DCUC
DEFENSE CREDIT UNION COUNCIL

1627 Eye St, NW
Suite 935
Washington, DC 20006

202.734.5007
www.dcuc.org

Jason Stverak
Chief Advocacy Officer

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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 thank you for your leadership and vision in launching the "Make Community Banking Great Again" initiative. We applaud your commitment to strengthening community-based financial institutions. In that same spirit, we urge that any reforms to community banking fully include America's credit unions – especially those on the front lines serving our military communities. Defense credit unions are not-for-profit cooperatives rooted in local service; they represent a pillar of financial resilience for military bases and hometowns alike. We appreciate your recognition of the vital role these member-owned institutions play, and we stand ready to work with you on commonsense reforms to make community banking – **including credit unions** – stronger than ever.

Legislative Reforms: To ensure military-focused credit unions can continue fulfilling their mission, DCUC recommends several legislative priorities:

- **Expand Credit Union Membership Eligibility to Underserved Communities.** We support modernizing field-of-membership rules so that more Americans in "banking deserts" and underserved areas can access credit unions' services. Legislation like the Expanding Financial Access for Underserved Communities Act (as passed by the House in 2022) offers a model, allowing credit unions to extend membership to underserved areas. By easing outdated membership restrictions, Congress can empower credit unions to bring affordable financial services to areas long neglected by large banks. Notably, credit unions already have a track record of serving those of modest means – **70% of credit union branches are in designated underserved areas**, according to NCUA data. Broadening membership eligibility will build on this success and enhance financial inclusion for military families and civilians alike.
- **Remove the Member Business Lending Cap – Support Veteran Entrepreneurs.** DCUC urges elimination of the arbitrary 12.25% asset cap on credit union member business loans (MBL), particularly to spur lending to veteran-owned small businesses. We strongly support the bipartisan Veterans Member Business Loan Act (VMBLA) which would exempt veteran-owned business loans from the cap. Lifting the cap would unleash billions in new small business credit, **creating up to 140,000 jobs in two years at no taxpayer cost**. This reform is especially critical for veteran entrepreneurs, who often struggle to access capital. Alarmingly, the share of U.S. businesses owned by veterans fell from 11% in 2014 to just 8.1% in 2020, a decline reflecting the financing barriers veterans face after service. Credit unions are uniquely positioned to help – yet the current cap restrains even well-capitalized defense credit unions from fully supporting veteran-owned start-ups. Removing or adjusting the MBL cap is a commonsense step to fuel veteran entrepreneurship and job growth.

We urge the Committee to advance legislation this session to finally remove this outdated cap and unlock credit unions' lending potential for small businesses.

- **Promote De Novo Credit Unions by Reducing Barriers to Entry.** We share your belief that a thriving community banking sector requires new entrants and robust competition. However, in the credit union space the creation of new institutions (de novos) has slowed to a trickle – **only a handful of new federal credit unions have been chartered since 2015**, while many small credit unions have merged or closed. This trend is troubling, and it is driven in part by the high hurdles facing new credit union charters. We thank you and Subcommittee Chairman Andy Barr for examining ways to reduce barriers for de novo banks, and we urge Congress to extend similar relief to de novo credit unions. Current charter applicants face a complex, years-long approval process and stringent capital requirements, since credit unions cannot tap external investors and must build net worth from scratch. Additionally, aspiring groups lack access to the compliance and technology infrastructure needed to get up and running. And restrictive field-of-membership rules can hamstring new credit unions' growth. DCUC recommends a comprehensive review of the chartering process to **streamline approval timelines, modernize capital standards, and expand mentorship/support for new credit unions**. We echo NCUA Chairman Kyle Hauptman's call to simplify chartering and will support legislative measures to accomplish this. Revitalizing de novo credit union formation – alongside community bank formation – will ensure military communities continue to have diverse, competitive options for financial services.
- **Strengthen Financial Readiness and Education for Military Families.** DCUC has long championed initiatives to improve servicemembers' financial readiness. We appreciate your inclusion of financial literacy as a pillar of community banking reform. Credit unions are proven partners in this effort – research shows that **military households using credit unions are nearly twice as likely to have received personalized financial education and counseling, and far more likely to be financially prepared for emergencies, compared to non-credit union users**. From teaching young enlisted members how to budget, to helping families save for retirement, defense credit unions embed financial education in their missions. We urge Congress to support programs that leverage this expertise. For example, DCUC supports the **Financial Literacy Training Improvement Amendment** (originally proposed by Sen. Patty Murray to the FY2024 NDAA) which would remove unnecessary DoD constraints on on-base financial education and strengthen partnerships to deliver effective training. We were disappointed that this amendment did not advance last year, and we strongly encourage its inclusion in the FY2026 NDAA. Additionally, DCUC recommends continued funding for the Department of Defense's Office of Financial Readiness and cooperative agreements with non-profits to expand counseling for military families. Financial readiness is mission readiness – personal financial stress is consistently cited as a top concern for servicemembers and can even impact security clearances. We must do everything possible to prepare our troops and their families to make sound financial decisions. Credit unions stand ready as force-multipliers in this cause, providing education, tools, and trustworthy guidance "inside the gate" to guard against predatory actors outside. We note that the DoD itself has recognized the critical role defense credit

