and we are hopeful that Congress will finally codify these needed improvements into law.

To illustrate why the NCUA Central Liquidity Facility Enhancements Act is so important, we highlight a few key benefits that permanent CLF enhancements will provide for credit unions and the communities they serve:

- **Enhanced Liquidity Access During Emergencies:** By allowing broader participation in the CLF, the bill ensures credit unions can readily draw on emergency liquidity in times of economic uncertainty or market stress. This means that when members face increased financial pressures – for example, during a downturn or a national emergency – their credit unions can continue to meet loan and withdrawal needs without disruption. Strengthening this capacity is especially valuable for small and mid-sized institutions that lack other liquidity options.
- **Greater Financial System Stability:** A permanent expansion of the CLF will bolster the overall stability of the credit union system and, by extension, our financial sector. By providing a reliable federal liquidity backstop, the CLF helps **mitigate systemic risk**. Credit unions that might otherwise struggle in a liquidity squeeze will have somewhere to turn, preventing isolated issues from snowballing into wider problems. This added stability ultimately protects the National Credit Union Share Insurance Fund and the 134 million Americans who entrust their savings to credit unions.
- **Support for Small, Community, and Defense Credit Unions:** Smaller credit unions – including many on military bases or serving veteran communities – often do not have direct access to the Federal Reserve's discount window or other liquidity sources. The CLF is their lifeline. By permanently extending the agent-membership provisions, **this legislation ensures that credit unions serving our troops, military families, and underserved communities can obtain liquidity when needed**. This is critical for defense credit unions dedicated to supporting our nation's servicemembers and veterans, as well as for any community-based credit union that might otherwise be left without a safety net. In practical terms, the bill will help these institutions continue to lend, invest in their communities, and offer affordable financial services even in challenging times.
- **Proactive Crisis Preparedness (No Cost to Taxpayers):** Making the CLF enhancements permanent is a forward-looking step that will **improve the credit union system's preparedness for future crises**. It equips the NCUA with a stronger tool to contain liquidity strains before they escalate, thereby reducing the likelihood of credit union failures or costly federal interventions down the line. Notably, this enhanced preparedness comes **at no expense to taxpayers**, as the CLF is self-funded and the Congressional Budget Office has confirmed that these reforms carry no scoreable cost. In essence, the bill fortifies our financial system's defenses in a prudent, cost-effective manner – a win-win for credit union members and the federal government alike.

DCUC has consistently communicated these benefits to Congress. For example, in November 2024 we wrote to Congressional leaders urging that CLF expansion be treated as a must-pass priority, outlining how permanent CLF reform would strengthen credit unions' service to their members and local economies. Despite broad bipartisan support and even the House's passage of similar provisions in 2022, the reforms were not finalized into law. We are determined to see this through.

The Defense Credit Union Council urges the Senate to pass the NCUA CLF Enhancements Act without delay, whether as a standalone bill or by including it in upcoming legislation. We firmly believe this action will safeguard the financial well-being of millions of Americans, bolster the credit union system's safety and soundness, and ensure that our nation's servicemembers and their families have continued access to reliable, mission-ready financial institutions in good times and in bad. DCUC stands ready to work with you and your colleagues to advance this critical legislation.

If there is anything we can do to provide additional information on this issue or other measures to strengthen financial readiness, please let us know. We greatly appreciate your leadership and look forward to working together to enact the CLF Enhancements Act into law.

Sincerely,

ANTHONY R. HERNANDEZ, Colonel, USAF (Ret)
President & CEO
Defense Credit Union Council