DCUC
DEFENSE CREDIT UNION COUNCIL

1627 Eye St, NW
Suite 935
Washington, DC 20006

202.734.5007
www.dcuc.org

Anthony R. Hernandez
President/CEO

November 24, 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 its member credit unions serving over 40 million members (including servicemembers, veterans, and their families), I am writing to express our **strong opposition** to recent calls from the banking lobby to force federal credit unions to file IRS Form 990. We urge you to resist this unfair and unnecessary pressure. For more than five decades, federal credit unions have been **exempted from filing the Form 990**– a policy intentionally crafted by Congress and upheld by the IRS in recognition of credit unions' unique mission and structure. Unlike charitable nonprofits, federal credit unions have no federal income tax liability, so mandating Form 990 filings would **yield virtually no new information** for regulators. This exemption is not a loophole; it is a deliberate policy that reflects the nature of credit unions as member-owned, not-for-profit cooperatives in which **every dollar of earnings is reinvested in members through lower loan rates, higher savings returns, and reduced fees**. Rolling back this long-standing exemption at the behest of banking industry opponents would undermine a policy that has served the public interest well for decades.

Extensive Oversight Makes a 990 Mandate Unwarranted: Federal credit unions are already **highly transparent and stringently regulated**. Every quarter, they submit detailed Call Reports to the National Credit Union Administration (NCUA) – analogous to quarterly 10-Q filings – covering roughly 3,400 data fields on their loans, investments, deposits, income, expenses, executive compensation, and more. Regulators review this comprehensive data, much of which is publicly accessible. In short, credit unions are not opaque institutions. Requiring a Form 990 on top of these existing disclosures would be **entirely duplicative**, providing no meaningful new insights beyond what regulators already collect. Even IRS officials have noted that since federal credit unions have no taxable income, a Form 990 filing would serve only to provide public information rather than to fulfill any tax compliance need. True transparency is achieved through the rigorous oversight already in place; adding another redundant IRS filing would only burden credit unions without benefiting the public.

Burdens Divert Resources from Members: Imposing a Form 990 requirement on federal credit unions would saddle them with significant administrative costs and paperwork, **diverting resources away from their members' needs**. Preparing the extensive Form 990 each year is a costly, time-consuming process that would hit smaller credit unions especially hard. Credit unions exist to serve their member-owners – including many military families and veterans – by providing affordable loans, financial education, and community support. Every hour of staff time and every dollar diverted to redundant compliance is time and money **not spent helping members**. In practical terms, **every dollar spent on unnecessary compliance is a dollar not used to offer a lower interest rate on a loan, a higher yield on a savings account, or a free financial counseling session for a servicemember or veteran**. The current exemption enables credit unions to reinvest earnings back into their communities, adding new

red tape would **undermine these member benefits with no offsetting public gain**. Especially at a time when every financial institution's resources are stretched to serve communities, forcing credit unions to absorb needless regulatory costs would be counterproductive and harmful to those who rely on these member-focused institutions.

Bank Lobby's Push Is Misguided and Self-Serving: It is important to recognize that the renewed push to require Form 990 from federal credit unions is **not coming from regulators, consumers, or any genuine transparency initiative – it is coming from the banking lobby**. Recent reports indicate that banking trade associations have even circulated a draft letter **urging the Treasury Department to roll back the 54-year-old exemption** for federal credit unions. This coordinated campaign is part of a broader effort by some banks to paint credit unions as indistinguishable from banks and to lay the groundwork for attacking credit unions' tax-exempt status. In other words, this is a **special-interest agenda** driven by bank competitors, not a public interest request. The "transparency" justification being offered is a thin pretext. In fact, the timing of this campaign reveals its true motive. **Notably, the banker-led effort to impose Form 990 intensified immediately after credit unions provided critical aid to Americans during a recent federal government shutdown**. When that shutdown left many military families and federal employees without pay, credit unions nationwide sprang into action – offering zero-interest furlough relief loans, waiving fees, and helping servicemembers and furloughed workers access emergency funds. Instead of applauding these efforts, the banking lobby responded by pushing to force credit unions to file Form 990 as a **"retaliatory penalty," thinly disguised as a call for "transparency."** Framing this proposal as a transparency measure is simply **disingenuous**, given the context. We urge you to see this push for what it is: an attempt by certain bank lobbyists to **punish credit unions for their very success in serving members** and to hamstring a key competitor under the guise of fairness.

