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February 25, 2026

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

Re: *“Update from the Prudential Regulators: Rightsizing Regulation to Promote American Opportunity”*

Dear Chairman Scott and Ranking Member Warren:

On behalf of the Defense Credit Union Council (DCUC), thank you for the opportunity to submit this statement for the record of the hearing titled *“Update from the Prudential Regulators: Rightsizing Regulation to Promote American Opportunity.”* DCUC represents over 200 not-for-profit credit unions serving our nation’s military servicemembers, veterans, and their families. Collectively, these defense credit unions are member-owned cooperatives that provide financial services to more than 40 million Americans, including those in the Armed Forces. We appreciate the Committee’s focus on ensuring that financial regulation is *“right-sized”* and properly tailored to protect safety and soundness without unduly hampering institutions whose mission is to serve communities. In this letter, we wish to highlight several priority issues for DCUC and its member credit unions: (1) **preserving the credit union tax-exempt status**; (2) **opposing a 10% interest rate cap and the so-called Marshall–Durbin interchange bill**; (3) **supporting bipartisan legislation (Padilla–Cramer) to enhance the NCUA’s Central Liquidity Facility**; and (4) **promoting appropriately tailored regulation that recognizes the unique role and low-risk profile of credit unions**. We also respectfully submit detailed questions for the hearing record directed to the witnesses.

Defending the Credit Union Tax Status

Since 1934, federal credit unions have been exempt from federal income tax in recognition of their unique structure and mission. Unlike banks, credit unions are member-owned, not-for-profit cooperatives and they exist to serve their members, not to generate profits for shareholders. This tax status is not a *“loophole”* or subsidy; it is a reflection of the public benefit credit unions provide. Credit unions reinvest earnings into their communities by offering lower loan rates, higher returns on savings, and affordable financial services. For example, defense credit unions provide **affordable loan products** (such as low-rate auto loans, VA mortgages, and credit-building loans tailored to military families), **financial education** for servicemembers, and **special programs for underserved communities** – all made possible in part by the ability to reinvest tax savings into member service.

Eliminating or curtailing the credit union tax exemption would have devastating consequences for millions of members. As we have emphasized previously, taxing credit unions would **reduce their ability to serve their communities**, forcing many institutions to raise fees, cut back on lending, and scale back critical programs. The people hurt most would be those of modest means, including military families and veterans who rely on credit unions for low-cost services. Indeed, many of our servicemembers face unique financial challenges (frequent relocations, deployment stresses, etc.), and credit union programs are designed to address these needs. If credit unions were taxed like banks, they would be compelled to pull back these efforts – an outcome that would undermine financial readiness in military communities. It bears noting that banks themselves enjoy tax advantages that reduce their burdens (for instance, nearly one-third of banks avoid corporate income tax by electing Subchapter S status). In this context, the credit union exemption is a well-founded policy choice dating back to the 1930s, upheld by Congress for decades because credit unions *earn* that status by fulfilling a special mission. As I wrote previously, *“Their tax-exempt status isn’t a loophole or a subsidy; it’s a recognition of their unique role in serving the public good.”* DCUC strongly urges Congress to **defend the credit union tax exemption** against any proposals to rescind or weaken it. Preserving this status allows credit unions to return immense value to their members and communities, which far exceeds any revenue the government might gain by taxing these member-owned institutions.

Serving Those Who Serve Our Country

Opposing a 10% Interest Rate Cap

DCUC also voices strong opposition to legislative proposals that would impose an artificial **10% annual interest rate cap** on consumer credit. While we share the goal of protecting consumers from predatory lending, a one-size-fits-all 10% cap is a blunt instrument that would **do far more harm than good**. Our member credit unions – including those on military bases – have extensive experience providing safe, affordable credit to borrowers. We caution that a blanket 10% rate ceiling would **cut off access** to many responsible forms of credit, especially for higher-risk or credit-building borrowers and could **drive people toward far more dangerous lenders**.

It is important to recognize that federal credit unions already operate under an interest rate cap set by Congress and NCUA regulations – currently 18% (a limit significantly stricter than any applied to banks). This long-standing cap reflects credit unions' mission to prioritize affordability and member well-being. In practice, credit unions are already doing what policymakers intend: they limit excessive rates and provide credit at fair terms. Imposing an even lower nationwide cap (such as 10% APR on credit cards) would **backfire**, harming the very consumers it aims to help. DCUC has warned Congress that such a cap would *“hinder credit unions' ability to serve their members,”* particularly those with thin or moderate credit histories.

