



DCUC
DEFENSE CREDIT UNION COUNCIL

Anthony R. Hernandez
President/CEO

1627 Eye St, NW
Suite 935
Washington, DC 20006

202.734.5007
www.d cuc.org

May 2, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: H.R. 2305 Veteran Business Lending Exemption

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of America's 181 Defense Credit Unions and over 23 million members, I am writing to urge support of bi-partisan introduction of H.R. 2305, legislation that would exempt business loans made to veterans from current business lending caps. As part of our ongoing advocacy on behalf of transitioning veterans and their financial well-being, the Defense Credit Union Council will continue to support Congressional efforts to assist our Nation's veterans and their families.

America's Defense Credit Unions are uniquely positioned and structured to offer this kind of support given our location on every permanent military installation around the world and the fact that the majority of our members are veterans or will soon transition out of the military. In November 2018, a study was conducted by the Federal Reserve Bank of New York and the U.S. Small Business Administration (SBA) titled, "*Financing their Future: Veteran Entrepreneurs and Capital Access.*" The study found that military veteran business owners applied for more funding, submitted more loan applications per business, and yet were denied loans at a much higher rate than non-veteran business owners. We are encouraging each of our members to assist where other lenders refuse.

More can, and should be done. Although the SBA's 7(a) program has grown in recent years, SBA guaranteed loans have benefited veterans far less than non-veterans (48% growth compared to 82%) – a point the author personally pointed out in on-the-record SBA meetings at the time. According to the study, veterans are denied for two reasons. First, veterans are looking for "micro business loans" (under \$100,000). Commercial banks cannot underwrite these smaller loans in a cost-effective way and as such rarely offer these products.

Second, according to the report, underwriting veterans is complicated due to insufficient credit histories and little collateral. As any veteran knows, prolonged military service comes with unique stressors, such as frequent relocations and deployments which complicate the process.

This is where America's Defense Credit Unions can help bridge the gap. Our 23 million members are predominantly servicemembers and our volunteer boards of directors consist of veterans who understand these difficulties. Exempting loans made to veterans from the artificial member business lending caps not only makes it much easier to extend business credit to America's Veteran-Owned Businesses, it also sends a clear signal that our nation recognizes their impact in fostering entrepreneurship successfully building our economy.

If there is anything more we can do to encourage other Members of Congress to support this legislation, please let us know. My office can be reached at (202) 734-5007 or at ahernandez@dcuc.org.

Sincerely,



Anthony R. Hernandez