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DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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The Honorable French Hill
Chairman, House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member, House Financial Services Committee
2221 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hill and Ranking Member Waters,

On behalf of the Defense Credit Union Council (DCUC), I am writing regarding the Committee's upcoming hearing, "The Future of Deposit Insurance: Exploring the Coverage, Costs, and Depositor Confidence," scheduled for November 18, 2025. We are **disappointed** that the witness panel for this important hearing does not include a credit union voice. Given that credit unions serve almost half of all Americans, their perspective on deposit insurance reform is essential.

Thankfully, the Senate Banking Committee recognized the importance of credit union input. In its September 10, 2025 hearing on deposit insurance reform, **Hanscom Federal Credit Union CEO Peter Rice testified** as the sole credit union representative, ensuring our members' views were heard. In his testimony, Mr. Rice **warned that implicit protections for the largest banks create dangerous ripple effects** – driving deposits away from local institutions, **starving small businesses of credit, and undermining the defense supply chain**. His presence in that Senate hearing helped spotlight the unique concerns and solutions credit unions bring to this policy debate.

On behalf of America's 144 million credit union members, we respectfully submit Mr. Rice's written testimony for the record of your hearing and **encourage all Committee members to review it in full**. It offers valuable insights and proposals from the credit union perspective on how to modernize deposit insurance without inviting undue risk. We would also **welcome the opportunity to brief you or other Committee members** – in person or virtually – with Mr. Rice and credit union leaders from your districts to further discuss our views and the real-world impact of deposit insurance changes on credit unions and the communities we serve.

As you examine the future of deposit insurance, we urge you to **include the credit union perspective** and consider the following key points and recommendations drawn from our prior letters and testimony on this issue:

Close the deposit insurance gap for small businesses. Under current law, business transaction accounts at banks *and* credit unions are insured only up to $250,000 – an amount that is **woefully inadequate for today's payrolls and operating needs**. Many local businesses must keep balances well above $250,000 just to meet monthly expenses, meaning funds above that cap are uninsured and at risk if their institution fails. This vulnerability was made painfully clear during the March 2023 regional bank failures, when countless startups and small companies feared they **wouldn't make payroll** because their balances exceeded the insured limit.

Regulators had to invoke emergency measures to backstop those uninsured deposits, underscoring that the status quo cap is **no longer adequate**. DCUC **strongly supports raising federal deposit insurance coverage for business operating accounts** to a higher threshold that fully protects typical payroll and vendor payment balances. Targeted coverage expansion – potentially on the order of **$10 million or more for business accounts at community institutions** – would ensure that every dollar a small business entrusts to a credit union or community bank for crucial operating expenses is safe even in the event of a failure. This reform would **bolster Main Street's confidence** that their employees' paychecks and working capital are secure, without extending a blanket guarantee to investment accounts or other speculative deposits.

