DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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July 8, 2025

The Honorable Roger Wicker
Chairman
Senate Armed Services Committee
228 Russell Senate Office Building
Washington, DC 20510

The Honorable Jack Reed
Ranking Member
Senate Armed Services Committee
228 Russell Senate Office Building
Washington, DC 20510

Dear Chairman Wicker and Ranking Member Reed:

On behalf of the Defense Credit Union Council (DCUC), representing more than 200 defense-affiliated credit unions and over 40 million members—including active-duty servicemembers, Guard and Reserve personnel, veterans, Department of Defense civilians, and military families—I respectfully submit the following National Defense Authorization Act (NDAA) and other priorities for America's defense credit unions.

Defense credit unions have been serving military communities for over 60 years. Our member institutions operate on more than 300 installations worldwide, delivering financial services that directly enhance military readiness, improve family financial security, and strengthen our national defense. These institutions are not-for-profit cooperatives governed by their members and committed to service rather than profit. In many cases, a defense credit union is the only regulated financial institution on base.

The priorities below reflect years of on-the-ground experience, sustained engagement with the Department of Defense, and ongoing collaboration with congressional leaders. Each proposal is designed to strengthen the financial foundation of our service members, improve base-level support, and sustain the operational resilience of defense financial institutions.

1. Preserve the Credit Union Tax-Exempt Status

Credit unions are chartered under a cooperative model that reinvests earnings into the members they serve. For defense credit unions, this includes tailoring services to military pay cycles, providing early access to government payments, offering lower interest rates on auto and home loans, waiving fees for deployed members, and maintaining access to low-cost emergency credit for military families.

This model is possible only because credit unions are exempt from federal income tax—a recognition of their unique structure, mission, and member-governance. Any erosion of this exemption would reduce service capacity, especially for smaller credit unions operating on military bases. In 2024 alone, credit unions returned over $22 billion in direct financial benefits to members through better rates, lower fees, and more accessible services. That's money reinvested into the financial stability of our military community. We urge Congress to defend and preserve this critical status, which ensures that credit unions remain the most mission-aligned financial option for America's military families.

2. Oppose the Hawley-Sanders Interest Rate Cap Legislation

DCUC strongly opposes the proposed 10% annual interest rate cap legislation introduced by Senators Josh Hawley and Bernie Sanders. While the bill is intended to shield consumers from excessive interest charges, it would in practice eliminate access to responsible, regulated credit—particularly for military families and lower-income borrowers who often have few alternatives.

Credit unions, including defense credit unions, already operate under an 18% interest rate cap mandated by the Federal Credit Union Act. This cap reflects careful regulatory oversight and balances safety and soundness with credit availability. A rigid 10% cap would severely restrict lending flexibility, especially for risk-based products like credit cards or short-term emergency loans that many servicemembers rely on.

The unintended consequence of this bill would be to drive military borrowers toward fringe and unregulated lenders—precisely the kind of predatory financial actors Congress has sought to curb. A flat-rate cap does not distinguish between mission-driven, member-owned financial cooperatives and for-profit payday lenders.

DCUC urges you to reject this misguided legislation and ensure that it is not added to any must-pass vehicle such as the NDAA. Credit unions should remain empowered to serve their communities with transparent, flexible, and fair credit solutions.

3. Reject the Credit Card Competition Act (CCCA)

The so-called Credit Card Competition Act (the Durbin–Marshall interchange bill) is a retailer-backed proposal masquerading as consumer reform. In reality, it would mandate a government overhaul of credit card routing that strips away longstanding fraud protections, kills card rewards programs, and imposes unsustainable compliance costs on small issuers like defense credit unions.

Interchange revenue funds vital cardholder benefits such as zero-liability fraud protection, travel insurance, and military-specific rewards. For defense credit unions, this revenue helps support military scholarship funds, base sponsorships, financial literacy programs, and fraud monitoring systems that protect troops and their families from scams.

