



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
Chief Advocacy Officer

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The Honorable Elizabeth Warren
Chairperson, Economic Policy Sub Committee
309 Hart Senate Office Building
Washington, DC 20510

The Honorable John Kennedy
Ranking Member, Economic Policy Sub Committee
437 Russell Senate Office Building
Washington, DC 20510

Dear Chairperson Warren and Ranking Member Kennedy:

I am writing on behalf of the Defense Credit Union Council (DCUC) and nearly 200 defense credit unions representing almost 40 million members for the committee's upcoming hearing, titled "*Tax Policy in 2025: Implications for the American Economy*." I urge you to reaffirm the tax-exempt status of credit unions as a vital component of the nation's financial system—one that provides countless economic and social benefits to the communities we serve.

Credit unions were established by Congress to promote thrift and financial well-being among their members. Their not-for-profit cooperative structure, where earnings are reinvested into the membership rather than distributed to shareholders, uniquely positions credit unions to deliver substantial benefits to local communities. This tax-exempt status enables credit unions to remain focused on their core mission of people helping people, a mission that becomes even more critical as economic pressures challenge millions of Americans.

The preservation of the credit union tax exemption yields significant benefits for both individual members and the broader U.S. economy:

Direct Financial Savings to Members: In 2022 alone, credit unions provided an estimated \$16 billion in direct financial benefits to over 137 million members nationwide through better interest rates on loans, higher returns on savings, and lower fees compared to for-profit financial institutions (Credit Union National Association, 2022).

Access to Affordable Credit: Credit unions prioritize financial inclusion and serve individuals often overlooked by traditional banks. For example, credit unions are twice as likely as banks to approve loans for low-income borrowers, enabling access to vital funds for small businesses, first-time homebuyers, and underserved communities.

Economic Contributions to Local Communities: According to a National Association of Federally-Insured Credit Unions (NAFCU) study, credit unions contribute nearly \$15 billion annually to the U.S. economy in jobs, taxes paid by employees, and community investments.

Support for Military and Veterans: Defense credit unions play an essential role in supporting service members and their families. Whether it's providing no-cost financial readiness training, facilitating VA home loans, or offering low-rate personal loans during emergencies, defense credit unions—enabled by their tax-exempt status—remain a cornerstone of financial security for those who serve our nation.

Serving Those Who Serve Our Country

Critics have occasionally questioned the fairness of the credit union tax exemption, but studies consistently show that removing this exemption would harm consumers far more than it would help the federal budget. According to the NAFCU study, eliminating the tax exemption would result in:

- An estimated loss of \$120 billion in GDP over the next decade.
- A reduction of 800,000 jobs as credit unions scale back their operations and lending capacity.
- Increased costs for consumers as banks face less competition, resulting in higher fees and less favorable loan terms.

Simply put, the tax revenue gained from taxing credit unions—estimated at roughly \$2 billion annually—would pale in comparison to the economic harm caused to millions of Americans.

Unlike for-profit banks, credit unions are governed by volunteer boards of directors elected from their membership. This democratic structure ensures that decisions are made in the best interest of members, not shareholders. Credit unions also reinvest in their communities through initiatives such as:

- Funding financial literacy programs that teach responsible money management.
- Partnering with schools to establish student-run credit unions.
- Supporting disaster recovery efforts through low-interest emergency loans and direct contributions.

At a time when financial disparities are growing, credit unions provide a vital lifeline to countless Americans. Eliminating their tax exemption would undermine their ability to serve their members and communities effectively.

As the subcommittee examines the implications of tax policy in 2025, we urge you to recognize the invaluable contributions of credit unions to the American economy. Preserving the tax-exempt status of credit unions is not merely about maintaining an equitable playing field; it is about ensuring that millions of Americans have continued access to affordable, community-focused financial services.

While discussions around isolated discrepancies are understandable, they should not overshadow the enduring value and distinction of the overall credit union movement. A 2023 Bankrate survey found that 85% of military consumers reported higher satisfaction with credit unions compared to banks, citing a strong understanding of their unique financial needs. This exceptional satisfaction stems from credit unions' commitment to personalized service and tailored financial products. Taxing credit unions would exacerbate economic challenges and jeopardize the essential financial services that countless American families, particularly those in military and underserved communities, rely on every day.

We would request the opportunity to sit down with you and your team soon to discuss the issues raised in our letter. We are happy to coordinate participation with our member institutions from Arkansas.

please do not hesitate to contact me at 202.557.8528 or by email at jstverak@dcuc.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason Stverak", with a long horizontal line extending to the right.

Jason Stverak
Chief Advocacy Officer
DCUC

CC: Senate Banking, Housing and Urban Affairs Committee Members