unions play in reducing servicemember financial stress. With targeted Congressional support, we can greatly expand financial literacy initiatives on bases nationwide.

- **Enhance Protections During PCS Moves and Deployments.** Military families make tremendous sacrifices, frequently relocating and deploying in service to our country. These life events often carry financial disruptions. For example, a typical Permanent Change of Station (PCS) move costs a military family an estimated **$5,000 out-of-pocket, on average**, due to expenses and losses not fully reimbursed. DCUC urges policymakers to mitigate such burdens and protect servicemembers' financial well-being through smart policy adjustments. One area for review is the **Servicemembers Civil Relief Act (SCRA)** – we support expanding SCRA's consumer protections to cover modern challenges (for instance, ensuring that no service member faces housing or auto credit penalties when forced to relocate on orders). We also support efforts to streamline and increase DoD reimbursement for moving expenses, as recommended by military family advocacy groups. Additionally, we encourage regulators to continue pressuring financial institutions to proactively waive or reduce fees/penalties for servicemembers during deployments or PCS transitions. Many defense credit unions already offer special low-interest loans, deferred payment options, and financial counseling to members during moves or deployments. To institutionalize these best practices, Congress could consider **incentives or recognition for lenders who provide PCS relief programs**. We also urge maintaining strong enforcement of the Military Lending Act (MLA) to prevent predatory lending around installations – but caution against one-size-fits-all rate caps (discussed further below) that could unintentionally shut out military borrowers from mainstream credit. In short, any community banking reform must remember the unique circumstances of military life. We ask for your continued leadership in ensuring servicemembers receive commonsense financial accommodations commensurate with their sacrifices. Protecting military consumers in times of transition isn't just the right thing to do – it ultimately strengthens force readiness and family stability.
- **Ensure Tax Parity and Credit Union Access to Federal Programs.** As community banking reforms are considered, it is vital to preserve the longstanding tax treatment and federal program access that enable credit unions to serve their communities. The federal tax-exempt status of credit unions is not a special favor – it is a recognition of our member-owned, not-for-profit structure and our mandate to reach underserved populations. This modest tax expenditure is repaid many times over by the direct benefits to members and local economies. Eliminating or curtailing the credit union tax exemption would have severe consequences: it would **raise costs for over 140 million credit union consumers and likely force cutbacks in services on military bases**, driving many military families to high-cost alternatives. Furthermore, we seek **parity in access to federal programs** that support community financial institutions. Credit unions should have equal opportunity to participate in Small Business Administration lending programs and other government-guaranteed loan initiatives. We applaud bipartisan efforts in recent years to streamline SBA rules and encourage more credit union participation, and we support excluding SBA-guaranteed loans from counting against the MBL cap. Similarly, credit unions should continue to fully access the U.S. Treasury's Community Development Financial Institutions (CDFI) Fund and other community development programs.

DCUC appreciates congressional support for robust CDFI Fund appropriations and urges continued oversight to ensure the CDFI certification process remains fair and workable for credit unions. In short, any federal community banking agenda should *strengthen*, not undermine, the policy tools that have allowed credit unions to flourish in service to those who might otherwise be left behind. Maintaining tax-exempt status and leveling the playing field for program access will ensure credit unions can continue delivering affordable financial services to military and community populations most in need.

