DCUC
DEFENSE CREDIT UNION COUNCIL

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Anthony R. Hernandez
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April 9, 2025

The Honorable Scott Bessent
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Bessent,

I write to you on behalf of the Defense Credit Union Council (DCUC), which represents defense and veteran-focused credit unions serving over 40 million members nationwide with assets over $500 billion. First, let me commend your 2025 initiative to roll back excessive bank regulations and shift the regulatory focus toward empowering Main Street financial institutions. Your public remarks have made it clear that you intend to prioritize community-based lenders – *"Wall Street's done great… But this administration is about Main Street"*– and we wholeheartedly agree. Defense credit unions are **not-for-profit cooperatives** deeply rooted in their communities, and they serve as pillars of financial resilience for military bases and hometowns alike. In that spirit, we urge you to ensure that credit unions, especially those serving our military and veteran communities, are fully included in your regulatory reform agenda to expand economic opportunity on Main Street.

One urgent priority is to **lift or adjust the Member Business Lending (MBL) cap** that uniquely constrains credit unions' ability to lend to small businesses. This *arbitrary 12.25% of assets cap* on credit union business loans was imposed by law in the 1990s and does not apply to banks. In practice, it limits the financing that credit unions can provide to America's entrepreneurs. We ask you to support efforts to remove or modernize this cap as part of your reforms – at minimum, **please support exempting loans to veteran-owned small businesses from counting toward the cap.** Notably, the bipartisan Veterans Member Business Loan Act (VMBLA) currently before Congress would do exactly that. Exempting veteran business loans from the cap is a common-sense step that would immediately expand credit availability for veteran entrepreneurs without compromising safety and soundness.

The need for MBL cap relief is clear. Veteran-owned small businesses are a vital part of our economy yet their numbers have been declining – veterans owned 11% of U.S. businesses in 2014, but only 8.1% by 2020, a drop that reflects the financing hurdles many veterans face after their military service. Studies have found that veteran entrepreneurs encounter higher loan denial rates and often must rely on personal savings or costly credit instead of affordable business loans. Credit unions are eager to help meet this need, but the cap forces even well-capitalized institutions to turn away or curtail loans to deserving veteran-owned start-ups. **Lifting the cap would unleash billions in new small-business lending, potentially creating up to 140,000 jobs in just two years – all at no taxpayer cost**. Such an infusion of capital and jobs would be a tremendous boost to Main Street economic growth, precisely in line with your goal of expanding opportunity. We simply cannot afford to leave this potential untapped when our nation's heroes-turned-entrepreneurs are counting on us.

These statistics correspond to real lives and communities. For example, after 25 years of Army service, veteran **Will Rivera** decided to open a small running shoe store in Kentucky – and found a financial partner in Abound Credit Union, a defense credit union serving Fort Knox.

Abound Credit Union provided the lifeline loan that helped Mr. Rivera establish "Running Soles" and turn his post-military dream into a reality. Abound Credit Union has made small business lending its fastest-growing segment, not by issuing huge loans, but by making many modest loans (below $100K each) to help entrepreneurs *like Will* revitalize their local communities. His story is one of many that show how credit unions fuel small business success for veterans and civilians alike. If loans to veteran-owned businesses were excluded from the MBL cap – or the cap lifted entirely – **many more veterans** could secure the financing they need to start businesses and create jobs in their hometowns. We urge you to make this a centerpiece of your Main Street empowerment agenda.

In addition to the MBL cap, there are **other regulatory burdens and inequities** affecting credit unions that we ask you to address as you refocus regulation toward Main Street needs. Chief among them are:

