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DEFENSE CREDIT UNION COUNCIL

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Anthony R. Hernandez
President/CEO

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The Honorable Pete Hegseth
Secretary of War
1000 Defense Pentagon
Washington, D.C. 20301-1000

Dear Secretary Hegseth,

On behalf of the Defense Credit Union Council (DCUC) and our member credit unions, I want to thank you for your steadfast commitment to improving the quality of life for our servicemembers. DCUC represents over 200 defense-focused credit unions serving more than 40 million members (with \$525 billion in combined assets) — institutions dedicated to the financial well-being of military members, veterans, and their families.

For over 60 years, DCUC has worked hand-in-hand with the Department of Defense to ensure servicemembers and veterans have access to the **dependable, affordable financial services they deserve**. We greatly appreciate your recent focus on elevating troop quality-of-life issues and financial readiness, and we are eager to continue our partnership in support of the defense community.

Credit Unions' Critical Support During Crises: Recent events such as violent storms, wildfires, earthquakes, and government shutdowns have underscored the vital role that defense credit unions play. During the latest federal government shutdown, credit unions immediately mobilized to “put members first,” offering extraordinary relief measures to military and federal employee families. Many provided **0% interest furlough loans, skip-a-pay options on existing loans, waived overdraft/late fees, and penalty-free withdrawals** to tide members over until federal funding was restored. In fact, nationwide surveys show **90% of credit unions offered deferred payments on loans, nearly 80% launched new emergency loan programs, 88% modified loan terms, and 68% waived fees** – a financial lifeline for those living paycheck-to-paycheck during the funding lapse.

These efforts, essentially short-term no-cost bridges, kept thousands of military families stable through weeks of uncertainty. In fact, during each shutdown, credit unions have *stepped up* with emergency loans and payroll advances, exemplifying our “people helping people” mission. However, as we often note, these charitable stopgaps are **not a permanent solution** – Congress must ultimately act to shield servicemembers from financial harm during political impasses. We stand ready to assist in that effort. In the meantime, you can count on credit unions to continue serving as a financial safety net for those who serve our nation.

As we look ahead to 2026, DCUC respectfully urges your support and collaboration on several key priorities that will strengthen financial readiness and allow credit unions to better serve our military community. These priorities align with the Department’s goal of improving quality of life for servicemembers and will **empower us to better serve those who protect our country**. In summary, our top advocacy priorities are:

- **Ensure Access to Financial Services on All Military Installations:** We ask for your help in preserving and enforcing equitable access for credit unions on base. The Pentagon’s longstanding “**one bank, one credit union**” policy has served military communities well by ensuring every installation offers both a banking and credit union option for affordable services, without saturating the installation with multiple banks and credit unions. Consistent enforcement of this policy is needed so that troops everywhere – including at new or expanding bases – can count on accessible, low-cost financial services from financial institutions on base.

Serving Those Who Serve Our Country

Defense credit unions often operate on remote or overseas bases where few other financial institutions will go, ensuring servicemembers and their families have the same access to safe, affordable financial services as they do at home. **On many installations the credit union is the only on-site financial institution**, providing essential services (from providing expeditionary cash at a moment's notice to secure depository handling for government agencies) at **no cost** to the government. They also support morale/welfare programs and help keep predatory lenders off base. To maintain these benefits, DoW should continue giving credit unions equal opportunity to serve on installations without preference or prejudice.

As the U.S. establishes new Forward Operating Bases or expeditionary locations, we urge the Department to issue clear guidance ensuring defense credit unions can promptly set up operations to support personnel from day one. As a former war planner, access to financial systems in-theater becomes very important for members who still have financial responsibilities back home. In short, every servicemember, regardless of duty station, deserves access to the affordable, member-focused services that defense credit unions provide. We seek your commitment that DoW policies will consistently reflect this principle.