The unintended consequences of a 10% cap would be severe:

- **Reduced Access to Credit for Underserved Borrowers:** A rigid cap would force lenders to deny credit to many consumers who *do* have the ability to repay but are higher risk. Credit unions price loans to risk in order to serve people across the credit spectrum. If legally capped at 10%, many credit unions would have no choice but to tighten underwriting or stop offering certain products. Small-dollar emergency loans and starter credit cards could become uneconomical to provide.
- **Harm to Young Servicemembers and New Borrowers:** Many junior enlisted servicemembers and young adults have limited or no credit history. Under an inflexible 10% ceiling, even military-focused credit unions might be unable to approve loans for these individuals, despite their stable income or potential. Notably, Vice President Vance recounted that as a young Marine he was offered a 21% APR car loan until a mentor directed him to a credit union for a much lower rate – a loan made possible because the credit union could reasonably price for the risk. Had a blanket 10% cap been in place, that Marine likely would have been denied credit altogether. The cap doesn't eliminate the need; it simply bars reputable lenders from serving that need.
- **Borrowers Pushed to Predatory Lenders:** Restricting responsible, regulated lenders does not make the demand for credit disappear – **it drives borrowers to the shadow market**. If a military family cannot obtain a 12% loan from their credit union due to a legal cap, they may end up at a payday or online lender charging 300% APR (or worse). History shows that when access to reasonable credit is cut off, consumers often migrate to far more **expensive and exploitative** options. Even policymakers who have supported a cap acknowledge the risk that desperate borrowers will turn to loan sharks if legitimate avenues are closed. In short, a 10% cap would **push vulnerable individuals into the arms of the very predatory lenders that the cap is meant to guard against**.
- **Undermining the Credit Union Model and Member Benefits:** Credit unions rely on interest income not just to cover loan losses, but to fund vital member services. Those revenues support things like **free financial counseling, fraud protection, deployment assistance for military families, and emergency hardship loan programs**. A drastic rate cap would directly jeopardize the financial viability of these offerings. Especially for defense-oriented credit unions serving highly mobile and deployed populations, a sharp reduction in lending revenue would weaken the entire cooperative. Unlike for-profit lenders, credit unions cannot turn to stockholders to raise fresh capital or simply hike fees to offset losses. The result would be a contraction in the resources available to serve all members. In effect, a sweeping cap would act as a **tax on credit union members**, draining the funds that would otherwise be returned to them in the form of better rates and services.

There are **better ways to protect consumers** from excessive interest costs that do not involve a blunt nationwide cap. DCUC encourages policymakers to consider approaches such as: expanding financial education and credit counseling programs; supporting responsible lending innovations (for example, credit-builder loans and payday alternative loans that credit unions already provide under prudent terms); and strengthening enforcement against truly predatory actors who exploit loopholes to charge triple-digit rates. These targeted measures can address bad practices **without cutting off access** to affordable, legal credit for the very populations we all seek to help. In conclusion, a blanket 10% interest rate cap – however well-intentioned – would **restrain credit, harm military families, and drive borrowers toward worse options**. Credit unions stand ready to work with Congress on balanced solutions that genuinely improve financial security. We urge you to protect consumers **without punishing those who serve – or the member-owned institutions that serve them**. DCUC therefore **opposes the proposed 10% rate cap** and asks that Congress focus on more nuanced, effective tools to combat predatory lending.

Opposing the Marshall–Durbin Interchange Bill (Credit Card Competition Act)

Another priority for DCUC is **opposing the so-called “Durbin–Marshall” interchange legislation**, formally known as the *Credit Card Competition Act* (CCCA). DCUC joins the entire credit union and community banking industry in urging Congress to **reject this harmful bill** in any form. We appreciate that this Committee has not advanced the CCCA, and we caution against including its provisions in any larger package. As proposed, the CCCA would mandate that credit card issuers enable multiple, government-specified payment networks. This may sound technical, but its **practical effect would be to transfer billions of dollars from consumers and community financial institutions to a handful of big-box retail giants**.

