



National Association of Federally-Insured Credit Unions

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May 24, 2023

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Rodney E. Hood, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: 5.25.23 Board Agenda Item on Part 721 Charitable Donation Accounts

Dear Chairman Harper, Vice Chairman Hauptman, and Board Member Hood:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU) and the Defense Credit Union Council (DCUC), we are writing to thank the National Credit Union Administration (NCUA) for including an item on its agenda for the May 25, 2023 NCUA Board (Board) meeting on NCUA Regulations Part 721 Charitable Donation Accounts (CDAs). Furthermore, we reiterate our call for the Board to amend Part 721 to allow credit unions to better serve America's veterans by expanding the definition of "qualified charity" in Part 721.3 to include 501(c)(19) veterans' organizations.

NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 135 million consumers with personal and small business financial service products. DCUC is the premier resource for credit unions on all military and veteran matters, comprised of 180 credit unions serving over 35 million members. On November 8, 2022, NAFCU and DCUC, along with the Veterans of Foreign Wars (VFW), and CUNA Mutual Group, wrote to urge the NCUA to expand the definition of "qualified charity" in NCUA Regulations Part 721.3 to include 501(c)(19) veterans' organizations. We are pleased to see the Board respond to this request and take under consideration a proposed rule on Part 721. Many credit unions include members of the armed services in their Field of Membership (FOM) and embrace community involvement as part of their mission. Given credit unions' willingness to support service members and the existing unaddressed needs among our country's veterans, it is crucial for the NCUA to prioritize equipping credit unions with the regulatory flexibility to assist 501(c)(19) veterans' organizations.

In 2012, the Board added charitable contributions as an incidental power of credit unions. In 2013, the NCUA clarified that FCUs could fund CDAs which hold investments that are otherwise impermissible, as donations to qualified charities. However, the current definition of "qualified charity" excludes 501(c)(19) veterans' organizations, limiting FCUs' ability to support them. This limitation prevents FCUs from utilizing CDAs for donations to veterans' organizations, essentially forcing FCU boards to donate to 501(c)(3) organizations instead.

The NCUA has the authority to expand the definition of "qualified charity" in its regulations. FCUs have a long-standing tradition of engaging in charitable giving, and the addition of charitable contributions and donations as an incidental power in 2012 recognized this. Expanding the definition to include 501(c)(19) organizations would not be a "slippery slope" and is justified because both 501(c)(3) and 501(c)(19) organizations share similar purposes. Credit unions have strong ties to the military community, serving servicemembers on military bases and providing financial services to the military for decades. Defense Credit Unions (DCUs), credit unions dedicated to serving the military, have existed for over 100 years and currently serve 35 million members, just over a quarter of all credit union members in the country. The bond between credit unions and service members is significant, and restricting FCUs from donating to veterans' organizations goes against their nature.

The narrow definition of "qualified charity" not only hampers the ability of DCUs to contribute to veterans' organizations, but also limits other credit unions in helping their members connected to the military. With millions of veterans facing unmet needs, including disabilities, mental health challenges, and high suicide rates, there is a pressing need to support veterans' organizations. Expanding the definition of "qualified charity" would enable FCUs to donate to 501(c)(19) organizations through CDAs, providing substantial support to the veterans' community and making a meaningful difference in their mission.

The undersigned thank the NCUA for taking up this item and urge the Board to amend the definition of "qualified charity" as it relates to Charitable Donation Accounts (CDAs) in Part 721.3 of NCUA regulations to include 501(c)(19) veterans' organizations. Thank you for your consideration and we look forward to working with you to help the credit union industry help our veterans. If we can answer any questions or provide you with additional information, please do not hesitate to contact Senior Regulatory Affairs Counsel James Akin at 703-615-5109 or jakin@nafcu.org.

Sincerely,



B. Dan Berger
President & CEO
NAFCU



Anthony Hernandez
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DCUC