- **Strengthen Financial Readiness Programs through Partnership:** Financial education and counseling are vital for ensuring military financial readiness, and credit unions are designed to perform this function. We recommend a renewed collaboration between the Department and on-base credit unions to enhance financial literacy programming for troops. Currently, DoW spends significant resources on contracted financial training, yet often the **banks and credit unions on base are prevented from offering free, superior financial education** resources as part of their installation operating agreements. Empowering these trusted, community-based institutions to contribute their expertise would greatly amplify the Department's goals. For example, credit unions could host seminars on budgeting, credit management, or homebuying for young servicemembers and families, at no cost to the government and free-up DoW funds for other priorities.

We also encourage each of the services to **integrate credit union counselors into their financial readiness initiatives**, as the Army has begun exploring. By leveraging credit unions' financial educators, who understand the unique challenges of military life and can offer financial products and services, we can work together and improve financial literacy, reduce indebtedness, and support the economic resilience of our forces. We ask that you direct the services to comply with regulations, remove any unnecessary barriers and proactively partner with credit unions in delivering financial education and counseling on installations.

- **Address Regulatory Hurdles Hindering Service to Military Members:** Several well-intentioned laws and regulations designed to protect servicemembers have, in practice, created challenges for military-serving credit unions. In particular, inconsistent interpretation of the **Military Lending Act (MLA)** and the **Servicemembers Civil Relief Act (SCRA)** has sometimes impeded credit unions from swiftly assisting military borrowers. We urge DoW to work closely with the National Credit Union Administration (NCUA) and other regulators to clarify these rules and ensure they are applied in a way that truly helps military families. For instance, guidance could be improved regarding MLA's requirements on certain loan products and SCRA's provisions on interest rate reductions, so that credit unions can confidently extend relief without fearing compliance uncertainties. We note that in past NDAs, report language has encouraged DoW and regulators to resolve such issues.

Your leadership in coordinating with NCUA on military-specific financial regulations – such as counting APO/FPO addresses toward fields of membership or Low-Income Credit Union designations – would likewise be very valuable. By addressing regulatory friction points, we can **streamline the delivery of financial services and protections that our servicemembers deserve**. DCUC stands ready to provide detailed feedback on these technical issues and to assist in crafting solutions that uphold consumer protections while eliminating red tape that hampers access.

- **Establish a DoW Advisory Committee on Military Financial Services:** We strongly support the creation of a formal mechanism to improve communication and policy coordination between the Pentagon, federal financial regulators, and the financial institutions that serve our military. The Military Financial Services Protection Act (proposed by Congressman French Hill) offers a template, by calling for a DoW Federal Advisory Committee comprised of senior DoW officials, federal financial regulators, and each of the national associations that have directly represented defense credit unions and military banks for over 60 years.

Such a committee would study the Department's banking programs and recommend improvements to modernize and enhance access, leveraging current financial industry technologies for the benefit of servicemembers. We urge you to support this legislation and, even ahead of its passage, to **use your authority to convene a similar working group**. Bringing stakeholders like DCUC and the Association of Military Banks of America (AMBA) to the table will ensure the Pentagon fully understands the value our credit unions and banks provide so it can **make informed decisions on military banking policy**.

An advisory committee could immediately begin addressing issues such as the Overseas Military Banking Program contracting process (to ensure transparency and avoid the lack of federal deposit insurance protections) and the effective rollout of financial services at new bases. DCUC applauds your openness to collaboration, as evidenced by your focus on quality-of-life improvements, and we are confident that a formal advisory panel would greatly aid in aligning financial services with the needs of today's military. We respectfully ask that you consider establishing this committee in 2026 and including DCUC as a participant. It would be a **vital step toward modernizing DoW's approach** to military banking and ensuring no servicemember is left without the financial support they need.

