



**DCUC**  
DEFENSE CREDIT UNION COUNCIL

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**Jason Stverak**  
Chief Advocacy Officer

January 10, 2025

Chairman Todd M. Harper  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Dear Chairman Harper,

On behalf of America's Defense and Veterans Credit Unions and their almost 40 million members, we are writing to request a meeting with each of the National Credit Union Administration Board Members to discuss its 2025 Supervisory Priorities. While we appreciate NCUA's efforts to adapt its supervisory framework to emerging risks, DCUC has several observations and concerns regarding the 2025 list it wishes to discuss:

1. **Cybersecurity** – We support increased emphasis on cybersecurity as a critical priority for protecting members' data. However, we urge NCUA to avoid mandating full third-party audits or solutions that may unnecessarily divert limited resources from frontline credit union operations. A more balanced and scalable approach is essential to address varying levels of risk.
2. **Liquidity Risk** – The removal of liquidity risk from the 2025 priorities is concerning. With ongoing economic uncertainty and potential market volatility, liquidity risk management remains a vital area for credit union safety and soundness. We strongly encourage NCUA to reinstate liquidity risk as a top priority in its supervisory framework.
3. **Balance Sheet Management** – While this focus on earnings and net worth is important, credit unions would benefit from additional clarity on NCUA's expectations for risk mitigation and modeling under this category.
4. **Consumer Financial Protection** – Credit unions remain committed to compliance, but some areas (e.g., overdraft programs and Military Lending Act) need consistent guidance and updated regulations to reflect the realities of our members and operational environments.
5. **Military Lending Act** – We are not aware of any trends that would cause compliance with Military Lending Act requirements to pose "the highest risk" to credit union members, the industry, or the Share Insurance Fund. Thus, it was surprising to see the Military Lending Act listed as a top priority. Especially when the NCUA's Payday Alternative Loan (PAL) is above the mandated 36% rate cap in the Military Lending Act.

We highly recommend NCUA take a closer look at how the Military Lending Act discriminates against military borrowers since no other class of borrowers suffers the same restrictions on its ability to obtain safe and secure lines of credit. DCUC has long advocated for changes to this law.

First, DCUC and ACU (formerly CUNA) raised concerns regarding specific requirements under Section 232.8(e)(3) of the Military Lending Act (MLA) to the Director of the Department of Defense in 2017, proving how it prevented many credit unions from offering share-secured loans to servicemembers and their dependents for a number of reasons, see our joint letter [here](#). Among the issues identified was the fact that certain core processors used by credit unions do not permit share-secured loans to be established solely with funds deposited after the loan is initiated. This limitation ultimately denies servicemembers access to relatively low-interest-rate loans that could help them build positive credit histories.

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Second, DCUC voiced concerns regarding the MLA's impact on auto loans. Specifically, we raised the issue of auto loans being classified as unsecured if they included Guaranteed Asset Protection (GAP) insurance. In 2022, we wrote to Congressional leaders regarding proposed California Senate Bill 1311, [letters here](#), emphasizing how certain provisions of the MLA are counterproductive. By deeming loans with GAP insurance as unsecured, these provisions unintentionally expose servicemembers to greater risks from predatory lenders.

Section 408.1(c) of the MLA references Section 987 of Title 10 of the United States Code, which governs the Military Lending Act, exempts secured auto loans from MLA requirements. However, the Department of Defense's 2017 Question & Answer 2 (later withdrawn) stated that auto loans would not be exempt if they financed credit-related products or services, such as GAP waivers. The language in Section 408.1(c) brings GAP waivers under the scope of the MLA, effectively discouraging credit unions and financial institutions from offering GAP insurance to military members when financing auto loans.

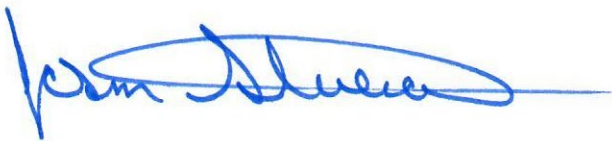
Although the sponsors of SB 1311 claimed its intent was to protect active-duty servicemembers, Section 5 would likely have the opposite effect. By deterring credit unions from offering GAP and other credit insurance products, service members would be left with fewer financial protections. Financial institutions are unlikely to issue unsecured auto loans and would therefore be disincentivized from offering these ancillary products. We urged California congressional leaders to consider how active-duty military personnel in California would consequentially be denied valuable options, such as GAP insurance, at the point of sale. While the new law does not explicitly ban these products, historical experience shows that servicemembers—and consumers generally—prefer purchasing such products during the loan transaction rather than through a separate, subsequent process.

Our aim is to assist the NCUA by working collaboratively on any supervisory priorities, especially pertaining to the MLA, to ensure it empowers servicemembers and veterans with the most safe and affordable financial options.

Given the changes to the supervisory priorities, DCUC requests individual meetings with each NCUA Board Director to discuss these concerns in greater depth and provide constructive feedback on areas where credit unions may face challenges in implementation.

We appreciate your attention to these matters and your commitment to ensuring a fair and balanced supervisory approach that promotes the financial readiness and well-being of our members. Should you 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](mailto:jstverak@dcuc.org).

Sincerely,



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Chief Advocacy Officer  
DCUC

CC: The Honorable Todd Hauptman  
The Honorable Tanya Otsuka  
Frank Kressman

