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**National Association of Federally-Insured Credit Unions**

June 5, 2020

The Honorable James Inhofe  
Chairman  
Committee on Armed Services  
United States Senate  
Washington, D.C. 20510

The Honorable Jack Reed  
Ranking Member  
Committee on Armed Services  
United States Senate  
Washington, D.C. 20510

**Re: FY 2021 National Defense Authorization Act**

Dear Chairman Inhofe and Ranking Member Reed:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) regarding next week's markup of the *National Defense Authorization Act* (NDAA) for Fiscal Year 2021. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 120 million consumers with personal and small business financial service products. A number of our members are defense credit unions serving our nation's men and women in the armed forces. As you consider this important legislation, we urge you to reject any provisions regarding land leases for banks that may harm or disadvantage defense credit unions and their member-owners.

Through a years-long series of discussions with the Department of Defense (DoD), months of debate and several hearings before Congress, an amendment to the *Federal Credit Union Act* (FCU Act) was passed as part of the *Financial Services Regulatory Relief Act of 2006* (P.L. 109-351) to clarify that DoD has the *discretionary* authority to lease space on military bases at a nominal rate to credit unions provided that they meet certain statutory and regulatory requirements regarding the provision of financial services in the on-base facility (12 U.S.C. § 1770). It is important to note that while DoD has chosen to afford space on military bases at a nominal rate to credit unions, they are not required to do so. DoD, like many others, recognizes the value that credit unions bring to our men and women in uniform, in good times and bad. For example, during the partial government shutdown last year, many credit unions offered programs to assist those impacted by a lack of a paycheck, while other financial institutions did little or nothing.

It is unfortunate that banking groups continue to ask Congress to require that the DoD treat large mega-banks, such as Wells Fargo, the same as a military installation's local not-for-profit defense credit union when it comes to rent on military bases. While we recognize the important role both credit unions and banks can play for our men and women in the military in the provision of traditional financial services, the fact remains that banks and credit unions are fundamentally different. For-profit banks ultimately focus on benefitting shareholders while credit unions focus on serving their member-owners.

It is important to point out that although bankers claim that they are required to pay rent on military bases at a fair market value cost, the reality is that banks also already have an avenue to pursue

The Honorable James Inhofe, The Honorable Jack Reed

June 5, 2020

Page 2 of 2

nominal cost leases via 10 U.S.C. § 2667. The *Floyd D. Spence National Defense Authorization Act For Fiscal Year 2001* (P.L. 106-398) gave DoD the authority to accept “in-kind consideration” for leases on military property, including “provision of such other services relating to activities that will occur on the leased property that the Secretary concerned considers appropriate.” If military banks were to work with DoD, in-kind consideration could be accepted with respect to a bank lease. Prior to the enactment of the aforementioned amendment to the FCU Act, credit unions also pursued nominal leases via this same provision in 10 U.S.C. § 2667. We would encourage military banks to work with DoD to make better use of this provision.

Like banks, many credit unions have also left bases in the past 10 years – even with the nominal lease provision. This issue is a complex one. Many parties beyond just banks could be impacted by a bank lease amendment, including DoD and credit unions. Accordingly, we ask that you do not include a bank lease amendment in the Senate NDAA bill until all of the affected parties can agree on a path forward that is truly in the best interest of our armed forces.

On behalf of our nation’s credit unions and their 120 million members, we thank you for your attention to this important matter. Should you have any questions or require any additional information, please contact me or Sarah Jacobs, NAFCU’s Associate Director of Legislative Affairs, at 703-842-2231.

Sincerely,

A handwritten signature in cursive script that reads "Brad Thaler".

Brad Thaler

Vice President of Legislative Affairs.

cc: Members of the Senate Armed Services Committee