- **Support DoD Banking Modernization (Military Banking Program Improvement Act).** We respectfully request Congress's continued attention to the unique banking needs on military installations. The Department of Defense's financial services programs – including the stateside "bank/credit union on base" framework and the Overseas Military Banking Program – are critical lifelines for our servicemembers. Yet recent issues have underscored the need for modernization and better oversight. DCUC strongly supports, the **Military Banking Program Improvement Act**, which would establish a high-level advisory committee to the Secretary of Defense on military financial services. This committee would include key stakeholders – senior DoD officials, federal financial regulators, and representatives from organizations like DCUC and the Association of Military Banks of America – to provide informed guidance as DoD updates its banking programs. Importantly, the bill also calls for a comprehensive study to identify shortcomings and recommend technology upgrades for on-base financial services. We believe this legislation is an important step to ensure that DoD's approach keeps pace with industry innovation while safeguarding servicemembers' interests. In parallel, DCUC urges Congress to protect the existing **"One Bank, One Credit Union" law for bases**, which guarantees service members access to at least one credit union on every installation. This policy has worked for decades to ensure choice and competition on base, and it should remain intact. We also encourage DoD to explore pilot programs for new fintech and digital banking solutions on installations – **with credit unions as active partners** – to improve convenience for young servicemembers accustomed to mobile banking. In sum, we welcome Congress's focus on military banking improvements and pledge DCUC's expertise and cooperation. Our goal is mutual: a modernized DoD banking framework that leverages the strengths of defense credit unions to deliver safe, cutting-edge financial services to those who serve. We are confident that, working together, the Committee, DoD, and industry can make military on-base banking a model of excellence within community banking.
  Regulatory Reforms: In addition to legislative changes, DCUC recommends several regulatory and supervisory reforms to create a more balanced, innovation-friendly environment for credit unions:
- **Right-Size Regulation and Modernize Examinations.** We urge regulators to calibrate rules and exams to the unique scale and low-risk profile of credit unions. Too often, credit unions are subject to one-size-fits-all regulations that were designed for large commercial banks. This not only imposes disproportionate compliance costs on smaller institutions, but it can also divert resources away from member service and innovation. We ask Congress to support a *tailored regulatory approach* – for example, by encouraging NCUA and the CFPB to exempt or simplify requirements for community institutions wherever appropriate. In practice, this could mean raising thresholds or indexing them for inflation, streamlining complex reporting (such as under the Bank Secrecy Act), and avoiding unnecessary new mandates that do little to improve safety and soundness. The goal is effective oversight *without* smothering our smallest credit unions. We also recommend continued oversight of NCUA's examination program to ensure it evolves with the times. The NCUA has made commendable strides with its Exam Flexibility Initiative, extending the exam cycle for well-run credit unions to 18 months. We believe further modernization is possible – including greater use of off-site monitoring tools and a hybrid exam approach that minimizes disruption to credit unions' day-to-day operations. Moreover, NCUA and state regulators should coordinate to eliminate duplicate examinations and reporting. Modern analytics can allow regulators to monitor credit union health in near-real-time, permitting a more risk-based supervisory schedule. Congress can assist by supporting NCUA's budget for technology upgrades and examiner training geared toward efficiency. Ultimately, *right-sized regulation* means aligning oversight with actual risk: ensuring credit unions remain safe and sound without burdening them with bank-style regulatory baggage that adds cost but not value. We are confident that a balanced approach – rigor where needed, restraint where possible – will allow defense credit unions to focus on what they do best: serving members and communities.

