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DEFENSE CREDIT UNION COUNCIL

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Anthony R. Hernandez
President/CEO

March 16, 2025

The Honorable Scott Bessent
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Bessent,

On behalf of the Defense Credit Union Council (DCUC) and our member credit unions serving the military and defense community, I write to express our deep concern regarding the recent executive order signed by President Trump that calls for eliminating the Community Development Financial Institutions (CDFI) Fund. DCUC represents defense-focused credit unions serving more than 40 million members, including servicemembers, veterans, and their families. Many of these credit unions operate in and around military installations and underserved areas, where the CDFI Fund has been a lifeline for expanding access to affordable financial services. Given the Treasury Department's role in overseeing the CDFI Fund, we urge immediate clarification on the impact of this executive order and the future of the Fund's programs.

The CDFI Fund's Importance to Credit Unions and Underserved Military Communities

The CDFI Fund is a critical resource that helps mission-driven credit unions provide capital and financial services in economically distressed communities. As of January 2025, there are 495 certified CDFI credit unions nationwide, collectively serving millions of residents in low-income and underserved areas. These include many military base communities and veteran populations.

Military installations are often located in rural or lower-income regions lacking adequate financial infrastructure, and a large portion of junior enlisted servicemembers meet the CDFI Fund's "Low-Income Targeted Population" criteria. The CDFI Fund's grants and programs have enabled credit unions to offer affordable loans, financial education, and development services tailored to the needs of these populations. Credit unions have used CDFI awards to open branches in banking deserts, provide emergency small-dollar loans to military families, and invest in local economic development projects. Eliminating the CDFI Fund would directly undermine these efforts and harm many of the working families, servicemembers, and veterans who rely on credit unions for their financial well-being.

Concerns Over the Executive Order Eliminating the CDFI Fund

The executive order signed on March 14, 2025, identifies the CDFI Fund as one of several federal entities deemed "unnecessary," mandating the elimination of its non-statutory functions "to the maximum extent consistent with applicable law." We are alarmed by this directive and its potential impact on community-focused credit unions and other mission-driven lenders. Eliminating the CDFI Fund in its entirety—if carried out—would essentially strip away critical funding streams that credit unions and other community development financial institutions use to serve high-need areas.

Serving Those Who Serve Our Country

This policy shift raises numerous questions and uncertainties for institutions like ours that have actively partnered with the CDFI Fund to fulfill our mission. We respectfully request answers to the following key questions:

1. Is the CDFI Fund being eliminated in its entirety? – We seek confirmation on whether the intent is to completely dismantle the CDFI Fund, or merely to scale back certain activities. Will any statutory core functions or components of the CDFI Fund remain in place, or is the entire Fund slated for closure?
2. What specific programs or funding streams are being curtailed or eliminated? – The CDFI Fund administers several important programs, such as Financial Assistance and Technical Assistance grants, the Native American CDFI Initiative, and others. Which of these programs are targeted for cuts under the executive order?
3. What are the practical implications for financial institutions currently utilizing CDFI grants? – Many credit unions (and other CDFIs) are currently deploying CDFI grant funds for community development projects and specialized financial services.
 - Will previously approved grant disbursements be honored?
 - Should institutions prepare for a loss of expected resources?
 - Will CDFI-certified credit unions face any changes to their certification status or compliance requirements?
4. What happens to current grant recipients and ongoing projects? – Many current grant recipients have made commitments to build facilities, create lending programs, hire staff, and develop financial products based on multi-year CDFI funding.
 - Will current awardees be allowed to carry out their projects to completion?
 - If not, what provisions will be made to mitigate harm to communities left without promised investments?

The Need for Treasury Oversight and Support

These questions reflect the serious uncertainty and potential disruption facing community-focused credit unions and the populations we serve. The CDFI Fund was created by Congress in 1994 with a mission to “promote economic revitalization and community development” through investments in local financial institutions. That mission remains as important today as ever.

Indeed, in recent years, Congress has repeatedly affirmed the value of the CDFI Fund’s work, continuing to fully fund its grant programs even when past administrations proposed cuts. This bipartisan support exists because lawmakers have seen the tangible benefits the Fund delivers in their districts:

- Small businesses financed
- Affordable housing developed
- Consumers given alternatives to predatory lending

Given this track record of success, any move to eliminate or defund the CDFI Fund warrants transparency from the Treasury Department. We urge the Treasury to publicly clarify its interpretation of the executive order and the status of CDFI funding.

If the executive order cannot be reversed outright, then we hope Treasury will work with Congress to preserve the most critical functions of the CDFI Fund and explore alternative funding mechanisms for community development financing that credit unions can access. The men and women of our armed forces—and millions of other Americans in low-income neighborhoods—are counting on the continuity of these resources.

Given the urgency of this matter, we request a response from the Treasury Department detailing the status of the CDFI Fund and a meeting with you or senior members of your team to discuss the practical implications of this executive order. We believe that a direct conversation will help clarify these issues and explore potential solutions to ensure that credit unions remain well-equipped to serve military and underserved communities. Please let us know your availability at your earliest convenience.

DCUC and our member credit unions are committed to our mission of serving those who serve our country, and we stand ready to work with your office to safeguard financial access for our military and veteran communities.

Thank you for your attention to this urgent issue. We appreciate your leadership and look forward to your response.

Sincerely,

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

Anthony Hernandez, Colonel, USAF, Retired
President and CEO
Defense Credit Union Council