Credit Unions' Outstanding Service During the Shutdown: The recent shutdown vividly illustrated the **positive impact and public benefit of the credit union mission**. Defense-focused credit unions, in particular, have a proud tradition of "showing up" for military members and federal employees in ways that many big banks do not. For example, during the latest shutdown, numerous credit unions advanced pay to servicemembers, provided special low- or zero-interest emergency loans, waived overdraft and late fees, and offered free financial counseling to help families bridge the gap. These extraordinary efforts – undertaken *not* for profit but to fulfill credit unions' core mission of "people helping people" – provided a financial lifeline to countless families. **It is hard to imagine a clearer demonstration of the credit union difference**. Imposing new IRS reporting mandates as a response to such efforts is not only unwarranted but frankly an **insult to the selfless work credit unions do to support their communities in times of crisis**. Such punitive measures would only serve to deter or handicap the very institutions that stepped up when Americans needed help the most.

Banking Industry's Transparency Double Standard: The call for credit unions to face additional "transparency" requirements is especially ironic given the **transparency gaps on the banking side**. Many banks take advantage of special tax provisions – notably the Subchapter S corporation status – to avoid paying corporate income tax, thereby significantly reducing their tax bills while disclosing far less about their finances than credit unions already do. In fact, roughly **one-third of all banks in the U.S. use the Subchapter S loophole to avoid corporate taxes entirely**, with no public Form 990 or equivalent disclosure of how those tax savings are utilized. The disparity is striking: the 2017 Tax Cuts and Jobs Act alone delivered an estimated **$447 billion in tax relief to banks over ten years**, roughly **16 times the cost of the credit union tax exemption**. Yet we do not see the banking lobby volunteering their industry for additional IRS filings or transparency measures in exchange for these massive tax breaks. This **double standard** underscores that the campaign against credit unions' Form 990 exemption is not driven

by any principled concern for transparency or fairness. Rather, it appears aimed at **imposing costs and public-relations burdens on credit unions** – a sector the banks perceive as a competitive threat – in hopes of slowing our growth or undermining our popular support. Such tactics should not be allowed to influence sound policy. If anything, fairness would dictate examining whether **banks' own tax advantages and disclosures** are aligned with the public interest, before targeting not-for-profit credit unions that already operate under comprehensive oversight.

Protecting Consumers and the Credit Union Mission: We ask for your leadership in **standing firm against this misguided push** to alter a policy that has worked well for decades. Credit unions play a vital role in our financial system by delivering essential services to communities, often in places or circumstances where profit-driven banks choose not to operate. From remote military bases to underserved rural towns, credit unions frequently fill the void, ensuring that hardworking Americans have access to affordable financial services. Imposing new reporting mandates would **weaken credit unions' ability to fulfill this mission** and would ultimately harm consumers – not only our 144 million members nationwide, but also the many Americans who benefit indirectly from credit unions' presence (through more competitive rates in the market and services in areas that might otherwise be neglected). Simply put, **requiring federal credit unions to file Form 990 is unwarranted and counterproductive**. It would offer no meaningful gains in transparency or oversight, yet it would inflict new costs on member-owned institutions and diminish the value they provide to our communities. Congress has upheld the credit union tax exemption – and the related reporting exemption – for decades because these policies **enable credit unions to focus on what they do best: serving their members and communities, rather than diverting resources to bureaucracy**. We strongly urge you to **reject any effort to eliminate or narrow the Form 990 exemption for federal credit unions** and to continue supporting the credit union model that delivers meaningful benefits to millions of Americans. By doing so, you will be resisting a special-interest ploy and instead **protecting millions of consumers, including military families, who depend on credit unions for fair and affordable financial services**.

Thank you for your time and consideration of our views on this important matter. DCUC greatly appreciates your commitment to a balanced and equitable financial regulatory environment, as well as your past support for policies that recognize the credit union difference. **I respectfully request an opportunity to meet with you at your earliest convenience to discuss this issue in person** and to answer any questions you may have. We welcome a constructive dialogue on how to ensure that credit unions can continue to thrive in their vital mission of serving those who serve our nation. Please do not hesitate to contact me to arrange a meeting or for any further information.

Sincerely,

ANTHONY R. HERNANDEZ, Colonel, USAF (Ret)
President & CEO
Defense Credit Union Council