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DCUC
DEFENSE CREDIT UNION COUNCIL

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The Honorable French Hill
Chairman
Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
Financial Services Committee
United States House of Representatives
Washington, DC 20515

Dear Chairman Hill and Ranking Member Waters:

On behalf of the Defense Credit Union Council (DCUC), which represents defense and veteran -related credit unions serving more than 40 million members with assets over $500 billion – I write to express our strong support for congressional efforts to reform the Consumer Financial Protection Bureau (CFPB). We appreciate the Committee's leadership in examining CFPB's structure and oversight in the March 26, 2025, hearing titled "Reforming the Consumer Financial Protection Bureau." Defense credit unions are proud to serve those who serve our country, both stateside and overseas, and we **share your commitment to ensuring consumer protection regulations are effective, accountable, and appropriately tailored**. Unfortunately, in recent years we have witnessed CFPB overreach and one-size-fits-all rulemaking that **unintentionally harm credit unions and the military communities they serve**. We firmly believe that commonsense reforms to the Bureau's governance and accountability will strengthen consumer protection while **preserving the vital services our member-owned credit unions provide to defense communities**.

Impact of CFPB Overreach on Defense and Veteran Credit Unions: DCUC member credit unions are not-for-profit cooperatives that operate on military installations, in war zones, and in communities supporting our armed forces. They play a unique role in delivering affordable financial services to over 40 million members of the military and veteran community. However, **CFPB's sweeping regulatory actions often fail to differentiate Main Street credit unions from the bad actors on Wall Street**, imposing outsized burdens on the very institutions that consistently rank among the highest in consumer satisfaction. Since the CFPB's inception, credit unions have been subject to more than 200 regulatory changes – amounting to thousands of pages of new requirements – despite the fact that credit unions did not cause the financial crisis. These **"one-size-fits-all" rules** have disproportionately hurt smaller community institutions. A comprehensive study found that in 2014 alone, regulatory compliance cost credit unions $7.2 **billion** – a burden that has **grown 40% since 2010**, with small credit unions bearing the brunt. Today, regulatory compliance consumes an estimated **$6.1 billion per year** for credit unions (about $115 annually per credit union household), siphoning resources away from member services and innovation. In short, **well-intended CFPB regulations have often translated into unintended consequences** for military members and their families: products and branches shuttered due to high compliance costs, longer waits for mortgage or small business loan approvals, and fewer safe credit options in communities that rely on credit unions. We have even seen an acceleration of consolidation in the credit union sector – roughly 200-300 mergers annually in recent years – as smaller institutions struggle to survive under crushing regulatory burden. This trend is deeply concerning for **military consumers, who lose access to locally attuned financial partners when a base credit union disappears**.

Defense credit unions also face **dual oversight and examination burdens** that compound their challenges. The largest defense credit unions are not only examined by the National Credit Union Administration (NCUA), but also by the CFPB. In practice, CFPB examinations and supervision have often mirrored a bank-style approach ill-suited to member-owned institutions, creating duplicative paperwork and anxiety even when no consumer harm is present. Smaller credit unions (under $10 billion in assets) may not be directly examined by CFPB, yet they must still **comply with every CFPB rule**, often without the specialized compliance staff that big banks employ. Thus, **CFPB's rules trickle down to all credit unions**, regardless of size.

CFPB's overreach – characterized by sweeping rules, expansive interpretations, and insufficient tailoring – is undermining credit unions' ability to fulfill their mission to serve those who serve our nation. We urge Congress to rebalance this equation by instituting **greater transparency, accountability, and restraint on the CFPB's authority**, as the bills before the Committee seek to do.

