



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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February 25, 2025

The Honorable Ann Wagner
Chairwoman
Subcommittee on Capital Markets
House Financial Services Committee
Washington, D.C. 20510

The Honorable Brad Sherman
Ranking Member
Subcommittee on Capital Markets
House Financial Services Committee
Washington, DC 20510

Subject: Support for the Veterans Member Business Loan Act to Enhance Capital Access for Veteran Entrepreneurs

Dear Chairwoman Wagner and Ranking Member Sherman:

On behalf of the Defense Credit Union Council (DCUC), I am writing to express of thoughts on the issues veterans face in accessing capital to start small businesses as part of your *Hearing Entitled: The Future of American Capital: Strengthening Public and Private Markets by Increasing Investor Access and Facilitating Capital Formation.* DCUC represents credit unions stateside and overseas serving military and veteran communities as well as their families, encompassing over 40 million members and having over \$525 billion in assets.

One of the most efficient ways to provide capital for those who have served our nation is to support for the Veterans Member Business Loan Act, recently introduced by Representatives Vicente Gonzalez (D-TX) and Brian Fitzpatrick (R-PA). This legislation would amend the Federal Credit Union Act to exempt loans made to veteran-owned businesses from the current member business lending (MBL) cap of 12.25% of a credit union's total assets. By lifting this cap specifically for loans to veteran-owned small businesses, credit unions will be able to provide greater access to capital for veteran entrepreneurs, reduce financial barriers to business ownership, and increase economic opportunities for those who have served our nation. Veterans return home after their military service with a wealth of leadership skills, discipline, and a strong work ethic. However, despite these advantages, many veteran entrepreneurs face significant obstacles in obtaining capital to start and grow small businesses. These challenges not only stifle economic opportunities for veterans and their families but also limit overall job creation and economic growth in communities across America.

The Challenges Veteran Entrepreneurs Face in Accessing Capital

Veteran entrepreneurs are a key part of the U.S. economy. According to the U.S. Census Bureau, there are approximately 1.76 million veteran-owned businesses in the United States, which employ nearly 5.3 million people and generate over \$963 billion in annual revenue. Despite this, veteran-owned businesses have declined from 11% of all businesses in 2014 to just 8.1% in 2020—a troubling trend that underscores the barriers veterans face in business ownership.

Serving Those Who Serve Our Country

One of the biggest obstacles to veteran entrepreneurship is access to capital. Veterans face higher loan denial rates than non-veteran entrepreneurs and often must rely on personal savings or more costly forms of financing. Key challenges include:

- Higher Loan Denial Rates:
 - Veteran entrepreneurs apply for more loans per business than non-veterans, yet they experience higher rates of rejection from traditional financial institutions.
 - According to the Small Business Administration (SBA), veteran business owners are more likely to be denied loans or receive smaller loans compared to their non-veteran counterparts.
- Over-Reliance on Personal Savings:
 - 72% of majority-veteran-owned firms report using personal or family savings as their primary source of startup capital, compared to 62% of non-veteran-owned businesses ([Fed Communities](#)). This reliance on personal funds limits business growth potential and increases financial risk for veterans and their families.
- Lower Approval Rates for SBA Loans: The SBA Veterans Advantage Loan Program, which provides guarantees for small business loans to veterans, has not sufficiently closed the capital gap. Many veterans find the application process cumbersome, and some fail to qualify due to lack of collateral or credit history.
- Lack of Established Credit and Business History: Many veterans enter entrepreneurship immediately after leaving active duty, meaning they lack the long credit history or business track record that banks often require for loan approval. Traditional financial institutions frequently perceive veterans as higher-risk borrowers, despite their strong leadership skills and work ethic.
- Veterans Have Less Private Sector Experience: According to the National Survey of Military-Affiliated Entrepreneurs, many veterans feel less prepared for the financial aspects of business ownership, including obtaining loans and navigating credit markets. This leads them to either not seek traditional financing or turn to predatory lenders with higher interest rates.

Why Credit Unions Are a Solution for Veteran Entrepreneurs

Credit unions have a long history of serving military members, veterans, and their families. Many defense credit unions are located on or near military installations and have deep relationships with veteran communities. They offer affordable financial products, personalized service, and a strong commitment to their members' financial well-being.

However, current law places an unnecessary restriction on credit unions' ability to help veteran entrepreneurs. The 12.25% MBL cap severely limits the amount of capital that credit unions can lend to veteran-owned small businesses.

By lifting this cap only for veteran-owned businesses, credit unions would have greater flexibility to support veteran entrepreneurs without increasing risk to the financial system.

The Benefits of Passing the Veterans Member Business Loan Act

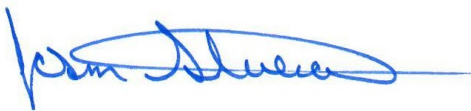
Exempting veteran business loans from the MBL cap would provide significant economic and social benefits:

- **Expanded Access to Capital for Veteran-Owned Small Businesses.** By removing the cap, more veterans will have access to affordable loans at competitive interest rates. This will increase entrepreneurship opportunities and help veterans build wealth and financial independence.
- **Job Creation and Economic Growth.** Veteran-owned businesses employ millions of Americans. Providing more capital to these businesses will expand hiring, drive economic development, and create stronger local economies. According to the SBA, small businesses are responsible for two out of every three new jobs in the U.S. economy. Expanding veteran entrepreneurship will further boost employment opportunities.
- **Lower Reliance on Predatory Lending and Personal Debt.** Without access to traditional loans, many veterans are forced to turn to high-cost lenders or take on significant personal debt. This legislation would allow more veterans to access fair, responsible financing options from credit unions, which have a mission-driven approach to serving their members.
- **Ensuring Veterans Have Equal Access to Business Opportunities.** Exempting veteran business loans aligns with existing exemptions for agricultural loans, recognizing the unique role that veterans play in the economy. This bill removes an unnecessary regulatory hurdle and puts veteran entrepreneurs on an equal footing with other business owners.
- **Strengthening National Security Through Economic Empowerment.** Economic opportunity for veterans enhances overall military readiness and retention. Active-duty service members considering transition to civilian life will have greater confidence in their post-service economic prospects, making military service a more attractive career choice.

America's veterans have demonstrated unparalleled dedication and sacrifice in service to our nation. Now, it is our responsibility to ensure they have the economic opportunities they deserve. Lifting the MBL cap for veteran-owned businesses is a common-sense, bipartisan solution that will empower veterans, strengthen small businesses, and drive economic growth.

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,



Jason Stverak
Chief Advocacy Officer
DCUC