



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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February 10, 2025

The Honorable Scott Fitzgerald
Subcommittee Chairman
Administrative State, Regulatory Reform, & Antitrust
Judiciary Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Jerrold Nadler
Subcommittee Ranking Member
Administrative State, Regulatory Reform, & Antitrust
Judiciary Committee
United States House of Representatives
Washington, DC 20515

Subject: Addressing Overregulation and Challenges Facing Credit Unions: Proposed Solutions for Legislative Consideration

Dear Chairman Fitzgerald and Ranking Member Nadler:

On behalf of the Defense Credit Union Council (DCUC) and the millions of service members, veterans, and military families we serve, we submit this letter in advance of the hearing titled *“Reining in the Administrative State: Regulatory and Administrative Law Reform.”* 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.

Credit unions have long served as not-for-profit financial cooperatives, dedicated to providing affordable financial services to their members, including many within the defense community. However, the increasing regulatory burden poses significant challenges to our operations, member services, and overall mission.

Credit unions are subject to a complex web of federal and state regulations, primarily overseen by the National Credit Union Administration (NCUA) and the Consumer Financial Protection Bureau (CFPB). Key regulations impacting credit unions include:

- **Dodd-Frank Wall Street Reform and Consumer Protection Act:** Enacted to promote financial stability, this act has introduced extensive compliance requirements for credit unions.
- **Bank Secrecy Act (BSA):** Mandates rigorous anti-money laundering (AML) and Know Your Customer (KYC) protocols, necessitating substantial resources for compliance.
- **Capital Adequacy Standards:** Increasing capital reserve requirements limit the flexibility of credit unions to offer loans and other services to their members.

Challenges Arising from Overregulation

Increased Operational Costs: Compliance with escalating regulatory demands requires significant financial and human resources. Smaller credit unions, in particular, struggle to manage these costs, which can lead to reduced services or increased fees for members.

Stifled Innovation: Overly prescriptive regulations can hinder the ability of credit unions to develop and implement new financial products and technologies, limiting our competitiveness against fintech companies that operate with less regulatory oversight.

Reduced Competitiveness: The cumulative effect of multiple regulations can erode the competitive advantages of credit unions, such as offering lower fees and personalized services, thereby diminishing our appeal to current and potential members.

Serving Those Who Serve Our Country

Mission Drift: The necessity to prioritize regulatory compliance can divert focus from our core mission of serving members, particularly those in underserved communities, undermining the foundational principles of credit unions.

To address these challenges, we recommend the following actions:

Proportional Regulation: Tailor regulatory frameworks to consider the unique structure and risk profile of credit unions, distinguishing them from large commercial banks. This approach would alleviate undue burdens and allow credit unions to better serve their members.

Regulatory Sandboxes: Establish environments where credit unions can test innovative products and services under relaxed regulatory conditions, fostering innovation while maintaining consumer protection.

Streamlined Compliance Requirements: Simplify and eliminate redundant regulations to reduce the compliance burden, especially for smaller credit unions. Leveraging technology and automation can also enhance compliance efficiency.

Enhanced Dialogue Between Regulators and Credit Unions: Foster open communication channels to ensure that regulatory developments consider the operational realities of credit unions, leading to more effective and practical regulatory policies.

While regulations are essential for maintaining the integrity of the financial system, it is imperative to strike a balance that safeguards consumers without stifling the ability of credit unions to fulfill their mission. We urge the Committee to consider these recommendations to alleviate the regulatory burdens on credit unions, enabling us to continue providing vital financial services to our members and contributing positively to the economy.

Thank you for your continued support of credit unions and the financial well-being of America's military communities.

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 Judiciary Committee Members