



DCUC
DEFENSE CREDIT UNION COUNCIL

1627 Eye St, NW
Suite 935
Washington, DC 20006

202.734.5007
www.d cuc.org

Jason Stverak
Chief Advocacy Officer

November 23, 2024

Mr. Scott Bessent
Treasury Secretary Nominee
1100 South Ocean Blvd
Palm Beach, FL 33480

Dear Mr. Bessent

On behalf of the Defense Credit Union Council (DCUC) and our member credit unions serving service members, veterans, and their families, I want to congratulate you on your nomination as Secretary of the Treasury. Your dedication to economic growth and capital formation has been commendable, and we are confident that your leadership will further strengthen America's financial institutions.

The Defense Credit Union Council represents federally chartered and state-chartered credit unions with a unique mission to provide tailored financial services to those who serve our nation. We have long recognized that the issues of capital formation, sustainable growth, and financial inclusion are central to the success of credit unions and their ability to serve our members.

As you prepare to assume this critical role, we would like to outline some pressing issues affecting the credit union industry and our priorities for ensuring continued success in serving our members:

The Unique Mission and Structure of Credit Unions

Credit unions are not-for-profit, member-owned financial cooperatives that exist solely to serve their members. This fundamental distinction from for-profit banks underscores the need for a separate regulatory framework. The Federal Credit Union Act of 1934 codified this distinction, recognizing that credit unions operate under a unique charter to promote thrift and provide access to affordable financial services.

Unlike banks, credit unions return earnings directly to their members in the form of lower loan rates, higher savings rates, and reduced fees. According to the Credit Union National Association (CUNA), credit unions generated \$16.2 billion in direct financial benefits for their members in 2022 alone. This cooperative structure inherently limits risk-taking behavior and aligns the interests of the institution with those of its members, justifying a regulatory approach tailored to their unique operational model.

Protecting Credit Union Tax-Exempt Status

Credit unions' tax-exempt status is vital to their mission and structure as member-owned, not-for-profit institutions. This status allows credit unions to provide lower-cost financial services, higher returns on savings, and better loan rates to their members. Proposals to revisit or eliminate this status jeopardize the affordability of financial services for millions of Americans, including service members and their families.

Serving Those Who Serve Our Country

Safeguarding Against Overregulation

While we support strong oversight to protect consumers and the financial system, excessive regulatory burdens can limit credit unions' ability to focus on member services. We urge your department to balance oversight with operational flexibility, ensuring that credit unions are not unnecessarily hampered by compliance costs.

Preserving NCUA Independence and Share Insurance Coverage

The independence of the National Credit Union Administration (NCUA) is a cornerstone of credit union governance. Any proposals to restructure or combine share insurance systems with other entities would undermine credit unions' unique structure and erode member confidence.

Addressing the Impact of Credit Card Interchange Fee Regulations

Recent proposals to cap or alter credit card interchange fees pose a direct threat to credit unions' ability to provide low-cost services and rewards programs to their members. These changes would disproportionately impact smaller institutions, including defense credit unions, which cannot absorb the revenue losses as easily as larger financial entities.

Expanding Veteran Member Business Lending Exemptions

Defense credit unions are uniquely positioned to assist veteran entrepreneurs by providing capital and advisory support. However, outdated limitations on member business lending restrict our ability to fully support these initiatives. Expanding the exemption for veteran loans would provide much-needed financial support to those who served our country.

Opposing Community Reinvestment Act (CRA) Expansion

Credit unions were established to serve their members, not to meet mandates designed for for-profit banks. Expanding CRA requirements to credit unions is unnecessary and counterproductive, as credit unions already prioritize serving underserved communities without such mandates.

Advocating for Financial Readiness of Service Members

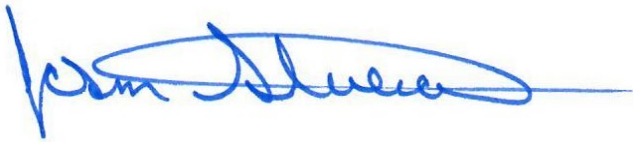
Our nation's service members face unique financial challenges, including deployments, frequent relocations, and the potential for predatory lending practices. Credit unions provide critical financial education and tailored products to address these challenges. Collaboration with the Department of Defense and Treasury to enhance financial readiness would benefit the military community and improve overall mission readiness.

Given the intersection of these priorities with your demonstrated commitment to capital formation and economic stability, we would greatly appreciate the opportunity to meet with you and your team to discuss these issues further. Defense credit unions stand ready to partner with the Treasury Department to enhance the financial well-being of all Americans, particularly those who serve and have served our nation.

We applaud your contributions to fostering capital formation and your understanding of how mission-driven financial institutions like credit unions contribute to economic growth. As you continue your confirmation process, please know that the Defense Credit Union Council is eager to support your efforts and work collaboratively to advance our shared goals.

We would welcome the opportunity to meet with your team to discuss these issues further. Thank you for your attention to this critical matter, and we look forward to working with you to advance the financial security of all Americans.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason Stverak", with a long horizontal line extending to the right.

Jason Stverak
Chief Advocacy Officer
DCUC