Harm to Consumers: The interchange mandate would strip credit unions and banks of the ability to route transactions through secure networks of their choice, which **heightens fraud risk** and would likely **put an end to popular credit card rewards programs, cash-back offers, and low-fee accounts** that millions of Americans enjoy. We have seen this play out before. When interchange fees on debit cards were capped by the original Durbin Amendment in 2010, merchants promised consumers would see lower prices – but that promise was empty. In reality, the **vast majority of retailers did not pass along any savings to customers**. According to the Federal Reserve’s analysis, about 75% of merchants made *no* price changes after the Durbin price controls, and roughly 1 in 4 merchants actually **raised** prices to consumers. Meanwhile, many banks and credit unions were forced to end free checking and eliminate debit card rewards to offset lost revenue. One study found that debit reward programs essentially vanished for most consumers post-Durbin, and banks subject to the cap became 35% less likely to offer free checking accounts. There is every reason to believe the proposed credit card routing mandates would **repeat these failures**: a few giant retailers would benefit through lower interchange costs, but everyday Americans would see none of the promised price relief. Instead, consumers would likely face **higher fees, reduced rewards, and diminished card benefits**, all while being exposed to greater fraud threats as transactions get routed through potentially less secure networks.

Damage to Community Financial Institutions: The CCCA would also hit credit unions and community banks – and their customers – particularly hard. Interchange revenue is not “profit” padding big banks’ pockets; for many smaller institutions, it is a vital source of income that supports the cost of offering credit card programs and protecting members from fraud. If that revenue is slashed by routing mandates, **local customers will end up paying the price in the form of higher costs and less credit availability**. Credit unions will have less capacity to issue credit (especially unsecured credit cards) to their members, and they may have to pull back on other services or charge new fees to make up the shortfall. This undercuts the very people – modest-income families and small business owners – who rely on community lenders for affordable credit. In contrast, mega-retailers like Amazon and Walmart would **pad their bottom lines** with the windfall of paying lower interchange fees, without any obligation to pass savings to consumers. It’s a cynical cost-shifting exercise that ultimately favors large corporations at the expense of community financial institutions and the families they serve.

Risks to Military Families and Readiness: DCUC is especially alarmed at the impact this interchange bill would have on military-focused institutions and servicemember families. **Credit unions and military banks routinely reinvest interchange revenue into special programs tailored for servicemembers**, such as **low-interest emergency relief loans, discounted deployed-servicemember credit products, and financial counseling and education initiatives**. These offerings are part of the Defense Department’s broader effort to promote financial readiness as a pillar of military readiness. By draining resources from military credit unions, the Durbin–Marshall plan would directly **threaten these financial lifelines** for our troops and veterans. In essence, the proposal uses servicemembers and veterans as pawns in a lobbying battle – what one coalition letter correctly called *“exploitation dressed up as reform.”* We cannot allow policies that make our men and women in uniform collateral damage in a fight over interchange fees.

For these reasons, DCUC strongly urges Congress to **reject the Credit Card Competition Act**. This controversial legislation would **hurt consumers, weaken community lenders, and even jeopardize financial security for military families**, all in the pursuit of an illusory benefit for merchants. We especially oppose attempts to attach this interchange mandate to any must-pass legislation (as was attempted with the National Defense Authorization Act last year). Such non-germane provisions have no place in must-pass bills that are critical to national security. Instead, if Congress chooses to consider interchange policy, it should be through open hearings and debate on the merits – and in our view, the merits weigh heavily against the Durbin–Marshall proposal. DCUC stands united with credit union and banking trades in opposing this bill, and we thank those Committee members who have already voiced skepticism of interchange price controls.

Supporting the Padilla–Cramer CLF Legislation

DCUC strongly **supports S. 3575**, the bipartisan legislation introduced by Senators Alex Padilla (D-CA) and Kevin Cramer (R-ND) to enhance the National Credit Union Administration’s **Central Liquidity Facility (CLF)**. This bill – recently reintroduced after having earned Senate approval as an NDAA amendment – is critical to strengthening the credit union system’s emergency liquidity backstop. We commend Senators Padilla and Cramer for their leadership in advancing this important policy and urge swift enactment of the CLF reforms. The Central Liquidity Facility is essentially the credit union equivalent of the Federal Reserve’s discount window or a lender-of-last-resort for credit unions. It allows credit unions to borrow temporary funds in a crisis or unexpected liquidity shortfall, protecting members from disruptions in service. During the pandemic, Congress temporarily expanded the CLF’s authority and accessibility – changes that proved highly effective in shoring up confidence. However, those enhancements expired at the end of 2021, once again leaving many smaller credit unions outside the CLF system. Today, **most small credit unions lack access to the CLF** (often simply because they haven’t navigated the process or are unaware of the benefits). This is a vulnerability we can and should fix.