The Need for CFPB Reform – Transparency, Accountability, and Tailored Regulation: DCUC strongly supports efforts to enhance the CFPB's accountability to Congress and the public, bring more voices to its governance, and require a more evidence-based, balanced approach to regulation. The CFPB wields immense power over the financial services marketplace, yet under its current structure it operates with **minimal oversight**: a single Director can unilaterally decide far-reaching rules and enforcement policies, and the Bureau's budget is drawn from Federal Reserve funds outside the congressional appropriations process. **We believe reforms are needed to ensure the CFPB's important consumer protection mission is pursued in a fair, transparent, and accountable manner – without stifling financial institutions that play by the rules.** Key reforms we urge Congress to enact include:

- **Restructuring the CFPB's Governance to a Bipartisan Commission:** We support replacing the single Director model with a multi-member, bipartisan commission. A five-member commission (as proposed in the Consumer Financial Protection Commission Act) would **ensure that diverse perspectives guide the Bureau's decisions and prevent the extreme policy swings we have witnessed from one administration to the next**. With staggered terms and a bipartisan makeup, a commission structure would promote measured, consensus-driven rulemaking that stands the test of time. Notably, the commission proposal requires that at least two members have **private-sector experience in consumer financial products and services**– a provision we applaud. This expertise would help ground the CFPB's regulations in real-world understanding, improving rules' effectiveness and preventing undue burdens on providers that ultimately serve consumers. For defense credit unions, a steadier and less politicized CFPB means we can plan for compliance more effectively and devote our energy to serving members, rather than continually reacting to dramatic regulatory pivots.
- **Subjecting the CFPB to Congressional Appropriations:** We strongly endorse returning the CFPB's funding to the regular congressional appropriations process, as envisioned by H.R. 654, the Taking Account of Bureaucrats' Spending (TABS) Act. This reform would **restore Congress's Article I "power of the purse" oversight** and bring the CFPB in line with nearly every other federal regulator. The CFPB's current independent funding stream (a fixed share of Federal Reserve revenues) has enabled the Bureau to expand its activities without sufficient accountability or regard for economic impact. Placing the CFPB on budget would **force the Bureau to justify its expenditures and priorities to Congress**, encouraging more prudent use of resources and focus on core mission. For defense credit unions, congressional budget oversight could help rein in any CFPB attempts to overextend its reach or launch new regulatory mandates without clear evidence of need. Simply put, **an accountable CFPB is a better CFPB** – more likely to target truly bad actors rather than casting an unnecessarily wide net that ensnares community institutions.

- **Establishing an Independent Inspector General (IG) for CFPB:** We support the CFPB–IG Reform Act of 2025, which would create a dedicated Inspector General for the Bureau, separate from the Federal Reserve's IG. This is a commonsense oversight measure: an independent CFPB IG, appointed by the President and confirmed by the Senate, would conduct audits, investigations, and reviews specifically focused on CFPB's operations and then report **semiannually to Congress on the Bureau's performance and any abuses or inefficiencies**. Such independent scrutiny is especially critical given CFPB's broad autonomy. A CFPB-specific IG would also join the Council of Inspectors General on Financial Oversight, improving coordination among regulators' watchdogs. DCUC believes this reform will ensure **greater transparency into CFPB's internal processes, spending, and enforcement activities**, which in turn protects against any future overreach or mismanagement. When regulators know they are subject to robust oversight, they are more likely to exercise their authority judiciously.
- **Clarifying CFPB's Mission to Include Competition and Cost-Benefit Analysis:** We applaud proposals to recalibrate the CFPB's mandate by requiring it to **consider the broader impacts of its actions on consumer access, market competition, and the economy**. H.R. 2183, the CFPB Dual Mandate and Economic Analysis Act, would *revise the Bureau's purpose* to include **"strengthening private sector participation in markets… to increase competition and enhance consumer choice,"** and establish an Office of Economic Analysis to review all proposed *and existing* regulations, guidance, and orders. Crucially, this bill would require the CFPB to **identify the specific problem a rule is intended to solve and the metrics for measuring success – including impacts on consumer access and cost of credit**. DCUC strongly supports these measures. Far too often, rules have been enacted without a full understanding of their downstream effects on small institutions and consumers. By embedding economic analysis into the CFPB's DNA, Congress will ensure that **consumer protection and access to credit move forward hand-in-hand**. This dual mandate is very much in line with what defense credit unions already strive for: protecting our members from abuse while also ensuring they can obtain affordable loans, credit cards, and other services necessary for financial readiness. A CFPB that must justify its rules with rigorous analysis and consider less burdensome alternatives is a CFPB less likely to impose unnecessary costs on community lenders and military borrowers. Along these lines, we also support H.R., the Transparency in CFPB Cost-Benefit Analysis Act, which would require each CFPB rulemaking to include a detailed analysis of anticipated costs and benefits, impacts on small businesses, and the data underlying the Bureau's decisions. Requiring that studies and assumptions be disclosed – and even indicating whether they've been peer-reviewed – will shine sunlight on the CFPB's rulemaking process. In our view, **good regulation should not be a black box**. If the CFPB cannot articulate the need for a rule and demonstrate that its benefits outweigh the costs, then that rule should be reconsidered. Enhanced cost-benefit transparency will help weed out proposals that sound good on paper but might hurt consumers or community lenders in practice.
- **Strengthening Small Business and Community Input in Rulemaking:** One of our top priorities is ensuring that the CFPB's rules account for the realities of smaller institutions like credit unions. H.R. 1606, the Making the CFPB Accountable to Small Businesses Act of 2025, is a welcome step in this direction. This bill would require the CFPB, as part of every rulemaking, to **formally consider the rule's impact on small entities** in accordance with the Small Business Regulatory Enforcement Fairness Act (SBREFA). While CFPB is already required to convene small business review panels for certain larger rulemakings, in practice we have found that small entity input is often given short shrift. Too many final rules have scant adjustments or exemptions for credit unions, even when our concerns were raised during the comment process. By mandating *explicit* consideration of small business (and by extension, small credit union) impacts for **each** proposed rule, H.R. 1606 would effectively elevate the voices of community institutions within CFPB's decision-making. We believe this will lead to more **right-sized regulations**, with tiered compliance requirements or exemptions where appropriate. For example, a future rule on,

