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National Association of Federally-Insured Credit Unions

September 19, 2019

The Honorable James Inhofe
Chairman
Senate Armed Services Committee
228 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Adam Smith
Chairman
House Armed Services Committee
2216 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Jack Reed
Ranking Member
Senate Armed Services Committee
228 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Mac Thornberry
Ranking Member
House Armed Services Committee
2216 Rayburn House Office Building
Washington, D.C. 20515

Re: Credit Union Opposition to Section 2821 of S. 1790

Dear Chairman Inhofe, Chairman Smith, Ranking Member Reed and Ranking Member Thornberry:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) regarding Section 2821 of the Senate-passed National Defense Authorization Act (NDAA) for Fiscal Year 2020 (S. 1790). NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 118 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. Section 2821 would expand access to nominal leases on military installations for banks and require the Department of Defense (DoD) to treat banks and credit unions on military installations the same when it comes to leases. The House-passed version of the NDAA, H.R. 2500, contains no such provision. As the conference committee works out the differences between the two bills, we urge you to strike Section 2821 of S. 1790 from the final version of the NDAA.

Through a years-long series of discussions with 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 earlier this year, many credit unions offered programs to assist those impacted by a lack of a paycheck, while other financial institutions did little or nothing.

Section 2821 of the Senate NDAA could essentially 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. A long track record of consumer abuses aside, Wells Fargo's annual gross profit for 2018 was \$86 billion according to news reports. Although 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 and in protecting our troops from predatory lenders, we remain concerned that Section 2821's intent to tie the fate of banks on the lease issue to credit unions and their good work misses the mark, and would ultimately disadvantage credit unions. Rather than granting nominal leases to banks and credit unions, the DoD could very well decide to stop granting nominal leases altogether. We do not want to subject the ability of defense credit unions to serve their members to the political winds surrounding big bank consumer abuses.

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 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.

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 such an amendment, including DoD and credit unions. All of the affected parties need to agree on a path forward that is truly in the best interest of our nation's armed forces. Accordingly, we ask that you do not enact Section 2821 of the Senate NDAA into law 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 more than 118 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,



Brad Thaler
Vice President of Legislative Affairs.

cc: Members of the FY2020 National Defense Authorization Act Conference Committee