The Padilla–Cramer bill, titled the *CLF Enhancement Act*, would **make permanent the sensible liquidity improvements** that had only been temporary. In particular, the bill would: **increase the CLF’s maximum borrowing authority**, giving the facility greater capacity to meet system-wide needs in an emergency; **allow corporate credit unions to join the CLF as agent members on behalf of natural-person credit unions**, which is crucial for widening access; **provide more flexibility and affordability for smaller credit unions to join the CLF** (for example, by easing capital stock subscription requirements via agents); and **clarify NCUA’s authority to approve emergency loans through the CLF**. In short, this legislation modernizes the CLF to ensure **no credit union is left without a liquidity safety net** when facing economic stress. As America’s Credit Unions (the national trade association) noted in supporting the bill, these reforms will “*help ensure the stability of the credit union system and expand access to capital when it is needed most.*” When local credit unions know they can count on the CLF, they are better positioned to continue lending and providing critical services to members during crises – rather than worrying about liquidity pressures or being forced to curtail operations.

This proposal enjoys broad bipartisan support and essentially zero cost to taxpayers (the CLF is self-funding through credit union contributions). In fact, the Senate has already acknowledged the merit of these changes by passing them in its NDAA version last year. Although the provisions did not make the final defense bill, the momentum and consensus behind the CLF reforms remain strong. DCUC is grateful that Senators on this Committee have championed the CLF Enhancement Act, and we urge the Banking Committee to advance this bill (or ensure its inclusion in relevant legislative packages) as soon as possible. We are **committed to working with you to secure enactment** of these measures without delay. Strengthening the CLF is a prudent step to fortify the resiliency of credit unions – including many on our military bases – so they can continue to serve members confidently through whatever economic storms may come.

Promoting Right-Sized Regulation

Finally, DCUC wishes to address the overarching theme of “*rightsizing*” financial regulation. We wholeheartedly agree that financial regulations should be **appropriately tailored** to the size, risk profile, and mission of the institutions they govern. Credit unions, as not-for-profit community lenders, illustrate the need for such tailoring. We support prudent oversight to ensure safety, soundness, and consumer protection. However, we have serious concerns that many post-crisis rules – often crafted in response to abuses by the largest banks – have been **applied in a one-size-fits-all manner** to small and mid-sized institutions that had no role in causing crises. Over the past decade, the cumulative regulatory burden on credit unions has increased markedly, and it is squeezing the life out of some community-based institutions. Every hour and dollar that a credit union must divert to redundant paperwork or complex compliance processes is time and money *not* spent serving its member-owners.

A few key points underscore the need to right-size regulations for credit unions and similarly situated community banks:

- **Disproportionate Impact on Small Institutions:** Uniform regulatory requirements tend to hit smaller credit unions much harder relative to their resources. Studies have found that the compliance burden on a tiny credit union (e.g. <\$100 million in assets) can be *1.5 times heavier* – as a share of its total operations – than on a large institution. In other words, the smaller the credit union, the greater the burden of fixed compliance costs. This is intuitive: big banks can spread regulatory costs over billions in assets and thousands of staff, whereas a community credit union with a dozen employees might have one person wearing multiple hats, trying to keep up with thousands of pages of rules. The result is that well-intended regulations can **pressure the smallest institutions out of the market**. Over the last decade, we have seen a troubling acceleration of consolidation in the credit union system. **Since 2010, the number of federally insured credit unions has declined by over 22% – more than 1,700 credit unions have merged or closed**, the vast majority of them smaller institutions under \$100 million in assets. While market forces and demographics explain some mergers, there is broad consensus that the *pace* of consolidation surged in the wake of post-2010 regulatory expansions. Many tiny credit unions have concluded they simply “**cannot keep up with the new regulatory tide**” and felt compelled to merge out of existence. Every time a local credit union closes, its community loses a trusted, member-owned financial partner. As we caution lawmakers: *burdens that may be a mere inconvenience for a \$2 trillion mega-bank can pose an existential threat to a \$20 million credit union*. We must remain mindful of those **human costs** of regulatory overload.
- **Impact on Member Service and Innovation:** Mid-sized and larger community credit unions (including many defense credit unions serving bases) also feel the weight of regulatory overload. These institutions strive to offer a full suite of services – from checking and mortgages to small business loans for veteran entrepreneurs – yet they often must **reconsider or scale back offerings due to compliance overhead**. For example, a recent survey found that credit unions’ ability to make small business loans is being “*restricted by regulatory burden,*” pointing to the CFPB’s new small-business lending data collection rule as an example that could discourage credit unions from fully serving local entrepreneurs. This illustrates how **well-intentioned rules, if not calibrated to institution size and complexity, may inadvertently stifle the very activities (like small business lending) that spur economic opportunity**. Additionally, heavy-handed or overly prescriptive regulations can deter innovation. Credit unions are experimenting with fintech partnerships, artificial intelligence for fraud detection, and other innovations to serve members – but if regulations are inflexible, they can make it too risky or costly for smaller players to innovate. Chairman Hauptman of NCUA recently echoed this point, noting that NCUA aims to “*remove any [regulations] that are obsolete, overly prescriptive, or unduly burdensome*” and to “create space for credit unions to innovate responsibly” without compromising safety. We support that philosophy.