- **Enhance Governance Flexibility for Credit Unions.** We encourage policymakers to continue updating outdated governance and operational requirements that needlessly constrain credit unions. We recommend exploring additional areas where the Federal Credit Union Act and regulations could be modernized. For instance, providing federal credit unions more flexibility in expelling members engaged in fraud or misconduct (an issue partially addressed by the 2022 CUGMA, but requiring careful implementation), or permitting reasonable compensation for board members to attract diverse, qualified talent. NCUA has begun to tackle some of these issues, and we support the agency's ongoing review of bylaws and corporate governance rules. Our ask is that Congress oversee and encourage NCUA in granting credit unions the **same operational flexibilities that community banks enjoy**, where appropriate. Additionally, DCUC supports efforts to simplify field-of-membership expansion for well-managed credit unions and to expedite innovation waivers (discussed below). Finally, as credit unions grow in size and complexity, governance standards should evolve – but through guidance and best practices rather than rigid mandates. We believe regulators can provide tools for credit union boards to strengthen risk management and strategic planning without imposing a one-size-fits-all regime. DCUC stands ready to work with lawmakers on ensuring credit union statutes and regs keep pace with industry changes, enabling good governance and agile decision-making in the interest of members.
- **Drive Cybersecurity Modernization and Fintech Innovation.** Cyber threats and digital disruption are challenges facing all financial institutions, big and small. For credit unions – many of whom operate on tight technology budgets – it is critical that regulations facilitate, not hinder, investments in new tech and partnerships that enhance security and service. DCUC recommends establishing **regulatory sandboxes or innovation waivers** that allow credit unions to test new fintech solutions in a controlled environment. We applaud the NCUA's creation of an Office of Financial Technology and Access in 2023, and we encourage Congress to support this office's mandate to pilot inventive ideas. Whether it's deploying AI for fraud detection or partnering with a fintech to offer early paycheck access, credit unions should be able to experiment under the watchful eye of regulators *without* immediately facing the full weight of legacy rules. A well-crafted sandbox can maintain consumer protections while giving credit unions a safe harbor to try cutting-edge products. This will help smaller institutions keep pace with fintech competitors and better serve tech-savvy military members. On cybersecurity, we ask for continued regulatory focus on coordination and resources. Credit unions participate in information sharing groups like the FS-ISAC, but not all have access to the same intelligence as large banks. We support legislative proposals to improve threat intel sharing with community institutions and to provide grants or tax credits for cybersecurity upgrades at smaller credit unions. Additionally, any new cyber regulations should be scalable by size and complexity; for example, incident reporting timelines should be reasonable so as not to overwhelm the limited IT staff of a small credit union. DCUC appreciates that the NCUA has made cybersecurity a supervisory priority and even conducted a useful cyber simulation exercise for credit unions last year. We believe Congress can bolster these efforts by ensuring NCUA has authority to collaborate with other agencies on cyber standards and by holding agencies accountable for harmonizing guidance (avoiding conflicting rules from NCUA, FTC, CFPB, etc.). By embracing innovation with sensible guardrails, credit unions can continue to offer world-class, secure financial services that meet members where they are – increasingly, on their smartphones and online.
- **Oppose Interchange Fee Caps and Unreasonable APR Limits that Hurt Consumers.** While pursuing positive reforms, we also urge the Committee to reject any proposals that would impose harmful price controls on financial services, such as artificial caps on interchange fees or interest rates. These well-intentioned ideas would **backfire on the very communities we aim to help**. Credit unions have firsthand experience with this: the Durbin Amendment's cap on debit card interchange (enacted in 2010) was supposed to exempt small institutions, yet in reality even exempt credit unions saw their interchange revenue per transaction drop over 10%. This lost revenue has forced many credit unions to scale back benefits like free checking and debit rewards, as documented by federal studies. Now, some in Congress propose extending similar caps to credit card interchange via the **Credit Card Competition Act**. DCUC, alongside other credit union and community bank groups, strongly opposes the CCCA. By mandating multiple payment networks and potentially capping credit interchange fees, this bill would disproportionately harm credit unions and military-oriented card programs that rely on interchange to fund fraud prevention, cardholder rewards, and operations. The promised "savings" for merchants have not materialized to consumers in the debit context, and there is no reason to believe credit cards would be different. In fact, reduced interchange income would strain smaller issuers and could lead to less available credit or higher fees for consumers. We urge you to continue your opposition to this misguided policy.

Thank you again for your leadership in championing community banking. America's defense credit unions are eager to be constructive partners in this effort. We share the goal of a financial services ecosystem that is inclusive, competitive, and responsible. The legislative and regulatory recommendations outlined above form a comprehensive agenda to **"make community banking great"** in a way that recognizes the important role of credit unions serving military and veteran communities. These reforms – from charter enhancements, to smarter oversight, to parity in the rules of the road – will enable credit unions to lend more freely to those who serve our nation, to educate and protect military families, and to continue offering a safe harbor from predatory finance. Importantly, we believe many of these proposals enjoy broad bipartisan support, as they align with core values of financial opportunity and community development.

DCUC and our member credit unions are ready to work with you, Ranking Member Waters, and all members of the House Financial Services Committee to turn these ideas into reality. We are prepared to provide data, share stories of impact, and collaborate on draft legislation or regulatory feedback as needed. In the past, collaborative policymaking has yielded successes like the improvements in the National Defense Authorization Act – and we are confident that, together, we can build on that momentum in 2025.

Thank you for considering our views. We applaud the Committee's renewed focus on strengthening community financial institutions and ensuring our nation's servicemembers and veterans have great options for banking. This is a mission that transcends politics, and DCUC is committed to being your partner every step of the way. We look forward to working with you to **"make community banking great again"** – not just for banks, but for *all* community-based lenders, including the member-owned credit unions that continue to answer the call for our military families.

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

CC: House Financial Services Committee Members

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