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National Association of Federally-Insured Credit Unions

November 1, 2023

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Re: Tomorrow's Committee Hearing: "Ensuring Financial Protection for Servicemembers, Veterans, and Their Families"

Dear Chairman Brown and Ranking Member Scott:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing, "Ensuring Financial Protection for Servicemembers, Veterans, and Their Families." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 138 million consumers with personal and small business financial service products. NAFCU's members, in particular defense credit unions, take special pride in serving veterans and supporting veteran entrepreneurs.

Credit unions are an important resource for our nation's veterans in their small business and entrepreneurial endeavors. Service members develop broad expertise across many disciplines while in the military, learning skills that can provide tremendous value to the economy. After great personal sacrifice, these Americans deserve every opportunity for success in their transition back to civilian life. One way Congress can help is to support legislation that would provide relief to barriers that stand in the way of veterans accessing credit for small businesses. This includes the arbitrary credit union member business lending (MBL) cap that constrains our credit union members' ability to help small businesses.

NAFCU supports S. 539, the Veterans Member Business Loan Act, introduced in the Senate by Sens. Dan Sullivan, R-Alaska, and Mazie Hirono, D-Hawaii, which would exempt loans made to veterans from the MBL cap. This bill would improve veterans' access to necessary capital by removing statutory barriers that hinder credit unions' ability to meet the financial needs of our nation's veterans. As a result of the close relationships credit unions maintain with their members, credit unions are often willing to assist members when other lenders refuse. Unfortunately, credit unions face a statutory MBL cap that hinders their ability to fully serve the needs of small businesses. Enacting this legislation will help ensure that credit unions can continue supporting veteran-owned businesses. We urge the Committee to support and advance

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this important legislation to ensure our veteran-owned businesses receive necessary capital and financial support to attain their financial goals.

Finally, we must express our opposition to the ongoing efforts by banking associations to change the law regarding Department of Defense (DoD) land leases for financial institutions as proposed in the draft “Military Banking Program Improvement Act” submitted as part of the Association of Military Banks of America’s (AMBA) testimony. The fact is that there are significant differences between for-profit banks and not-for-profit credit unions. This issue has been reviewed by the respective Armed Services Committees many times in recent years. As part of the 2022 National Defense Authorization Act (NDAA), the House Armed Services Committee requested an official DoD report which ultimately disproved the bank lobby’s main argument. In its report, DoD found zero instances where the current lease structure is 1) harming financial access for service members and their families, and 2) causing any base to go without financial services on the installation. Thus, DoD sees no need to change the status quo, which should settle this issue.

Furthermore, the “in-kind consideration” process currently available to banks and outlined in DoD’s report makes clear that lower base leases are available to “for-profit” banks which would decrease their expenses if they exercised statutory provisions under the Military Leasing Act, 10 USC §2667. There is little evidence of banks being denied an opportunity to work with DoD and obtain “in-kind consideration.” We encourage banks to work with DoD (as credit unions have done for many years) to obtain nominal cost leases, instead of trying to go around DoD to Congress and change laws impacting credit unions.

We thank you for the opportunity to share our thoughts on the importance of improving access to credit for our nation’s veterans. Should you have any questions or require any additional information, please contact me or Amber Milenkevich, NAFCU’s Senior Associate Director of Legislative Affairs, at amilenkevich@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. Senate Banking, Housing, and Urban Affairs Committee