- say, credit card data security might carry very different cost implications for a $50 million asset credit union versus a $1 trillion megabank. SBREFA analysis can drive the CFPB to tailor thresholds or carve-outs so that the rule protects consumers **without pushing small providers out of the market**. DCUC strongly supports this accountability to small entities – it aligns with our long-standing call for *"right-sizing"* regulation and ensuring laws like the Military Lending Act and others do not inadvertently penalize the very credit unions diligently serving servicemembers.
- **Providing Clear Rules and Safe Harbors: Clarifying UDAAP Authority:** Perhaps no aspect of CFPB oversight causes more uncertainty for credit unions than the Bureau's **broad power over "Unfair, Deceptive, or Abusive Acts or Practices" (UDAAP)**. The term "abusive" in particular was left poorly defined by Dodd-Frank, and subsequent CFPB guidance has been minimal – creating a **cloud of uncertainty** over many legitimate products and communications. We therefore strongly back H.R. 1652, the Rectifying UDAAP Act, which would bring much-needed clarity and balance to UDAAP enforcement. This legislation would **clearly define the CFPB's authority to define "abusive" practices and set clearer standards for what constitutes an abusive act**, ending the guesswork for well-intentioned credit unions. Importantly, H.R. 1652 introduces safeguards to ensure that regulated entities acting in good faith are not ambushed by enforcement. It would *eliminate the CFPB's ability to seek monetary penalties if a credit union or other provider has made good-faith efforts to comply with the law*, and it would allow providers to self-report and correct violations to head off punitive action. We view these as positive, pro-consumer changes – they encourage a culture of compliance and cooperation. When a defense credit union discovers an error (say, a procedural violation affecting military allotment refunds) and promptly fixes it, they shouldn't fear a crushing fine if there was no intentional harm. The bill would also require the CFPB to perform a **cost-benefit analysis for any UDAAP rules** it issues and to finalize clear rules on how it will calculate civil money penalties. Together, these measures inject fairness and due process into an area of regulation that until now has been largely whatever a CFPB director says it is. For defense credit unions, which scrupulously work to comply with consumer protection laws, the **confidence that "the rules of the game" are clearly defined and not constantly shifting is invaluable**. This reform will let us continue innovating prudent financial solutions for military families – such as tailored relief programs for deployed service members – without trepidation that an undefined "abusive" label could later be applied.
- **Ensuring Due Process in CFPB Investigations:** DCUC also supports H.R. 1653, the Civil Investigative Demand (CID) Reform Act of 2025, which addresses the Bureau's investigatory authority. CFPB's civil investigative demands can compel vast amounts of documents and data, often at great expense and within short timelines. Small credit unions lacking armies of lawyers can find these inquiries overwhelming, even if they have done nothing wrong. The CID Reform Act would **rein in any excessive or fishing-expedition uses of this power** by ensuring recipients – especially smaller entities – have appropriate due process protections and are not subjected to unduly burdensome requests. We believe the CFPB should absolutely be able to investigate potential wrongdoing, but investigations must be fair and focused. This bill could introduce needed checks, such as requiring greater specificity in CID contents and easier avenues to petition to modify or set aside unduly onerous demands. The result will be a CFPB that *enforces the law firmly but fairly*, without inadvertently punishing innocent institutions through the process itself. For defense credit unions, which operate with limited compliance staff, the assurance that any CFPB information request will be reasonable and justified means we can respond confidently to help root out actual bad actors, rather than feeling trepidation that a routine inquiry could become an existential crisis.
- **Preserving the Role of State Regulators in Insurance Matters:** We also recognize the importance of clarifying the CFPB's jurisdictional boundaries. H.R. , the Business of Insurance Regulatory Reform Act of 2025, would make explicit that the CFPB **cannot regulate or take**

