



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

August 25, 2025

Senator Bill Hagerty (R–Tennessee)
Russell Senate Office Building
Room 251
Washington, DC 20510

Senator Angela D. Alsobrooks (D–Maryland)
Russell Senate Office Building
Room 374
Washington, DC 20510

Dear Senators Hagerty and Alsobrooks,

On behalf of the Defense Credit Union Council (DCUC) – representing over 200 credit unions with over 40 million members and assets greater than 525 billion while serving our nation’s military members, veterans, and their families – I am writing to thank you for your leadership in addressing federal deposit insurance reform and to provide our perspective on related issues affecting credit unions and the small businesses we collectively serve. We noted your recent amendment to the National Defense Authorization Act proposing to increase deposit insurance coverage on business transaction accounts to increase up to \$20 million for community financial institutions. DCUC strongly supports the goal of protecting small business deposits, and we appreciate your attention to this long-standing vulnerability in our financial system. At the same time, we urge that any reforms be implemented in a way that fairly allocates costs and paired with additional measures – notably, lifting the outdated cap on credit union member business lending – so that America’s small businesses have both **safer deposits and greater access to credit**.

Closing a Dangerous Gap in Deposit Insurance for Business Accounts: For decades, small businesses have faced a dangerous gap in deposit insurance coverage. Under current law, business accounts at both banks and credit unions are insured up to the same \$250,000 limit as personal accounts – an amount that **has not kept pace with modern payrolls and operating needs**. Many small companies must hold balances well above \$250,000 simply to cover monthly payroll and vendor expenses. Any funds above \$250,000 are uninsured and at risk if the institution fails. This reality was made painfully clear during the banking turmoil of March 2023, when several regional banks suddenly failed and **countless startups and small businesses were left worried they wouldn’t make payroll because their balances exceeded insured limits**. Regulators ultimately had to invoke emergency measures to protect those uninsured deposits, underscoring an uncomfortable truth: the \$250,000 cap is no longer adequate for many legitimate business needs in today’s economy.

Your proposal to raise the insurance limit on business transaction (operating) accounts to \$20 million for institutions under \$250 billion in assets directly addresses this problem. It would **ensure that small businesses’ critical operating funds – the dollars earmarked for employee paychecks and key expenses – are protected** even in the event of a bank or credit union failure. We believe this targeted, higher coverage for operating accounts is a prudent modernization of

Serving Those Who Serve Our Country

the deposit insurance system. It **closes a major gap in protection and will strengthen small businesses' confidence that every dollar they deposit for payroll and operations is safe and available when needed.** Importantly, by focusing the increase on operating (non-interest-bearing) accounts at community institutions, it helps level the playing field for those institutions without extending a blanket guarantee to speculative deposits.

Ensuring Parity and Preventing Unintended Consequences: In pursuing these reforms, we also stress the importance of maintaining parity between banks and credit unions and carefully managing the costs. We are grateful that recent legislative efforts have recognized the need for **regulatory parity** – giving the National Credit Union Administration (NCUA) the same tools and authority as the FDIC to protect deposits during crises. In past emergencies, federal regulators could shield bank depositors (through systemic risk exceptions and programs like the Transaction Account Guarantee), but those tools were not equally available to credit union regulators. This imbalance was fundamentally unfair to credit union members and led to an uneven playing field: during the uncertainty in March 2023, some business members felt pressure to **shift funds from community institutions to the largest Wall Street banks, perceiving that only the megabanks would be fully protected.** Your proposal wisely avoids that pitfall by empowering NCUA to provide comparable coverage on credit union accounts, **ensuring small businesses can choose to bank with a credit union without suffering any disadvantage in deposit safety.** Parity in both everyday insurance coverage and emergency measures will remove any doubt that credit union deposits are “second class,” bolstering confidence in our sector and preventing unwarranted runs of funds to the too-big-to-fail institutions.