Allowing this proposal to piggyback on the NDAA would be disastrous. It undermines financial readiness, reduces consumer protections, and prioritizes corporate profit over community service. We ask that you ensure this provision – or any similar policy – is kept out of the NDAA or any legislation tied to our national defense.

4. Support the Veterans Member Business Loan Act (VMBLA)

Veterans possess the discipline, training, and leadership to become outstanding entrepreneurs. Yet they remain underrepresented among American small business owners due to persistent barriers in accessing capital.

The VMBLA would amend the Federal Credit Union Act to exempt loans made to veteran-owned businesses from the current 12.25% member business lending cap imposed on credit unions. This change would unleash safe, affordable capital through regulated institutions that stand ready to invest in veteran entrepreneurs and local military-community businesses.

Credit unions want to help veteran entrepreneurs thrive—but current law ties their hands. We urge your support for this simple, targeted fix. The NDAA is an ideal legislative vehicle to advance it.

5. Include the Military Financial Services Protection Act

We applaud Representative French Hill's introduction of the Military Financial Services Protection Act of 2024 and will support its reintroduction in this Congress. This bill creates a formal Advisory Committee within the Department of Defense, comprising senior DoD officials, federal financial regulators, and installation-level financial institutions (including credit unions).

The committee will assess the current Military Banking Program, recommend reforms, and promote responsible innovation in military financial access. Importantly, it will elevate defense credit unions' voices, ensuring that decisions made in Washington reflect on-the-ground realities at bases and within military communities. We welcome the opportunity to assist with its implementation once enacted.

6. Safeguard Access to Financial Services on Installations

The longstanding "one bank, one credit union" model for on-base financial services has ensured that servicemembers and their families have stable access to essential banking resources. However, base leasing terms, fee structures, and approval processes for financial institutions have grown more complex in recent years—jeopardizing this model and, with it, troops' easy access to in-person financial services.

DCUC recommends:

- **Streamlined overseas branch approvals:** Simplify and expedite the process for opening defense credit union branches on overseas installations under Status of Forces Agreements (SOFAs), ensuring servicemembers abroad have the same quality financial services as stateside personnel.

Without consistent on-base financial access, troops and their families face greater risk of financial instability. Maintaining a credit union and bank presence on every installation is a readiness issue; convenient access to trusted, low-cost financial services is part of the support system that enables military personnel to focus on the mission.

7. Challenges with Overseas Loan Defaults and Asset Recovery

Service members stationed overseas who default on secured loans (such as auto loans) present unique challenges for their credit unions. When a borrower and their collateral are located on foreign soil, credit unions face significant hurdles in recovering the asset, often leading to unrecoverable losses. Key challenges include:

- **Jurisdictional barriers:** U.S. credit unions have no legal authority to repossess vehicles or other collateral located overseas without navigating complex host-nation legal systems. In practice, it is nearly impossible to enforce U.S. lien rights in a foreign court or jurisdiction.
- **High recovery costs:** Even if legal action is attempted abroad, the cost of shipping a vehicle back to the U.S. and conducting foreign legal proceedings can exceed the asset's value. Pursuing an overseas repossession is often not financially feasible.
- **Financial losses for credit unions:** When an overseas loan defaults, the credit union typically must write off the loan, since the collateral cannot be retrieved. These losses drain institutional resources and reduce capital available to support other military members.

- **Reduced credit availability for servicemembers:** Anticipating these difficulties, some lenders may tighten credit for those being stationed overseas (for example, requiring certain loans to be paid off before an overseas Permanent Change of Station). This protects the credit union from loss but can place a financial burden on military families and limit servicemembers' access to affordable credit.

We urge Congress to support the Department of Defense in developing solutions to this problem. DoD, with Congressional encouragement, could establish protocols or agreements (through SOFAs or other bilateral arrangements) to help financial institutions reclaim or dispose of collateral on overseas bases. Even simple steps—such as coordinated guidance to base commanders on assisting credit unions with vehicle recovery or facilitating voluntary returns of collateral—would mitigate losses. Addressing this issue will protect servicemembers' credit, preserve credit unions' ability to lend confidently to deployed personnel, and ultimately enhance military financial readiness.

