



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

February 25, 2025

The Honorable Joni Ernst
Chairwoman
Senate Committee on Small Business & Entrepreneurship
Washington, D.C. 20510

The Honorable Ed Markey
Ranking Member
Senate Committee on Small Business & Entrepreneurship
Washington, DC 20510

Subject: Urging Passage of the Veterans Member Business Loan Act and SBA 7(a) Loan Program Reforms

Dear Chairwoman Ernst and Ranking Member Markey:

On behalf of the Defense Credit Union Council (DCUC), I write to express our perspectives regarding the hearing titled, "[Hearing from Lenders: Managing Risk for the Long-Term in the 7\(a\) Loan Program](#)." 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.

As the committee studies this important issue, we express our strong support for the Veterans Member Business Loan Act, recently introduced by Representatives Vicente Gonzalez (D-TX) and Brian Fitzpatrick (R-PA). This critical legislation would amend the Federal Credit Union Act to exempt loans made to veteran-owned businesses from the current member business lending (MBL) cap of 12.25% of a credit union's total assets. By lifting this restriction specifically for loans to veteran-owned small businesses, credit unions will be better equipped to provide increased access to capital for veteran entrepreneurs, reduce financial barriers to business ownership, and expand economic opportunities for those who have served our nation.

Furthermore, we urge the Committee to consider much-needed reforms to the Small Business Administration (SBA) 7(a) Loan Program, which currently presents administrative and structural challenges that hinder credit unions' ability to fully serve veteran entrepreneurs. Addressing these barriers will further strengthen access to capital and support the long-term success of veteran-owned businesses.

Veterans Face Significant Challenges in Accessing Capital

Veteran entrepreneurs are essential to the U.S. economy. According to the U.S. Census Bureau, there are approximately 1.76 million veteran-owned businesses, employing nearly 5.3 million people and generating over \$963 billion in annual revenue. However, the number of veteran-owned businesses has declined significantly in recent years—falling from 11% of all businesses in 2014 to just 8.1% in 2020—a concerning trend that underscores the systemic barriers veterans face when seeking financing to start and grow their businesses.

Key challenges include:

- **Higher Loan Denial Rates:** Veterans apply for more loans per business than non-veterans but experience higher rejection rates from traditional financial institutions. According to the Small Business Administration (SBA), veteran entrepreneurs are more likely to be denied loans or receive smaller loan amounts compared to their non-veteran counterparts.
- **Over-Reliance on Personal Savings:** 72% of majority-veteran-owned firms rely on personal or family savings as their primary source of startup capital, compared to 62% of non-veteran-owned businesses. This limits business growth potential and increases financial risk for veterans and their families.

- **Lower Approval Rates for SBA Loans:** The SBA Veterans Advantage Loan Program, intended to provide guarantees for small business loans to veterans, has not sufficiently closed the capital gap. Many veterans struggle with the application process, and some fail to qualify due to a lack of collateral or credit history.

- **Limited Credit and Business History:** Many veterans transition into entrepreneurship immediately after military service, meaning they lack the long credit history or business track record that banks typically require for loan approval. Traditional financial institutions frequently perceive veterans as higher-risk borrowers, despite their strong leadership skills and discipline.

- **Less Private Sector Experience:** According to the National Survey of Military-Affiliated Entrepreneurs, many veterans feel less prepared for the financial aspects of business ownership, such as obtaining loans and navigating credit markets. As a result, they often avoid traditional financing or resort to predatory lenders with excessively high interest rates.

Why Credit Unions Are the Right Solution for Veteran Entrepreneurs

Credit unions have a long-standing commitment to serving military members, veterans, and their families. Many defense credit unions are located on or near military installations and have built trusted relationships within the veteran community. These not-for-profit financial institutions offer affordable financial products, personalized service, and a mission-driven approach focused on the financial well-being of their members.

However, the current 12.25% MBL cap restricts credit unions from fully supporting veteran entrepreneurs. This arbitrary lending limit prevents credit unions from meeting the growing demand for small business loans among veterans and forces them to turn away borrowers, despite their strong qualifications.

By exempting veteran business loans from the MBL cap, credit unions would have greater flexibility to:

- Expand lending to veteran entrepreneurs without increasing systemic risk.
- Provide lower-cost financing alternatives to veterans who may otherwise turn to high-cost lenders.
- Support job creation and economic growth in communities across America.

The Benefits of Passing the Veterans Member Business Loan Act

Exempting veteran business loans from the MBL cap would yield significant economic and social benefits:

- **Expanded Access to Capital:** Removing the cap would allow more veterans to access affordable loans at competitive interest rates, fostering entrepreneurship, business expansion, and financial independence.
- **Job Creation and Economic Growth:** Veteran-owned businesses employ millions of Americans and are critical to local and national economic development. Providing greater access to capital will enable these businesses to hire more employees, increase productivity, and strengthen local economies.
- **Reduced Reliance on Predatory Lending:** Many veterans turn to high-cost lenders due to a lack of financing options. This legislation would ensure that veterans have access to fair, responsible financing through credit unions.
- **Parity with Existing Lending Exemptions:** The proposed legislation aligns with existing exemptions for agricultural loans, recognizing the unique contributions of veteran entrepreneurs to the U.S. economy.
- **Enhancing National Security Through Economic Empowerment:** Ensuring economic opportunities for veterans improves military retention and readiness by giving service members confidence in their post-service career prospects.

SBA 7(a) Loan Program Reforms to Support Credit Union Participation

While expanding veteran business lending through credit unions is a critical step, the SBA 7(a) Loan Program must also be reformed to better serve veterans and increase credit union participation. The current program presents significant administrative and operational challenges that limit its effectiveness, including:

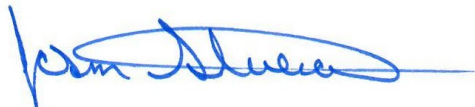
- **Complex Loan Application and Servicing Requirements:** Many credit unions lack the resources to navigate the cumbersome SBA loan process, discouraging participation.
- **Regulatory and Competitive Disadvantages:** Recent SBA proposals to expand the 7(a) program to fintech and non-traditional lenders raise concerns about increased fraud risk and put credit unions at a competitive disadvantage.
- **Inadequate Training and Technical Assistance:** Many credit unions do not participate in SBA programs due to a lack of specialized training for staff. Establishing targeted training initiatives would help credit unions better utilize SBA loan programs.

To improve access to SBA lending for veterans, we recommend:

1. Streamlining SBA loan requirements to reduce administrative burdens.
2. Providing technical assistance and training for credit union staff.
3. Ensuring regulatory parity across all financial institutions participating in SBA programs.

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: The Honorable Kelly Loeffler, Small Business Administration Administrator
Senate Committee Small Business and Entrepreneurship Members