At the same time, expanded insurance coverage is not without cost, and we encourage Congress to structure reforms in a way that spreads and contains these costs. By law, credit unions collectively fund the National Credit Union Share Insurance Fund (NCUSIF) through their own contributions. A dramatic increase of insured limits to \$20 million per account could necessitate significant additional reserves and assessments to maintain the fund's statutory equity ratio. We appreciate that your amendment contemplates a **gradual phase-in (over a decade) of these newly insured deposits into the insurance fund's calculations to mitigate immediate strain.** We strongly support this phased approach. We also urge continued analysis to ensure that **the costs of higher coverage – whether through one-time assessments or ongoing premiums – are allocated fairly and do not disproportionately burden any specific segment of the credit union industry.** Put simply, the reform must strengthen small business deposit protection *without* undermining the very lenders and institutions that serve those businesses. DCUC and our member credit unions stand ready to work with you and regulators on practical implementation strategies, such as refining premium assessments, to uphold **safety and soundness** while these much-needed protections are put in place.

Linking Deposit Protection with Small Business Lending Capacity: Finally, if the goal is to holistically support America's small businesses, deposit insurance reform should be coupled with action to remove outdated barriers that limit small businesses' access to credit from community lenders. We urge you to consider **eliminating or easing the statutory cap on credit union member business lending as part of any legislative package to help small businesses.** Under current law, most federal credit unions **cannot lend more than 12.25% of their total assets to businesses,** due to an arbitrary Member Business Lending (MBL) cap set decades ago. This cap severely restricts the amount of capital credit unions can provide to local entrepreneurs and small firms – even when they have the capacity and member demand to do more. Banks, notably, face no equivalent regulatory cap on business lending, leaving credit unions at an unfair disadvantage in serving Main Street. **Credit unions that are ready and willing to finance more small businesses find their hands tied by this outdated limit,** regardless of the needs of their members or the opportunities to promote local economic growth.

If Congress is committed to helping small businesses thrive – as the deposit insurance improvements rightly aim to do – it should also unlock the lending potential of credit unions by **removing this disparity with banks**. We specifically ask you to support bipartisan efforts like the **Veterans Member Business Loan Act**, which would **exempt loans made to veteran-owned small businesses from the credit union MBL cap**. This legislation recognizes that those who served our country and are now building businesses deserve full access to capital. By **allowing credit unions to lend freely to veteran entrepreneurs without counting against the cap, Congress would immediately open up new sources of financing for a community that represents 1.76 million businesses, employs over 5 million Americans, and generates nearly \$1 trillion in revenue**. These veteran-owned firms face unique challenges – including higher loan denial rates and limited credit histories related to military service – which make it all the more critical to remove needless barriers to credit. **Exempting veteran business loans from the cap (or better yet, eliminating the cap altogether) would empower credit unions to better meet the capital needs of small businesses without increasing systemic risk**. It would also **strengthen local economies** by enabling the growth of businesses that create jobs in communities across America. More broadly, lifting the MBL cap would level the playing field between credit unions and banks in small business lending, allowing community-focused, member-owned credit unions to more fully support America’s entrepreneurs and job creators. We believe deposit insurance reform and MBL cap relief **go hand-in-hand as complementary tools to bolster Main Street** – the former protects the deposits that small businesses rely on, while the latter ensures they can obtain the loans and lines of credit needed to start up and scale up.

Conclusion: DCUC applauds your attention to the pressing issues raised by recent bank failures and the fragility of small business deposits. We **strongly support modernizing deposit insurance coverage for business accounts** to safeguard employee paychecks and operating funds, and we appreciate your inclusion of credit unions in these reforms to ensure parity. We also urge you to seize this moment to address the credit side of the equation by **removing the Member Business Lending cap that hinders community lenders from fully serving small businesses**. Taken together, these steps will markedly improve the operating environment for small companies: their deposits will be safer, and their access to affordable credit will expand.

America’s 142+ million credit union members – including military servicemembers, veterans, and their families – have a huge stake in these policy decisions. They know that **credit unions and community banks are the backbone of local economies**. By enhancing deposit protections and freeing credit unions to lend more, Congress can fortify the economic foundation of communities large and small, **leveling the playing field between Wall Street and Main Street**. We are grateful for your leadership in exploring solutions that support our nation’s small businesses, and we stand ready to work with you to refine and advance these reforms. Whether it is providing data, sharing our members’ experiences, or offering technical feedback on implementation, DCUC is committed to being a constructive partner in this endeavor.

If you have any questions, please do not hesitate to email me at jstverak@dcuc.org or contact me via the phone at 202.557.8528.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the US Senate Banking Housing and Urban Affairs Committee