enforcement action against insurance companies already regulated at the state level. While credit unions are not insurance companies, this principle matters to us because many credit unions (including defense CUs) partner with insurers to offer products like life insurance, auto insurance, or debt protection to their members. State insurance commissioners have a long-standing, effective framework for overseeing insurance products. We have seen instances where CFPB enforcement theories tried to stretch into the realm of insurance – causing confusion and possibly conflicting obligations. By reasserting that **"the business of insurance" is outside CFPB's purview when a state regulator is on the beat**, Congress will reduce duplicative regulation and let the Bureau focus on its core lane of consumer financial products. This reform ultimately helps consumers by ensuring they still have access to insurance-related services through their credit unions (for example, guaranteed asset protection on car loans or affordable credit life insurance), without those services being entangled in regulatory uncertainty. We support this clarification as part of a holistic right-sizing of CFPB authority.

In conclusion, DCUC **strongly supports the Committee's efforts to reform the CFPB** in ways that enhance transparency, accountability, and **respect for institutional diversity** in our financial system. Credit unions serving our nation's defenders have a proud legacy of trustworthy service, and they deserve a regulator that recognizes their distinct role and cooperative structure. We urge Congress to advance these legislative proposals to ensure that the CFPB's future actions are appropriately checked and consulted. **Greater accountability – through a commission governance model, budgetary oversight, and robust analytical requirements – will lead to better consumer protection outcomes without sacrificing access to credit.** Importantly, we recommend that any CFPB reform include provisions to **preserve exemptions for credit unions and other community institutions from overly burdensome rulemakings**. Dodd-Frank rightly granted CFPB authority to exempt classes of institutions from its rules where warranted; reform legislation should encourage the Bureau to use this tool to spare credit unions from regulations intended to rein in large bank abuses. Likewise, CFPB should be directed to **formally consult with credit union regulators and credit unions themselves before finalizing rules** that impact us – perhaps by strengthening the role of the CFPB's Credit Union Advisory Council and coordinating more with NCUA.

By doing so, the Bureau can tap into on-the-ground expertise and avoid unintended negative impacts on military-focused institutions. We respect the work of the House Financial Services Committee and its commitment to robust consumer protection **that does not come at the expense of community-based lenders**. DCUC and our member credit unions are eager to work with you in crafting a CFPB that is both strong and restrained – **an agency that truly protects consumers while empowering institutions that do right by their members**.

Our service members, veterans, and their families deserve nothing less. We appreciate the opportunity to share our perspective, and we respectfully request that this letter be entered into the hearing record. Please consider DCUC as a resource moving forward; we stand ready to provide any additional information or assistance the Committee may need as these reform initiatives progress.

Should you or your team have any questions or desire additional information, please do not hesitate to contact me at 202.557.8528 or by email at jstverak@dcuc.org.

Sincerely,

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DCUC

CC: House Financial Services Committee Members