- **Skyrocketing Compliance Costs – A Tax on Members:** The cost of regulatory compliance for credit unions has ballooned in recent years. By one analysis, credit union compliance expenditures reached **\$6.1 billion annually**, an increase of over \$800 million (15%) in just two years – far outpacing inflation during that period. This new normal of high compliance expense is unsustainable, especially for smaller institutions. For many credit unions, it’s estimated that roughly **17% of total operating expenses are now consumed by compliance activities** – nearly a fifth of their budget that could have been used to offer better rates or new services. Unlike for-profit banks, credit unions have no external shareholders to absorb costs; the *members* truly bear every expense. Thus, every dollar a credit union spends on excessive paperwork or unnecessary reporting is **a dollar taken directly out of members’ pockets or members’ benefits**. As DCUC has noted, heavy compliance costs act like a *tax* on member-owners, reducing the dividends, favorable rates, or community investments that credit unions can provide. If our goal is to expand access to affordable financial services (especially in underserved areas), we must recognize that an overly burdensome regulatory regime works against that goal by diverting resources away from service and toward bureaucracy.

In light of these realities, DCUC urges policymakers and regulators to continue pursuing **tailored regulatory relief** for community-based institutions. *More* regulation is not always *better* regulation – it is essential to strike the right balance. We are encouraged by recent statements from regulatory leaders (including witnesses at this hearing) affirming that **supervision should focus on “material” risks and avoid over-emphasis on immaterial process issues**. Notably, under Chairman Hauptman’s leadership, the NCUA just recently **eliminated the use of “reputational risk” as a formal factor in examinations**, a long-sought change that we applaud. This helps ensure that examiners stick to quantitative, factual safety-and-soundness metrics rather than subjective judgments. Such steps across agencies are moving oversight in the right direction.

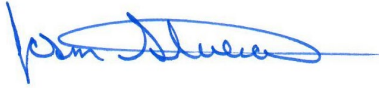
Going forward, DCUC supports **additional measures to right-size regulation** for credit unions and similarly situated lenders. This could include raising outdated regulatory thresholds (adjusting asset-size cutoffs that inadvertently pull small institutions into big-bank rules due to inflation, as Vice Chair Bowman has suggested); streamlining call reports and data collection requirements; simplifying capital rules for smaller institutions; modernizing Bank Secrecy Act/AML requirements (like significantly increasing Currency Transaction Report thresholds, which have not changed since the 1970s); and expanding examination tailoring or extended exam cycles for well-managed small institutions. Each of these ideas would allow community-focused lenders to spend more time serving customers and less time navigating regulatory red tape, **without weakening safety standards**. DCUC also believes that a properly funded and focused NCUA is key – the agency must keep a robust examination program, but also continually refine its rules to remove those that are obsolete or unduly burdensome. We appreciate NCUA’s ongoing regulatory review and its development of a new strategic plan (through 2030) that incorporates stakeholder feedback and emphasizes innovation alongside safety. We encourage all the prudential regulators to continue coordinating on tailoring efforts, as indicated by their collective work on interagency reforms (Basel capital re-proposals, CRA modernization, BSA reform, etc.) aimed at **providing targeted relief to smaller entities**.

