



DCUC
DEFENSE CREDIT UNION COUNCIL

1627 Eye St, NW
Suite 935
Washington, DC 20006

202.734.5007
www.dcuc.org

Jason Stverak
Chief Advocacy Officer

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The Honorable Roger Williams
Chairman
Small Business Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Nydia Velázquez
Ranking Member
Small Business Committee
United States House of Representatives
Washington, DC 20515

Dear Chairman Williams and Ranking Member Velázquez,

On behalf of the Defense Credit Union Council (DCUC), I am writing to highlight the essential role that credit unions play in supporting small businesses, particularly veteran entrepreneurs, and to urge the Committee to ensure that the Small Business Administration (SBA) partners with all community-based financial institutions. DCUC represents credit unions stateside and overseas serving military and veteran communities as well as their families, encompassing over 40 million members and having over \$525 billion in assets.

As the Committee prepares for the upcoming hearing titled “Driving Economic Growth: SBA Lending Programs and the Vital Role of Community Banks” on February 12, 2025, I respectfully request that you consider the following points.

Credit Unions: Equal Partners in SBA Lending

While the SBA has historically partnered heavily with community banks in small business lending programs, credit unions are equally vital to local economies and should not be excluded from these programs. The goal of the SBA should be to maximize access to capital for small businesses by leveraging all community-based financial institutions—not just one subset of them.

- **Credit Unions Specialize in Relationship-Based Lending:** Unlike many large financial institutions, credit unions are member-owned and mission-driven, meaning they prioritize long-term relationships over short-term profits. This allows them to provide personalized, flexible financing solutions that cater to the specific needs of small businesses, including startups and veteran-owned businesses.
- **Credit Unions Serve Underserved and Rural Communities:** Many credit unions are the primary or sole financial institutions in rural and underserved areas where community banks have consolidated or left. According to the National Credit Union Administration (NCUA), nearly 60% of credit unions operate in designated rural or underserved areas, making them a critical source of capital for small businesses in these regions.
- **Credit Unions Offer Competitive Loan Terms:** Because they are not-for-profit financial cooperatives, credit unions reinvest earnings back into their members, resulting in lower interest rates, fewer fees, and more flexible repayment terms on small business loans.

The SBA Must End the Discrimination Against Credit Unions

The current structure of SBA loan programs does not treat credit unions equally with community banks, effectively limiting the options available to small businesses. Several issues contribute to this unfair imbalance:

1. **Regulatory Barriers:** Credit unions are subject to a member business lending cap, limiting their ability to issue small business loans—despite strong performance and demand. Meanwhile, community banks face no such restrictions.

Serving Those Who Serve Our Country

2. SBA Loan Participation Challenges: The SBA's processes for approving and servicing loans are designed with community banks in mind, creating administrative burdens and delays for credit unions that want to participate in these programs.

3. Lack of Equal Access to SBA Resources: Credit unions often lack the same level of inclusion in SBA outreach, training, and resources, making it harder for them to participate fully in government-backed lending programs.

To truly drive economic growth and ensure capital flows where it is most needed, the SBA must expand its partnerships beyond community banks and fully embrace credit unions as equal partners in small business lending.

Veterans, Small Business Lending, and the Role of Credit Unions

One of the most compelling reasons for the SBA to expand its partnerships with credit unions is the urgent need to support veteran entrepreneurs. Veterans possess strong leadership, discipline, and strategic skills, making them ideal candidates for business ownership. Yet, despite their potential, veteran-owned businesses face disproportionate challenges when trying to secure capital.

- **Veterans Rely Heavily on Personal Savings:** According to the SBA's Office of Advocacy, 73% of veteran-owned businesses rely on personal or family savings as their primary source of startup capital—a much higher rate than non-veteran entrepreneurs.

- **Access to Business Loans Remains Limited:** Even when they seek financing, veteran entrepreneurs are less likely to be approved for traditional business loans due to factors like gaps in civilian credit history and difficulty meeting collateral requirements.

- **The Decline in Veteran Business Ownership:** The share of veteran-owned businesses in the U.S. has dropped from 11% in 2014 to just 8.1% in 2020, underscoring the need for targeted policies that expand credit access.

Pass the Veterans Member Business Loan Act

A key solution to improving access to credit for veteran entrepreneurs is passing the Veterans Member Business Loan Act, introduced by Representatives Vicente Gonzalez (D-TX) and Brian Fitzpatrick (R-PA). This bipartisan legislation would exempt loans made to veteran-owned businesses from the arbitrary member business lending cap imposed on credit unions.

This simple but impactful reform would:

- ✔ Allow credit unions to lend more capital to veteran-owned businesses without running into regulatory restrictions.
- ✔ Expand small business financing options for veterans, ensuring they are not solely reliant on traditional banks.
- ✔ Strengthen local economies by encouraging more veteran-owned businesses to grow and thrive.

Empowering Defense Credit Unions to Support Veteran Entrepreneurs

Another critical step is allowing defense credit unions—those serving military bases and communities—to fully participate in SBA lending programs. These institutions are uniquely positioned to help service members transition into small business ownership, but they face unnecessary barriers to offering business loans.

By ensuring that defense credit unions can fully support veteran entrepreneurs, Congress can provide a direct path to financial readiness and business success for those who have served our country.

To ensure small businesses—especially those owned by veterans—have full and equal access to capital, the SBA must embrace all community-based financial institutions, including credit unions, as equal partners in small business lending.

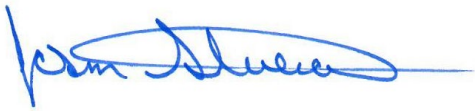
This means:

- ✓ Ending restrictions that limit credit union participation in SBA lending programs.
- ✓ Passing the Veterans Member Business Loan Act to remove unfair lending caps.
- ✓ Allowing defense credit unions to provide business loans to transitioning service members and veterans.

I urge the Committee to ensure that credit unions are included in the SBA's lending partnerships and that legislative efforts support their ability to serve America's small business community.

Should you or your team have any questions or desire additional information, please do not hesitate to contact me at 202.557.8528 or by email at jstverak@dcuc.org.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: House Small Business Committee Members