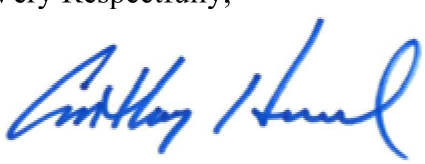
- **Field of Membership Restrictions:** Outdated limits on whom credit unions can serve often prevent us from reaching communities most in need of financial services. We support modernizing these rules – for instance, the House-passed *Expanding Financial Access for Underserved Communities Act* in 2022 would allow federal credit unions to expand service to "banking deserts" and underserved areas. Credit unions already have a strong track record of serving underserved populations (indeed, 70% of credit union branches are in *NCUA-designated underserved areas*), but current law still hinders expansion. Easing field-of-membership constraints will enable credit unions to bring affordable financial services to more rural and underserved American communities, including those around military installations, aligning with your goals of inclusion and community development.
- **Excessive Compliance and Reporting Burdens:** Community-based institutions like credit unions struggle under the weight of complex regulatory compliance requirements that were often designed with only the very largest banks in mind. As you have observed, many smaller institutions are *"overloaded with unproductive reporting requirements that have little to do with reducing material financial risk"*. This rings true for credit unions: every hour and dollar we must devote to redundant paperwork (e.g. Bank Secrecy Act and anti-money-laundering protocols, elaborate reporting checklists, etc.) is time and money not spent serving our members. We applaud your call for regulators to **focus on material financial risks rather than box-checking exercises**. By streamlining reporting and simplifying complex rules, especially for community institutions with good track records, Treasury and NCUA can free up credit unions to lend more and provide greater personalized service on Main Street.
- **Unequal Regulatory Treatment vs. Banks:** In certain areas, credit unions face statutory constraints that banks do not, creating an uneven playing field. For example, **credit unions cannot raise capital by issuing stock** – we rely solely on retained earnings to build net worth, which inherently limits growth capacity. Yet credit unions are held to rigorous capital standards similar to banks. We also remain the only financial institutions remain the only financial institutions subject to a blanket member business lending cap by law. These kinds of one-sided restrictions handicap credit unions' ability to serve our communities to the fullest. We urge policymakers to recognize these disparities and *ensure regulatory fairness*, so that credit unions can compete and thrive alongside banks in serving Main Street customers. Removing artificial constraints will allow us to expand services and reach more people in need of financial help, without sacrificing safety or soundness.

- **Concerns About Fee Cap Proposals:** We ask that you approach any efforts to curb fees or limit revenue sources with caution, to avoid unintended harm to the very consumers and communities we all want to help. Credit unions are proud to lead the way in low or no fees for basic services, but certain fee income is essential to sustain operations. For instance, proposals to further lower the cap on debit interchange fees under Regulation II are deeply concerning – the Federal Reserve is considering such changes, which DCUC **opposes**. A drastic cut in interchange revenue would directly impact credit unions' ability to offer free checking accounts, tech upgrades, and other benefits that our members enjoy. Similarly, overly broad restrictions or caps on overdraft fees could deprive consumers of a valued short-term safety net and force credit unions to pull back on offering courtesy overdraft programs. We support sensible, targeted consumer protection, but any new rules in this area should recognize credit unions' consumer-friendly track record and differentiate us from bad actors. Blanket fee caps or rigid prohibitions could reduce access to credit or services for the very "Main Street" households that need them most.

By addressing the above issues – the MBL cap and these other burdens – **the Treasury Department can unlock the full potential of credit unions as partners in advancing America's economic opportunity, growth, and inclusion.** We share your vision of an economy where local entrepreneurs, families, and veterans have the financial tools to thrive. Credit unions, in particular, are mission-driven institutions that exist to serve those very groups: we reinvest our earnings into our members and communities rather than paying stockholders. We are deeply committed to expanding access to affordable credit, financial education, and trustworthy banking services for **Main Street America and our military communities**. In short, credit unions are eager and ready allies in your effort to empower Main Street – and with thoughtful regulatory reforms, we can do even more to help realize the goals you have set for broad-based economic growth and financial inclusion.

I respectfully request the opportunity to meet with you (and your team) to discuss these issues and potential solutions in person. DCUC and our member credit unions have extensive on-the-ground experience serving military personnel, veterans, and their families, as well as the broader community, and we would welcome the chance to offer our insights and partnership as you implement your 2025 reform agenda. **Thank you for your leadership** on these critical issues. We stand ready to work with you and the Treasury Department to ensure that credit unions – alongside community banks – are fully empowered to help *Main Street America* prosper.

Very Respectfully,



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