8. Support the VA Home Loan Awareness Act

Introduced by Senators Tim Sheehy (R-MT) and Chris Van Hollen (D-MD), the VA Home Loan Awareness Act would require that every mortgage application include a clear disclosure informing eligible borrowers (veterans and servicemembers) about their potential eligibility for a VA home loan.

Despite the VA home loan program offering unparalleled advantages—no down payment, no private mortgage insurance, and competitive interest rates—many veterans are unaware of these benefits. Surveys show that roughly one-third of eligible veteran homebuyers do not know that the VA home loan program exists. This bipartisan bill ensures that those who have served are not left behind due to lack of information; it will help more veterans seize the opportunity to become homeowners using the benefits they have earned.

9. Extending Public Deposit Acceptance for On-Base Credit Unions

Currently, many state laws restrict credit unions from accepting public deposits (i.e. funds from government entities such as states, counties, cities, and other public agencies). On military installations, this means even on-base credit unions often cannot accept certain base-related accounts or local government deposits due to these limitations. Such restrictions hinder defense credit unions' ability to fully serve their communities and support military base operations, ultimately limiting the financial resources available to support servicemembers.

DCUC urges Congress to authorize both federally and state-chartered credit unions operating on military installations to accept public deposits. Allowing on-base credit unions to hold local government and military unit funds would:

- **Expand local options for public funds:** Base commands and nearby government entities could keep their operating deposits with trusted on-base credit unions, rather than being forced to use off-base banks.
- **Boost liquidity for military communities:** Retaining public funds in on-base credit unions would increase the lending capital available in the local military community, leading to more affordable loans and financial services for servicemembers and their families.

This is a commonsense, low-cost change with high readiness dividends. By leveling the playing field with banks, Congress can empower defense credit unions to fully support the financial ecosystem of base communities. We urge the inclusion of this authorization in the NDAA or other appropriate legislation to strengthen military financial readiness.

10. **Opposing Share Insurance Coverage for Non-Members**

We firmly oppose any effort to amend the Federal Credit Union Act to extend National Credit Union Share Insurance Fund (NCUSIF) protection to non-member deposits. Such an unprecedented expansion would fundamentally conflict with the credit union mission and structure. Credit unions are by design structured to serve well-defined fields of membership – member-owners united by a common bond – and this principle is central to our cooperative model. Allowing federal share insurance for non-members would violate that mission, undermining the member-owned, not-for-profit framework of credit unions. Credit unions exist solely to serve their members; using our members' insurance fund to cover outside individuals' deposits would dilute this focus and erode the quality of service to those we are actually chartered to serve. NCUSIF protection must therefore remain strictly limited to member deposits in order to preserve the purpose and integrity of our system.

Additionally, expanding NCUSIF coverage to non-member accounts raises serious safety and soundness concerns. The NCUSIF is funded by and for credit union members, not by taxpayers, and its resources are calibrated to insure member deposits under the current framework. Covering non-member deposits would introduce new risks and could strain the Fund's reserves, undermining its stability. In fact, extending insurance beyond the membership base could necessitate **special assessments or increased premiums** on all federally insured credit unions to cover potential losses, directly increasing costs for member-owned institutions. We cannot put our members' fund at risk to insure deposits from those outside our field of membership. Preserving the NCUSIF strictly for member deposits is essential to **protecting the integrity and safety of our share insurance fund for the members it is meant to safeguard**.