- **Support Veteran Entrepreneurs and Small Businesses:** As our servicemembers transition to civilian life, many turn to entrepreneurship, and credit unions are natural partners in that effort. We urge your support for initiatives that expand veterans' access to business capital, such as the bipartisan **Veterans Member Business Loan Act (H.R. 507)**. This legislation would exempt loans made to veteran-owned small businesses from the current member business lending cap that applies to credit unions. In plain terms, it would remove an arbitrary barrier and allow credit unions to **provide more affordable small-business loans to veterans who have honorably served**, without running up against restrictive lending limits. Veterans should not face hurdles when seeking to start or grow a business, especially when credit unions stand ready to help with flexible, low-cost financing. By endorsing efforts like H.R. 507, the Department can show it prioritizes our veterans' post-service success in the business arena.

We also ask you to consider administrative steps, in coordination with the Small Business Administration and NCUA, to facilitate veteran entrepreneurship; for example, supporting credit union participation in SBA lending programs on military bases or encouraging base transition programs to connect retiring servicemembers with credit union business resources. These actions will harness credit unions' lending capacity and expertise to fuel veteran-owned businesses, creating jobs and economic opportunity for those who protected our freedoms.

- **Protect the Credit Union Mission through Tax-Exempt Status:** Finally, we must underscore how essential the **federal tax-exempt status** of credit unions is to our ability to serve military communities. As not-for-profit, member-owned cooperatives, **credit unions have no shareholders to enrich** – every dollar of earnings is reinvested into lower fees, better loan rates, and improved services for our members. This cooperative structure, recognized in federal law since 1934, is the very reason Congress granted credit unions a tax exemption: it reflects our mission to **put people over profit**. For defense credit unions, that means any surplus is channeled back into benefits for servicemembers and their families, rather than paid out to Wall Street investors. We cannot stress enough that taxing credit unions would directly harm the military community by undermining our member-focused mission. It would force us to raise rates and fees, reducing the financial advantages we now provide to military consumers.

We greatly appreciate that Congress and military leaders have long supported the credit union tax status, recognizing the **tangible value** it delivers to those who serve. In your role, we ask that you continue to champion the preservation of credit unions' tax exemption in any interagency discussions or policy forums. Safeguarding our tax status ensures we can keep reinvesting in the military community – whether through loan discounts for deployed troops, bonuses on savings for children of servicemembers, or contributions to base MWR programs. This ability to pour earnings back into our members is what makes credit unions unique while directly **bolstering the financial readiness** of our forces and **strengthening national security**.

Likewise, we urge vigilance against legislative proposals that would erode credit unions' resources or increase costs for military members. For example, DCUC has raised concerns about measures like the **Proposed 10% Interest Rate Cap on Credit Cards**, which could restrict access to credit for many junior enlisted personnel, the **Credit Card Competition Act (CCCA)**, which could **limit credit access and weaken fraud protections** for military families. We are thankful that the FY2026 National Defense Authorization Act moved forward without such harmful provisions. Going forward, **we count on your support to keep defense legislation focused on the needs of servicemembers**, and to oppose unrelated bank-industry proposals that would ultimately hurt military consumers. By protecting the credit union tax status and resisting onerous financial mandates, you enable us to continue delivering the best value to those who protect our nation.

In closing, Mr. Secretary, **we share a common goal**: to improve the financial well-being of the men and women who wear our nation's uniform, as well as their families and our veterans. Defense credit unions are an indispensable partner in achieving that goal. **We are fully committed to working with you and your team in 2026** to advance the initiatives outlined above, which we believe will greatly benefit military members and strengthen the resiliency of our force. I would welcome the opportunity to meet with you at your earliest convenience to discuss these priorities in detail and to explore how we can further collaborate. DCUC has formally requested a meeting with you to continue this dialogue, and we hope to sit down together soon to chart the path forward.

Thank you for your leadership and dedication to those who serve. By tackling these financial issues together, we can ensure that every servicemember, veteran, and military family has access to the world-class financial services and support they deserve. This, in turn, will enhance readiness, morale, and quality of life across the Total Force. We appreciate your consideration of our requests, and we stand ready to assist you in any way possible.

Sincerely,



ANTHONY R. HERNANDEZ, Colonel, USAF (Ret)
President & CEO
Defense Credit Union Council