In sum, **right-sized regulation** means **effective** regulation: rules that are strict enough to curb bad behavior and risk-taking, yet flexible enough to allow honest, low-risk institutions to thrive. Defense credit unions – and all credit unions – take pride in a history of prudent operations and member-focused service. We did not cause the financial crisis of 2008, and we have remained well-capitalized and trustworthy in subsequent crises. We ask that lawmakers and regulators keep this context in mind and avoid painting credit unions with the same broad regulatory brush intended for the largest Wall Street banks. By **tailoring oversight appropriately**, you can help us devote more of our limited resources to what we do best: **servicing our members and communities**. DCUC looks forward to working with the Committee on any initiatives that will reduce unnecessary regulatory burdens while preserving critical safety and consumer protections. We firmly believe that regulatory right-sizing, as the hearing title suggests, will promote American opportunity – allowing financial cooperatives and community banks to channel more capital into local economies, support small businesses, and uplift consumers, all without compromising the stability of the financial system.

In closing, DCUC again thanks the Committee for examining these important issues. Defense credit unions remain committed to our mission of serving those who serve our country. We will continue to advocate for policies that empower credit unions to better meet the needs of military families and the broader American public. The priorities outlined above – defending credit unions’ tax status, opposing harmful rate and interchange caps, enhancing the CLF, and tailoring regulations – all share a common theme: they enable credit unions to **focus on their core purpose of providing safe, affordable financial services to members**. We urge the Committee to consider our views as you work with the prudential regulators to ensure a balanced regulatory environment.

Below, we have provided a set of **Questions for the Record** directed to the witnesses from the February 19 hearing. We respectfully request that these questions be submitted to the hearing record on behalf of DCUC and that the witnesses provide written responses, to further illuminate the issues discussed above. Thank you for the opportunity to contribute to this dialogue. DCUC stands ready to assist the Committee in any way we can to achieve our shared goals of financial security, inclusion, and opportunity for all Americans.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

Questions for the Record

Questions for Federal Reserve Vice Chair Michelle Bowman:

1. **Credit Union Acquisitions of Banks – Competitive and Regulatory Considerations:** In recent years, there has been increased interest in banks selling to credit unions. In a 2022 speech, you noted that some credit unions have expanded well beyond traditional fields of membership and that the rise in credit union acquisitions underscores increased competition between credit unions and banks. *Question:* What is the Federal Reserve’s view of this trend of banks selling to credit unions? Do you see these transactions as a positive development for preserving local financial services, or as a concern due to the different regulatory and tax regimes? In particular, when the Fed reviews bank merger or acquisition applications, how do you account for competition from credit unions, and do you believe current frameworks adequately reflect the reality that credit unions now offer a broad “cluster” of banking products similar to banks? Please discuss whether any updates to merger analysis guidelines are needed to ensure competition is evaluated on a level playing field, and whether the credit union tax-exempt status or other regulatory differences should factor into the Fed’s competitive review of bank M&A transactions.
2. **Credit Union Tax-Exempt Status – Policy Perspective:** As a Federal Reserve Governor and community banking advocate, you have spoken about ensuring a fair and competitive landscape between community banks and credit unions. Bank trade groups often argue that credit unions’ tax exemption gives them an unfair advantage, especially when credit unions grow large or buy community banks. *Question:* What is your perspective on the credit union tax exemption in today’s financial services market? In your view, does the tax status of credit unions materially distort competition with community banks, or is it justified by the unique not-for-profit mission and member-service orientation of credit unions? Do you support any changes to how credit unions are taxed or supervised in order to “level the playing field,” as some bank advocates have called for, or do you believe the current system (with credit unions retaining tax-exempt status granted by Congress in recognition of their public purpose) remains appropriate? Please provide your assessment of whether credit unions’ tax exemption continues to serve the public interest by facilitating financial inclusion, and any thoughts on how Congress should approach this issue going forward.

