



DCUC
DEFENSE CREDIT UNION COUNCIL

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Jason Stverak
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The Honorable Mike Johnson
Speaker of the House
568 Cannon House Office Building
Washington, DC 20515

The Honorable Hakeem Jeffries
House Minority Leader
2433 Rayburn House Office Building
Washington, DC 20515

Dear Speaker Johnson and Minority Leader Jeffries,

I am writing on behalf of the Defense Credit Union Council (DCUC) our nearly 200 member institutions and 40 million members of defense credit unions to once again urge the United States House of Representatives to not include the Credit Card Competition Act (CCCA) in any version of the National Defense Authorization Act (NDAA). It is our understanding supporters of the CCCA plan to once again try and attach the language to the NDAA.

The Durbin-Marshall proposal seeks to cap and regulate interchange fees for credit cards, following the framework of the Durbin Amendment which placed limits on debit card interchange fees. While this may appear to offer short-term savings to merchants, it poses significant threats to credit unions and their ability to serve their members effectively, particularly in the military community.

Adverse Impacts on Military Servicemembers and Their Families

Defense credit unions play a critical role in providing financial services to military communities, often in remote or underserved locations. Many of these credit unions are located on military installations, offering products and services tailored to the unique needs of servicemembers. The provisions of the CCCA would disrupt the carefully balanced financial ecosystem that defense credit unions provide, creating significant risks for the following reasons:

Reduced Access to Affordable Credit:

- The CCCA mandates changes to the credit card payment network system, potentially limiting the ability of credit unions to negotiate favorable terms for their members.
- Smaller institutions like credit unions rely on interchange fees to offset costs for offering low- or no-fee products, including credit cards with competitive interest rates. A reduction in these fees could force credit unions to increase rates or eliminate benefits such as rewards programs and deployment-friendly financial tools.

Erosion of Financial Readiness:

- Financial readiness is a critical pillar of military readiness. Defense credit unions work tirelessly to ensure servicemembers and their families have access to financial education and resources.
- By undermining the financial stability of credit unions, the CCCA risks diminishing these essential programs, leaving military families more vulnerable to predatory financial products and services.

Loss of Revenue for Credit Unions: Interchange fees are critical to covering the costs of credit card services, including fraud prevention, cybersecurity, and providing rewards programs that benefit consumers. For defense credit unions, these revenues directly fund services for military families, including financial readiness programs and lower-cost credit options. Caps on these fees will reduce revenue streams, forcing credit unions to make difficult decisions about the services they can offer.

Harm to Veterans and Fixed-Income Retirees

Veterans and retirees often rely on credit unions for their financial needs, particularly as they transition to civilian life or manage fixed incomes. The potential consequences of the CCCA would directly impact these populations in the following ways:

1. Increased Costs for Essential Services:

- Credit unions reinvest their earnings into member benefits, such as lower fees and better interest rates. By slashing interchange revenue, the CCCA would force credit unions to raise fees, disproportionately affecting veterans who depend on these institutions for affordable financial services.

2. Reduction in Tailored Services:

- Programs like VA home loans and specialized lending for veterans' businesses are core offerings of many defense credit unions. Financial strain caused by the CCCA could result in a reduction of these critical programs.

Misalignment with the Goals of the NDAA

The NDAA is designed to strengthen national defense and support the welfare of those who serve. Including the CCCA—a policy unrelated to national security—would divert focus from the primary mission of the legislation. The introduction of sweeping financial regulations through the NDAA sets a troubling precedent and risks overshadowing vital defense priorities.

Lack of Evidence Supporting the CCCA's Benefits

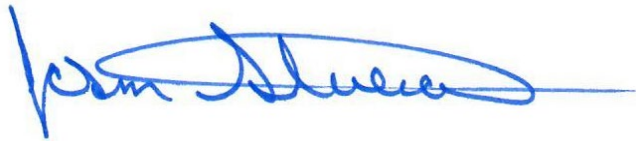
Proponents of the CCCA claim it would enhance competition and lower costs for consumers. However, numerous studies contradict these assertions:

- **Increased Consumer Costs:** Research from the Electronic Payments Coalition has shown that similar regulations in other countries, such as Australia, resulted in higher consumer fees and reduced access to credit.
- **Minimal Savings Passed to Consumers:** The Kansas City Federal Reserve found that reductions in interchange fees are rarely passed on to consumers in the form of lower prices.
- **Disproportionate Burden on Small Institutions:** A report from the Credit Union National Association (CUNA) highlights that smaller financial institutions bear the brunt of interchange fee reductions, leading to fewer consumer choices and less competition.

Defense credit unions are not-for-profit institutions that exist solely to serve their members, including our nation's servicemembers, veterans, and their families. The unintended consequences of the CCCA threaten to undermine the critical support these institutions provide, jeopardizing financial readiness and overall quality of life for those who serve.

We urge you to prioritize the needs of military communities by opposing the inclusion of the CCCA in the NDAA. 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,

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

Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the US House of Representatives

