



June 11, 2020

The Honorable Adam Smith  
Chairman  
House Committee on Armed Services  
Washington, D.C. 20515

The Honorable Mac Thornberry  
Ranking Member  
House Committee on Armed Services  
Washington, D.C. 20515

**Re: Markup of FY2021 National Defense Authorization Act**

Dear Chairman Smith and Ranking Member Thornberry:

For almost a century, defense credit unions have served servicemembers and their families well. As member-owned, not-for-profits, defense credit unions focus is providing quality financial services to our men and women in uniform. The “people helping people” ethos is evident whether it involves opening a checking account, obtaining low-interest credit, or learning how to properly save for retirement—defense credit unions proudly serve their communities while protecting against financial predators outside the gate.

In addition to member support, defense credit unions also manage the Department of Defense’s (DoD) substantial cash requirements without charge, enabling immediate expeditionary support. Defense credit unions are also asked to assume responsibilities for the government’s daily deposits into the Treasury General Account, such as commissary, post exchange and MWR activities. Unlike other financial institutions, defense credit unions do this on a not-for-profit basis – with their bottom line being service, not their shareholders.

This focus on service to their members and their base, over profits, has led Congress to give the DoD discretionary authority to allow credit unions to use land and space on military bases at a nominal rate. Historically, defense credit unions have been asked to remain on base to alleviate the high transactional costs coupled with poor service by other financial institutions. It is no secret, being member-owned and not-for-profit is how defense credit unions keep interest rates low and responsive to member needs (e.g., deployment), which improves the financial readiness of our military. Other financial institutions simply cannot match the credit union difference.

Now, for-profit banks are asking Congress to give them a handout by seeking a provision in the 2021 National Defense Authorization Act that would require DoD to treat them the same as credit unions when it comes to leases. Under a Senate provision, DoD would not have the discretion for banks that they currently have with credit unions, if they opted to give nominal leases to credit unions they would be forced to give it to all banks, including institutions such as Wells Fargo and Bank of America, who regularly earn billions in profits. Keep in mind, defense credit unions are owned by their members – the men and women of the military – while banks are owned by shareholders who are seeking a profit.



While banks argue for “parity” on this issue, the fact is that banks already have the ability to obtain leases at a nominal cost. Under the Military Leasing Act, 10 USC §2667, banks can demonstrate to DoD how they would use their lease to serve and provide value to the men and women of the base. However, banks have not exercised this authority. Instead, they have opted to end-run DoD and go to Congress to get a handout under the guise that too many banks have had to leave military bases due to the cost of leases making military banking less profitable. Rather than seek a productive solution available to them under current law, they have opted to target their long-time nemesis credit unions in the process. We hope the House Armed Services Committee will recognize the banker’s games for what they are – a charade to once again attack member-owned credit unions – and reject this provision in the NDAA.

Defense credit unions do not fear competition from banks, especially on base, as there can be an important role for both institutions to play. But credit unions simply put our members first—ahead of profit. If banks want to be treated like credit unions, they need to start acting like them. Equal treatment needs to focus on service, structure and ethos, not increasing the bank’s profit sustainability. Our servicemembers deserve more!

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle".

Jim Nussle  
President and CEO  
CUNA

A handwritten signature in black ink, appearing to read "Anthony Hernandez".

Anthony Hernandez  
President and CEO  
DCUC

A handwritten signature in black ink, appearing to read "Dan Berger".

Dan Berger  
President and CEO  
NAFCU