



DCUC
DEFENSE CREDIT UNION COUNCIL

1627 Eye St, NW
Suite 935
Washington, DC 20006

202.734.5007
www.dcuc.org

Jason Stverak
Chief Advocacy Officer

January 14, 2025

The Honorable Mike Crapo
Chairman
Senate Finance Committee
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Senate Finance Committee
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Wyden:

On behalf of the Defense Credit Union Council (DCUC), I write to express our perspectives regarding the confirmation of Mr. Scott Bessent as Treasury Secretary. 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. We believe it is crucial to address specific issues pertinent to our members during this confirmation process.

Since their inception in 1934 under the Federal Credit Union Act, credit unions have been recognized as member-owned, not-for-profit financial cooperatives. Their tax-exempt status reflects their unique mission: providing financial services to underserved communities, including military families, at lower costs than for-profit financial institutions. This public policy decision acknowledges the structural differences between credit unions and banks, which prioritize shareholder profit.

The economic benefits of this tax-exempt status are undeniable. According to recent studies, for every \$1 of tax revenue forgone, credit unions deliver an estimated \$10 in economic value to their members and communities. This includes lower interest rates on loans, higher returns on savings, and fewer fees. These advantages are amplified in rural and underserved communities where credit unions serve as a critical financial lifeline.

Eliminating the tax-exempt status of credit unions would have severe economic consequences for millions of Americans, including service members and veterans. It would result in higher costs for financial services, reduced access to credit, and diminished financial readiness among military families—one of DCUC's primary advocacy priorities.

Because of their tax status, credit unions deliver significant economic and social benefits to millions of Americans, including service members and their families. These benefits include:

Better Rates and Lower Fees: Credit unions pass savings directly to members through lower interest rates on loans, higher returns on savings, and reduced fees.

Community Reinvestment: Credit unions provide billions in direct financial benefits to members annually, with a focus on underserved communities, including rural areas and military families.

Financial Education: Credit unions lead in promoting financial literacy, equipping members with the tools to make sound financial decisions.

Support for Small Business and Affordable Housing: Credit unions offer small business loans, particularly to veterans and startups, and provide affordable mortgage options.

Serving Those Who Serve Our Country

These contributions are made possible because credit unions operate for the benefit of their members, not maximizing shareholder profits.

If Congress were to eliminate the credit union tax exemption, the repercussions would be severe:

Higher Costs for Members: Members would face increased loan rates and reduced returns on savings, amounting to an estimated \$15 billion annually in added financial burdens.

Reduced Access to Credit: Many low-income and underserved populations, including service members, could lose access to affordable financial services.

Strain on Federal and State Resources: Credit unions often step in where other financial institutions do not, helping communities recover after natural disasters and economic downturns. Without credit unions, government programs would face increased demand.

Industry Consolidation: Removing the tax exemption would further reduce competition in the financial services market, as many smaller credit unions would likely be forced to merge or close.

We commend Mr. Bessent for his dedication to capital formation, a key issue for credit unions as they work to support small businesses, particularly veteran-owned businesses. Credit unions are integral to the success of small business owners, providing affordable business loans and financial services tailored to the unique needs of entrepreneurs.

In this context, we urge support for legislation that enhances veteran member business lending (MBL). Current statutory caps on credit union business lending restrict their ability to serve more businesses owned by veterans, who already face significant hurdles accessing capital. By increasing these caps for loans to veterans, credit unions can play an even greater role in fostering economic opportunity and self-sufficiency for those who have served our nation.

The mission of credit unions extends far beyond financial services. Defense credit unions invest heavily in their communities, supporting initiatives such as financial literacy programs for military families, homeownership assistance through VA loans, and emergency relief for those affected by disasters. These efforts are possible because of the financial flexibility afforded by their tax-exempt status.

Subjecting credit unions to taxation or unnecessary regulatory burdens would undermine their ability to fulfill these critical roles. It would force credit unions to shift their focus away from service and toward profit, a fundamental departure from their core mission. The negative impact would be felt most acutely by the vulnerable populations they serve, including military families, veterans, and underserved communities.

Addressing these questions is vital to safeguard the financial interests of our service members and to maintain the integrity of military banking services. We trust that you will give these matters the attention they deserve during Mr. Bessent's confirmation process.

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: Scott Bessent, Secretary of Defense Nominee
Senate Finance Committee Members