Questions for National Credit Union Administration (NCUA) Chairman Kyle Hauptman:

- 1. NCUA Supervisory Priorities for 2026:** As NCUA Chairman, you oversee the prudential supervision of thousands of credit unions. *Question:* What are NCUA's top supervisory priorities in 2026 for ensuring the safety and soundness of credit unions? For example, how is NCUA addressing key risks such as interest rate risk, liquidity risk, credit risk (e.g., auto lending and real estate exposures), and cybersecurity threats in the current environment? Additionally, how is the NCUA incorporating emerging issues (such as digital asset activities or fintech partnerships) into its supervisory framework? Please outline the main risk areas NCUA examiners are focused on this year and how those align with the goal of protecting the National Credit Union Share Insurance Fund and credit union members.
- 2. Exam Modernization and "Right-Sized" Exams:** There has been discussion about making the examination process more efficient and less burdensome, especially for well-managed credit unions. We also note and appreciate NCUA's recent decision to eliminate "reputational risk" as a formal factor in exams, ensuring exam focus remains on quantifiable safety-and-soundness issues. *Question:* What steps is NCUA taking to modernize and streamline the examination process? For instance, is NCUA considering extended exam cycles or more off-site monitoring for low-risk credit unions, to reduce disruption? How will the agency ensure consistency among examiners now that "reputation risk" has been removed – i.e., that examiners concentrate on *material* financial risks and do not informally penalize credit unions for providing lawful services that may carry perceived reputational considerations? Additionally, how is NCUA leveraging technology (such as remote examination tools or data analytics) to make exams more efficient while still effective? Please describe any recent or forthcoming initiatives to make NCUA supervision more *targeted*, focusing on areas of highest risk and alleviating unnecessary compliance burdens on credit unions with strong track records.
- 3. Central Liquidity Facility (CLF) – Enhancements and Participation:** DCUC and the broader credit union industry have been supportive of legislative efforts (e.g., S.3575 by Senators Padilla and Cramer) to enhance the CLF's capacity and accessibility. *Question:* Do you support the changes in the Padilla–Cramer CLF Enhancement legislation, and how would these changes improve the resiliency of the credit union system? In the meantime, what actions is NCUA taking to encourage more credit unions – especially smaller ones – to join or gain access to the CLF? We note your comment that despite NCUA's efforts to make joining easier, "the reality is most small credit unions do not have access" to the CLF today. What are the barriers preventing those institutions from participating, and how can NCUA (or Congress) address them? Additionally, if the legislative enhancements remain pending, does NCUA have contingency plans or tools to provide emergency liquidity to non-member credit unions in a crisis? Please elaborate on the importance of the CLF and what more can be done to ensure no credit union is left without a liquidity backstop when needed.
- 4. Field of Membership (FOM) and Reaching Underserved Areas:** One of the unique aspects of credit unions is the field of membership constraints, which require common bonds or defined communities that credit unions can serve. Over time, Congress and NCUA have expanded FOM flexibility (for example, allowing multiple group charters and additions of underserved areas by federal credit unions). *Question:* What steps is NCUA taking, or considering, to further modernize field of membership rules to facilitate credit unions' ability to serve more Americans who lack access to affordable financial services? Are there regulatory changes in the works to streamline the process for adding underserved areas or groups, or to use new technologies to reach potential members outside of traditional branch footprints? Additionally, are there specific statutory changes you would recommend that could enable credit unions to better serve underserved or marginalized communities (for instance, adjustments to community charter definitions, or provisions to make it easier for credit unions to serve rural areas, low-income areas, or military personnel who transfer bases frequently)? Please include in your answer how NCUA evaluates the balance between expanding access to credit union services and respecting the intent of the Federal Credit Union Act's common bond requirements. How can we ensure that field of membership rules in 2026 and beyond are not needlessly preventing willing consumers from joining credit unions, especially where credit unions are ready and able to serve those in need?
- 5. NCUA's Approach to "Right-Sized" Regulation:** In your recent testimony to the House, you emphasized that NCUA must meet its obligations while being aware that "*overregulation can stifle innovation and growth.*" You stated that NCUA is reviewing its rules to remove those that are obsolete or unduly burdensome, and that the agency's strategic plan will focus on creating space for credit unions to innovate responsibly. *Question:* Could you provide specific examples of regulations that NCUA is reevaluating for possible elimination or simplification under this initiative? How will NCUA solicit feedback from credit unions and stakeholders in identifying rules that are candidates for improvement? Furthermore, to what extent is NCUA coordinating with the other prudential regulators in this "right-sizing" effort (for instance, through the Federal Financial Institutions Examination Council or other interagency bodies) to ensure consistency in regulatory relief measures? Finally, what is your vision for NCUA's regulatory approach through the end of this decade (2030), as you develop the strategic plan – how will you measure success in achieving a more streamlined, tailored regulatory framework that maintains safety and soundness while freeing up credit unions to better serve their members?