



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
Chief Advocacy Officer

January 28, 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

Dear Chairwoman Ernst and Ranking Member Markey:

On behalf of the Defense Credit Union Council (DCUC), I write to express our perspectives regarding the confirmation of The Honorable Kelly Loeffler as Administrator of the Small Business Administration. 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.

Credit unions play a critical role in supporting small businesses, including those owned by veterans and military families. As community-focused financial institutions, credit unions provide essential access to capital for entrepreneurs, fostering innovation and economic growth in local communities. Defense credit unions, in particular, are uniquely positioned to serve military families and veteran-owned businesses, offering tailored financial services that align with their specific needs and challenges.

Challenges with the SBA

While credit unions are committed to supporting small businesses, there are ongoing challenges with the SBA that hinder our ability to fully leverage our resources for this purpose:

1. Complex and Bureaucratic Processes: The SBA loan process is often overly complex, creating administrative burdens that discourage many credit unions from participating in SBA lending programs.
2. Limited Collaboration with Credit Unions: Despite being vital financial partners, credit unions often face barriers to accessing SBA programs on par with larger banks. This limits our ability to serve small businesses effectively.
3. Inequities in Lending Caps: Credit unions are subject to member business lending (MBL) caps, which restrict our ability to provide small business loans, even though we are proven safe and sound lenders.
4. Veteran Entrepreneurship Access to Capital: Veteran-owned businesses still face significant hurdles in accessing the capital they need to thrive, a gap that defense credit unions are eager to fill.

Proposals for Improvement

To enhance the partnership between credit unions and the SBA, we urge Administrator Loeffler to prioritize the following reforms:

1. Streamline SBA Loan Programs: Simplify and modernize the SBA's loan application and approval processes to reduce administrative burdens on credit unions and small business borrowers.

Serving Those Who Serve Our Country

2. Expand SBA Engagement with Credit Unions: Actively involve credit unions in the development of SBA initiatives and provide equitable access to programs to ensure all small businesses, particularly veteran-owned businesses, benefit from SBA resources.

3. Support the Veterans Member Business Loan Act: We strongly encourage the Committee and Administrator Loeffler to support the Veterans Member Business Loan Act sponsored by Senators Sullivan and Hirono. This bipartisan legislation would exempt loans to veteran-owned businesses from the MBL cap, empowering credit unions to better serve veteran entrepreneurs without unnecessary regulatory constraints.

4. Enhance Access to Capital for Underserved Communities: Collaborate with credit unions to identify and address gaps in access to SBA programs, particularly for minority, veteran, and rural entrepreneurs.

Challenges Faced by Veteran Entrepreneurs

Despite their service and dedication, veteran entrepreneurs often encounter significant obstacles in securing financing for their businesses. According to a report by the Federal Reserve Bank of New York, 60% of veteran-owned business applicants experienced a financing shortfall, meaning they received less capital than needed. This is higher than the 52% of nonveteran-owned businesses facing similar issues. Additionally, veteran-owned businesses had lower approval rates for loans, lines of credit, and cash advances, approximately 10% lower than their nonveteran counterparts, regardless of the lending source. These disparities can be attributed to factors such as smaller loan amounts sought, higher credit risk, and lack of information.

The Role of Defense Credit Unions

Defense credit unions have a longstanding commitment to serving veterans and military personnel. Their not-for-profit structure allows them to prioritize member needs over profits, enabling them to offer favorable loan terms and financial services tailored to veterans. By removing the MBL cap for loans to veteran-owned businesses, defense credit unions can significantly increase their support for veteran entrepreneurs, helping them overcome financial barriers and achieve business success.

Defense Credit Unions: A Vital Partner

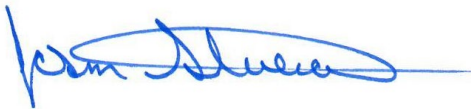
Defense credit unions have a long history of supporting the financial readiness of service members and their families. This mission naturally extends to veteran and military-family-owned businesses, many of which benefit directly from the tailored financial services we provide. Our commitment to the military community aligns seamlessly with the SBA's mission to support small businesses. By working more closely with defense credit unions, the SBA can amplify its impact, ensuring that veteran entrepreneurs receive the tools they need to succeed.

We believe the confirmation presents an opportunity to strengthen the relationship between the SBA and credit unions, fostering a collaborative environment that benefits small businesses across the country.

Thank you for your consideration of these important issues. DCUC stands ready to work with Administrator Nominee Loeffler and the Committee to advance policies that support small businesses, particularly those owned by our nation's veterans and military families.

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 Nominee
Senate Committee Small Business and Entrepreneurship Members