Furthermore, such a change would create profound competitive imbalances, both within the credit union system and in the broader financial services market. If credit unions were permitted to insure non-member accounts, they would become virtually indistinguishable from commercial banks – essentially "banks with a tax exemption" – thereby eroding the unique role of credit unions and inviting challenges to our tax-exempt status. This blurring of the lines between tax-exempt credit unions and taxable banks would **fuel mischaracterizations** by bank lobbyists that credit unions are no different from for-profit institutions, intensifying political pressure on our industry's longstanding exemptions. Equally troubling, altering the law in this manner for the sake of a single institution sets a dangerous and unfair precedent. Doing so would confer an unwarranted advantage on one large credit union at the expense of thousands of others, a result that the Defense Credit Union Council has warned would inflict severe harm on the rest of the credit union community. We urge the Subcommittee to reject any proposals to extend share insurance to non-members. Such measures run counter to the credit union mission, threaten the safety and soundness of the NCUSIF, and would distort the competitive balance that Congress has carefully established between credit unions and other financial institutions. Each of our defense credit unions remains **fully committed to serving our defined member communities**, and we ask that you protect this mission by ensuring NCUSIF coverage remains exclusively for the deposits of our members.

11. **Support for Enhanced Financial Literacy Training**

We want to commend Senator Patty Murray for her steadfast leadership in strengthening financial literacy training for servicemembers. Senator Murray has consistently championed measures in defense legislation – including a recent amendment to the National Defense Authorization Act (NDAA) – aimed at improving on-base financial education and enhancing the financial readiness of our troops. While that particular amendment was not ultimately adopted into the FY2024 NDAA, her initiative underscored a bipartisan commitment to better prepare servicemembers with the financial skills they need both during and after military service. DCUC fully supports Senator Murray's efforts and believes they set a strong foundation for further action in this area.

Enhanced financial education directly translates into improved force readiness – reducing distractions, improving morale, and even boosting retention by alleviating the personal financial pressures that can weigh on servicemembers. Strengthening financial literacy training is therefore not just an educational issue but a critical component of military preparedness and resiliency.

In light of these facts, DCUC strongly supports building upon Senator Murray's work by **formally integrating on-base financial institutions – specifically defense credit unions – into future financial literacy training initiatives.** Defense credit unions have a unique, longstanding presence on military installations and are deeply trusted by servicemembers and their families. These not-for-profit institutions take a consultative, member-focused approach to financial services and have already demonstrated great success in educating military members. Surveys show that servicemembers who utilize on-base credit unions are nearly twice as likely to have received personalized financial education or counseling – and to act on that advice – compared to their peers who use other institutions. They are also more likely to report having a financial cushion for emergencies and to feel that their financial institution has improved their financial well-being. In fact, credit unions have **proven** their ability to effectively educate military members on how to secure their financial wellness. By leveraging the expertise and trust that defense credit unions have earned within the military community, the Department of Defense can greatly amplify the reach and impact of its financial literacy programs. DCUC firmly believes that any comprehensive effort to boost financial readiness should include these on-base partners in an official capacity.

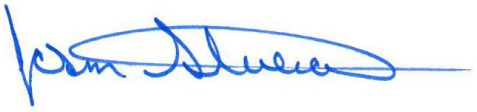
To achieve this goal, we respectfully urge the Senate Armed Services Subcommittee on Personnel to include language in the upcoming NDAA that **authorizes and encourages defense credit unions to assist with official DoD financial education programming**. Such a provision would remove current barriers that limit the participation of on-base credit unions in financial training efforts. By empowering defense credit unions to collaborate with military leadership in delivering financial literacy instruction, Congress would enable servicemembers to benefit from personalized, high-quality education right on their installations. This step – removing outdated constraints on credit unions' educational role – would lead to greater proficiency in financial literacy across the force and measurably improve the financial readiness of our nation's servicemembers. DCUC stands ready to support the Subcommittee in crafting and implementing this language, and we are committed to working together to ensure that our troops have the financial knowledge and resources they need to succeed both in uniform and beyond.

As you finalize the FY2025 National Defense Authorization Act, we ask you to include provisions that safeguard our mission, empower our service, and protect the financial security of every servicemember and veteran. DCUC and our member credit unions stand ready to work with you on these priorities to ensure our military communities remain financially ready and supported.

We respectfully request an opportunity to meet with you or your staff to further discuss these issues and any questions you may have. Thank you for your continued leadership and consideration.

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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CC: Members of the United States Senate