



DCUC
DEFENSE CREDIT UNION COUNCIL

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The Honorable French Hill
Chairman
House Financial Services Committee
U.S. House of Representatives

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
U.S. House of Representatives

Dear Chairman Hill and Ranking Member Waters:

On behalf of the Defense Credit Union Council (DCUC) and its nearly 200 defense credit unions serving over 40 million members – including servicemembers, veterans, and their families – I am writing to **express DCUC’s strong opposition** to the inclusion of a **10% interest rate cap** proposal as an amendment to any bills the Committee may consider during its January 22, 2026 markup. While we understand the **well-intentioned** goal of protecting consumers, we firmly believe that a blanket 10% cap on interest rates would do far more harm than good for the military and veteran communities we serve. **Such a proposal threatens to undermine access to credit for servicemembers and their families**, weaken military financial readiness, and needlessly penalize the very credit unions that have a proven track record of responsible lending and compliance with consumer protection laws.

Credit unions already operate under interest rate limits far stricter than those applicable to most banks and lenders, reflecting our mission to put people over profits. Federal law imposes a statutory interest-rate cap (currently 18% for most loans, with limited exceptions) on federal credit unions – a cap that has existed for decades and ensures credit unions do not charge exorbitant rates. In addition, defense credit unions **fully comply with the Military Lending Act (MLA)**, which caps annual interest on loans to active-duty servicemembers at 36%. In practice, our member-owned, not-for-profit credit unions consistently offer loans well below predatory rates, reinvesting earnings to benefit our communities rather than maximizing shareholder returns. **Given these safeguards already in place, an extreme 10% nationwide cap is unnecessary – and would, in fact, be counterproductive.**

DCUC has a **long and well-documented history of opposing blanket interest-rate cap proposals** because they inevitably produce **serious unintended consequences**. Unfortunately, a rigid 10% cap would be no exception. **If credit unions were suddenly constrained by a 10% ceiling on interest rates, the most likely outcome is a sharp reduction in credit availability** – especially for the borrowers who need access to safe, affordable credit the most. Credit unions would be forced to **tighten underwriting standards or scale back lending** to any member deemed “higher-risk,” since we could no longer appropriately price for risk. This means **many younger or lower-income members would find credit union loans harder to come by**, even if they have modest credit needs. That outcome would **disproportionately impact young servicemembers**, junior enlisted personnel, and military families who have not yet built prime credit histories. Ironically, these are the very people Congress seeks to protect – but by **cutting off their access to responsible credit**, a 10% cap would leave them worse off.

Serving Those Who Serve Our Country

For military communities, the impact of such a cap would be especially severe. Defense-focused credit unions routinely provide **small-dollar loans, emergency credit, and short-term financial relief** to help servicemembers and their families weather unexpected expenses or deployments. Whether it's a sudden car repair, emergency travel, or helping a military spouse through a financial shortfall, credit unions step up with **flexible, reasonably priced loans and lines of credit** that keep our military families financially stable. Under an *arbitrary 10% interest cap*, however, **many of these critical services could become unsustainable**. The **math is simple**: a one-size-fits-all cap set so low would not even cover the higher operational costs and risk of small-dollar lending. Credit unions might have no choice but to eliminate or severely curtail these lifeline programs. ****Military families deserve policies that strengthen their financial security – not well-meant policies that inadvertently jeopardize it by shutting down access to trusted, affordable credit.** Limiting credit unions' ability to serve servicemembers in the field of consumer credit would directly undermine military financial readiness, as troops distracted by personal financial crises cannot fully focus on their missions.

Furthermore, **restricting credit union lending does not eliminate the underlying need for credit** – it simply risks **pushing vulnerable borrowers toward unscrupulous lenders** outside the regulated financial system. The demand for credit to cover emergencies or make ends meet will not vanish at 10% APR. Instead, if reputable institutions like credit unions are effectively barred from serving higher-risk members, those members may be **driven into the arms of predatory payday lenders, pawnshops, or online installment lenders** that find ways to evade strict rate limits. In other words, **capping rates for responsible lenders does nothing to stop irresponsible actors who prey on desperate consumers**. Research bears this out: studies have found that states with very low usury caps see **reduced credit availability** for low-income households, which in turn **pushes those consumers toward non-traditional, often predatory lending sources**. We fear a 10% federal cap would produce the same result nationwide – **an exodus of good-faith lenders and a surge in far more dangerous forms of credit** filling the void.

It is also important to recognize that **interest rate caps threaten more than just loan products – they threaten the broader spectrum of member service that credit unions provide**. When credit unions cannot even cover basic lending costs due to an artificially low rate cap, the sustainability of other services is put at risk. Many defense credit unions invest heavily in **financial counseling, budgeting assistance, fraud protection, and financial education programs** tailored for military families. These programs are often supported in part by income from lending. A drastic cap would squeeze resources across the board, potentially **undermining the very financial readiness training and support networks that Congress and the Department of Defense have encouraged for servicemembers**. We urge you not to unintentionally undercut these valuable services through an overly broad amendment.

In summary, **DCUC respectfully urges the Committee to reject any amendment imposing a 10% interest rate cap** during the January 22 markup. **Such a blanket cap, while well-intended, would ultimately harm the military and veteran communities by limiting access to responsible credit, reducing financial options, and possibly driving servicemembers toward predatory alternatives** – outcomes entirely at odds with the goal of protecting our troops and their families. Our defense credit unions remain **fully committed to safeguarding military borrowers**: we **abide by the 36% MLA cap**, we operate under longstanding federal interest caps, and we continue to prioritize financial education and prudent lending over profit. The problem facing military consumers is not credit unions – it is the bad actors who operate outside the confines of federal consumer protection laws. A far more effective approach would be to **target the predatory lenders and practices that exploit vulnerable borrowers**, rather than hamstringing the community-based institutions that **consistently “put people first” in their lending practices**.

DCUC stands ready to work with you and the Committee on targeted solutions that truly advance consumer protection **without unintended harm**. This could include measures to **expand financial education**, bolster enforcement against predatory actors, or support innovative programs that provide low-cost alternatives to high-rate loans. We believe there is a productive path forward that **strengthens financial readiness for servicemembers** and all Americans **without resorting to blunt instruments like a 10% cap**. We greatly appreciate your leadership and long-standing support of our nation's credit unions and the military communities they serve.

Thank you for considering our perspective on this critical issue. **We respectfully ask that you protect military access to credit by ensuring no damaging interest rate cap amendment is adopted**. Please do not hesitate to contact me if you have any questions or if DCUC can be of further assistance. We remain, as always, **eager to collaborate on policies that protect and empower servicemembers and their families** while preserving their access to fair and affordable financial services.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the House Financial Services Committee