



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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February 10, 2025

The Honorable Tim Scott
Chairman
Banking Housing and Urban Affairs Committee
United States Senate
Washington, D.C. 20510

The Honorable Elizabeth Warren
Ranking Member
Banking Housing and Urban Affairs Committee
United States Senate
Washington, DC 20510

Subject: Addressing Issues Facing Credit Unions

Dear Chairman Scott and Ranking Member Warren:

On behalf of the Defense Credit Union Council (DCUC), representing credit unions dedicated to serving our nation's military personnel, veterans, and their families, we appreciate the opportunity to submit this letter to the Senate Banking, Housing, and Urban Affairs Committee. As the Committee convenes for the hearing titled "*The Semiannual Monetary Policy Report to the Congress*" on February 11, 2025, we wish to highlight several critical challenges confronting defense credit unions and propose actionable solutions to ensure these institutions can continue to serve their members effectively. 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.

Over-Regulation and Its Impact on Credit Unions

The increasing trend of over-regulation poses significant risks to the sustainability and growth of credit unions. Excessive regulatory burdens can lead to increased operational costs, stifled innovation, and reduced competitiveness, ultimately hindering the ability of credit unions to serve their members effectively.

Proposed Solution: We advocate for a balanced regulatory approach that considers the unique structure and mission of credit unions. This includes engaging with policymakers to ensure that new regulations are tailored appropriately and do not impose undue burdens that could compromise the financial well-being of credit union members.

Preserving the Tax-Exempt Status of Credit Unions

The tax-exempt status of credit unions is foundational to their not-for-profit structure and member-focused mission. Revoking this status would lead to increased costs for members, diminished access to affordable financial services, and a reduced community impact.

Proposed Solution: We urge the Committee to reaffirm its support for the tax-exempt status of credit unions. Maintaining this status is essential for credit unions to continue providing affordable financial services, especially to underserved populations, including military families and veterans.

Opposition to the Expansion of the Community Reinvestment Act (CRA) to Credit Unions

Proposals to extend the CRA to credit unions would impose redundant regulatory burdens, diverting resources from member services. Credit unions inherently fulfill the CRA's objectives by reinvesting in their communities.

Proposed Solution: We recommend that the Committee consider the unique role of credit unions and oppose the expansion of the CRA to include them. Instead, financial regulations should further the establishment and investment of new credit unions in underserved communities where banks may have previously withdrawn access and support for financial services.

Serving Those Who Serve Our Country

Opposition to Proposed Interchange Legislation

Proposed legislation aiming to alter the interchange system threatens credit unions' ability to offer affordable credit, lower rates, and deployment-friendly services, leaving servicemembers vulnerable to predatory practices.

Proposed Solution: We urge the Committee to oppose such legislation, recognizing the potential economic fallout, including lost economic output, job losses, and reduced consumer spending. Maintaining the current interchange system is crucial for credit unions to continue supporting the financial readiness of servicemembers and veterans.

Concerns Over Proposed Credit Card Interest Rate Cap

Proposals to impose a 10% cap on credit card interest rates, while well-intentioned, could lead to reduced access to credit for underserved communities and diminished flexibility for credit unions. This may force credit unions to tighten lending criteria or discontinue credit card offerings for higher-risk borrowers, leaving vulnerable populations with fewer financial options.

Proposed Solution: We recommend that the Committee consider the unintended consequences of such interest rate caps and explore alternative measures to protect consumers without restricting access to affordable credit.

Preserving the Independence of the National Credit Union Administration (NCUA)

The NCUA serves as a vital, independent regulator, ensuring the stability and growth of the credit union industry. Attempts to compromise its independence through external political pressure or unnecessary oversight threaten its ability to act in the best interests of credit unions and their members.

Proposed Solution: We advocate for policies that protect the NCUA's independence and prevent external interference. This includes opposing legislative proposals that undermine the NCUA's autonomy or increase its budget without clear justification.

Addressing Cybersecurity Threats

As defense credit unions increasingly adopt digital solutions to meet member expectations, they become more vulnerable to cyberattacks. Given the sensitive nature of their membership base, including active-duty military and veterans, ensuring robust cybersecurity measures is paramount.

Proposed Solution: We advocate for increased support in the form of grants or low-interest loans to assist defense credit unions in enhancing their cybersecurity infrastructure. Additionally, establishing collaborative platforms for information sharing on emerging threats can bolster the collective defense of these institutions.

Enhancing Financial Education and Literacy

Many military personnel and veterans face unique financial challenges, including frequent relocations, deployment-related financial disruptions, and difficulties transitioning to civilian employment. Credit unions play a critical role in helping servicemembers and their families navigate these financial challenges through tailored financial education programs. However, additional resources and support are needed to expand these efforts.

Proposed Solution:

We urge the Committee to support initiatives that enhance financial literacy among military members, including increasing federal funding for financial readiness programs offered by defense credit unions. Partnering with the Department of Defense (DoD) and veteran service organizations to develop specialized financial education programs will further ensure servicemembers and their families have access to resources that support long-term financial stability.

Supporting the Veterans Member Business Loan Act

Veteran-owned businesses are a critical part of the American economy, yet many face significant barriers in accessing capital. Credit unions, as mission-driven financial institutions, are well-positioned to support veteran entrepreneurs but are currently constrained by arbitrary member business lending (MBL) caps. The bipartisan Veterans Member Business Loan Act, introduced by Senators Mazie Hirono and Dan Sullivan, seeks to address this issue by exempting loans made to veteran-owned businesses from the current MBL cap. This will allow credit unions to provide greater financial support to veterans looking to start or expand their businesses.

Proposed Solution:

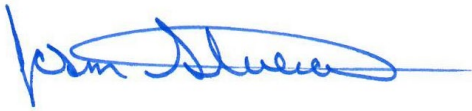
We strongly encourage the Committee to advance the Veterans Member Business Loan Act and remove unnecessary lending restrictions on credit unions that serve veteran entrepreneurs. Doing so will enhance access to credit for veteran-owned small businesses, promote economic growth, and help servicemembers successfully transition into civilian life. Credit unions are uniquely positioned to offer competitive rates and personalized services to veterans, making them ideal lending partners for this community.

As the Committee reviews the Federal Reserve's semiannual monetary policy report, we urge policymakers to consider the vital role that credit unions, particularly defense credit unions, play in promoting financial stability for military families, veterans, and their communities. Addressing the issues outlined in this letter will ensure credit unions remain strong, independent, and well-equipped to meet the evolving needs of their members.

We appreciate the committee's leadership on these issues and welcome the opportunity to work collaboratively on solutions that align with the needs of credit union members, particularly those serving in our nation's military.

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: Senate Banking, Housing and Urban Affairs Members