- **Ensure parity between credit unions and banks.** It is **vital that credit union deposits receive equal protection under any deposit insurance reforms**, and that the National Credit Union Administration (NCUA) is empowered with the **same emergency tools as the FDIC**. In past crises, federal regulators could invoke systemic risk exceptions and special guarantee programs (such as the Transaction Account Guarantee) to shield bank depositors, but **these tools were not available for credit union depositors**. This imbalance was fundamentally unfair and created a perception that credit union members' deposits might be "second class" – indeed, during the uncertainty of March 2023, some business members of credit unions felt **pressure to shift funds to the largest Wall Street banks**, thinking only those would be fully protected in a worst-case scenario. Congress must **explicitly avoid that pitfall going forward** by ensuring any expanded coverage or emergency guarantee programs apply **in lockstep to NCUA's Share Insurance Fund just as to the FDIC's Deposit Insurance Fund**. In short, credit union members **deserve the same peace of mind as bank customers** that their insured deposits are protected under equivalent terms and backed by equivalent federal support if ever needed. Parity in both everyday insurance limits and extraordinary measures will strengthen public confidence in community-based institutions and prevent unwarranted runs to "too big to fail" banks in times of stress.
- **Phase in changes to protect the Share Insurance Fund.** We urge that any increase in coverage limits be implemented in a **gradual, responsible manner** so as to preserve the strength of the National Credit Union Share Insurance Fund (NCUSIF). Because credit unions collectively fund the NCUSIF through member contributions, a dramatic jump in insured limits (for example, up to $10–20 million per account) could necessitate significant **additional reserves or premium assessments** to maintain the fund's statutory equity ratio. We are encouraged that some legislative proposals have contemplated a **phased-in approach – e.g. raising the cap in stages over a decade** – to spread out and contain these costs. DCUC **strongly supports phasing in higher coverage over several years**. A measured phase-in would give the NCUSIF time to organically build reserves from regular premiums, rather than forcing a sudden spike in premiums or one-time charges on credit unions and their members. We also stress that the **costs of any deposit insurance reforms must be allocated fairly** and not disproportionately burden any particular segment of institutions. For example, if special assessments or tiered premiums are used to fund expanded coverage, policymakers should ensure that **community-based lenders are not unduly penalized** relative to the largest banks. In sum, reform should **strengthen small-business deposit protection without undermining the very credit unions and community banks that serve those businesses**. DCUC and our member credit unions stand ready to work with you on practical implementation strategies to uphold safety and soundness as these much-needed protections are put in place.
- **Remove barriers to credit unions' small-business lending.** Finally, if the goal is to fully safeguard and empower America's small businesses, **deposit insurance reform should be coupled with action to improve their access to credit** from community lenders like credit unions. In particular, we urge Congress to **eliminate or ease the outdated statutory cap on credit union member business lending (MBL)** as part of this discussion. Under current law, most federal credit unions cannot lend more than **12.25% of their total assets** to businesses, due to an arbitrary cap set decades ago. This cap **severely restricts the capital** that credit unions can provide to local entrepreneurs and small firms – even when they have the capacity and member demand to do more. Banks, by contrast, face **no equivalent regulatory cap** on business loans, leaving credit unions at an unfair disadvantage in serving Main Street's credit needs

As a result, many credit unions ready and willing to finance more small businesses find their hands tied by this limit, regardless of the opportunities to promote local economic growth. If Congress is committed to helping small businesses thrive – as deposit insurance improvements rightly aim to do – it should also **unlock the lending potential of credit unions by removing this disparity with banks**. A key bipartisan effort in this area is the **Veterans Member Business Loan Act**, which would exempt loans made to veteran-owned small businesses from the credit union MBL cap. DCUC wholeheartedly supports this legislation (and others like it) as a sensible step to free up capital for a community that includes **1.76 million businesses employing over 5 million Americans**. Veterans who have served our country and are now building businesses deserve full access to credit – and credit unions are eager to serve them if artificial lending constraints are lifted. **Exempting loans to veteran-owned small businesses from the cap (or, better yet, eliminating the cap entirely for all business lending)** would immediately open up new financing for small companies without increasing systemic risk. It would also **strengthen local economies** by enabling the growth of businesses that create jobs in communities across America. More broadly, lifting the MBL cap would **level the playing field between credit unions and banks in small-business lending**, allowing community-focused, member-owned credit unions to fully support our nation's entrepreneurs and job creators. We firmly believe that **deposit insurance reform and MBL cap relief go hand-in-hand** as complementary tools to bolster Main Street – the former protects the deposits that small businesses rely on, while the latter ensures they can obtain the loans and lines of credit needed to start up and scale up.

Taken together, these measures will **significantly improve the operating environment for small businesses**: their deposits will be safer, and their access to affordable credit will expand. America's 144 million credit union members – including servicemembers, veterans, and their families – have a huge stake in these policy decisions. They know that credit unions (alongside community banks) are the backbone of local economies. By enhancing deposit protections **and** freeing credit unions to lend more, Congress can **fortify the economic foundation of communities** large and small, **leveling the playing field between Wall Street and Main Street**.

In closing, thank you for your attention to these critical issues. We **applaud the Committee's willingness to examine deposit insurance reforms** in the wake of recent bank failures, and we **urge you not to exclude the credit union perspective** as you craft solutions. We are **grateful for your leadership** in exploring reforms that protect depositors and support our nation's small businesses, and we **stand ready to work with you** in any way we can as a constructive resource. Whether by providing data, sharing our members' experiences, or offering technical feedback on legislative text, DCUC is fully committed to helping advance balanced reforms that strengthen confidence in our financial system while preserving a fair, competitive landscape for community-based institutions.

We stand ready to work with you on advancing legislation or regulations to accomplish these goals. 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,

Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the House Financial Services Committee

Enclosure: Testimony of Peter Rice, President/CEO, Hanscom Federal Credit Union (Sept. 10, 2025) (submitted for the Committee's record)