



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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The Honorable Patrick McHenry
Chairman, HFSC
2134 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member, HFSC
2221 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman McHenry and Ranking Member Waters:

I am writing on behalf of the Defense Credit Union Council (DCUC) and nearly 200 defense credit unions representing almost 40 million members and we submit this letter for your upcoming hearing titled, "Oversight of Prudential Regulators."

As you conduct this important review, we urge the Committee to reaffirm the critical need for a strong and independent National Credit Union Administration (NCUA). Ensuring NCUA's independence is essential to maintaining the unique mission and structure of credit unions, particularly those serving our nation's military communities.

The NCUA was established in 1970 as an independent federal agency with a singular focus: regulating and insuring credit unions. Its independence is essential to:

Tailored Oversight: Credit unions operate as not-for-profit, member-owned cooperatives. Unlike banks, they prioritize member benefits over profit, offering lower loan rates, higher savings yields, and reduced fees. A separate regulatory framework ensures that oversight is aligned with these unique operational characteristics.

Mission Alignment: NCUA's singular focus allows it to prioritize the financial stability and service of credit unions over broader financial system concerns. For example, credit unions provided over \$16.2 billion in direct financial benefits to their members in 2022 (CUNA, 2022), a testament to their efficiency and member-first approach.

Insulated Share Insurance Fund: The National Credit Union Share Insurance Fund (NCUSIF) is entirely funded by credit unions and operates independently of taxpayer funding. The NCUSIF's independence ensures that credit unions are not exposed to systemic risks within the banking sector.

Proposals to consolidate financial oversight under a single regulator pose significant risks to credit unions and their members. Historical precedent demonstrates that one-size-fits-all regulatory approaches disproportionately burden credit unions with compliance costs. For example, following the Dodd-Frank Act, credit unions reported significant increases in regulatory expenses despite their minimal role in the financial crisis. According to a Filene Research Institute study, regulatory burdens cost credit unions an estimated \$6.1 billion annually, impacting their ability to serve members effectively.

Serving Those Who Serve Our Country

While we strongly support NCUA's independence, reforms are necessary to ensure it continues to meet the evolving needs of credit unions and their members. As detailed in our prior letters and publications, DCUC proposes the following reforms:

Budget Transparency and Accountability: The NCUA's budget should reflect the economic realities faced by credit unions. We advocate for increased transparency and stakeholder input in budget-setting processes to ensure that resources are allocated efficiently.

Focus on Modernization: The NCUA must invest in modernizing its examination processes and technology infrastructure to reduce administrative burdens on credit unions without compromising safety and soundness.

Balanced Regulation: NCUA should adopt a more balanced regulatory approach, prioritizing flexibility and scalability for smaller credit unions while maintaining rigorous standards for larger, more complex institutions.

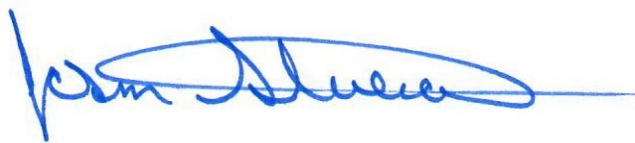
Enhanced Collaboration with DOD: Defense credit unions play a vital role in ensuring financial readiness for military families. We encourage NCUA to strengthen its collaboration with the Department of Defense (DOD) to address issues like on-base access, financial education, and support for veterans transitioning to civilian life.

As the Committee conducts oversight of prudential regulators, we urge you to recognize the importance of NCUA's independence and its role in preserving the unique value of credit unions. By adopting the reforms outlined above, NCUA can continue to provide tailored, effective oversight while supporting the mission-driven focus of credit unions serving communities across the nation.

We stand ready to provide additional insights or participate in further discussions to ensure the interests of credit unions and their members are fully represented.

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

