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The Honorable Roger Williams
Chairman, House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

The Honorable Nydia M. Velázquez
Ranking Member, House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Williams and Ranking Member Velázquez:

On behalf of the Defense Credit Union Council (DCUC) and America's 200+ defense credit unions serving nearly 40 million members, I write to thank you for holding the hearing entitled "*From Service to Startup: Empowering Veteran Entrepreneurs*" We applaud the Committee's leadership in spotlighting the need to improve access to capital for entrepreneurs, particularly in our military and veteran communities. DCUC is the trusted voice for credit unions that serve our nation's servicemembers, veterans, and their families. For over 60 years, these credit unions have operated on or near military installations worldwide, providing vital financial services that enhance military readiness and family financial security. Our mission is to ensure that the unique financial needs of military and veteran families are met – including the needs of veteran small business owners striving to achieve the American dream of entrepreneurship.

DCUC's Membership and Mission: DCUC's member credit unions are primarily focused on serving military-affiliated populations, from active-duty troops to retired veterans. We maintain close liaison with the Pentagon, Capitol Hill, and regulators to champion the interests of credit unions serving military and veteran communities. Our coalition of defense credit unions is uniquely positioned to support veteran entrepreneurs at every stage, from helping transitioning servicemembers start a business to providing capital for established veteran-owned companies. We have a proud history of promoting financial readiness and economic opportunity for those who served our country. It is in this capacity that we strongly **support pending legislation to exempt veteran small business loans from the credit union member business lending cap**, as a critical step to increase veteran access to capital.

The Credit Union Member Business Lending Cap – An Outdated Barrier: Under current law, federally chartered credit unions are subject to an aggregate member business lending (MBL) cap equal to 12.25% of the credit union's total assets. This **12.25% cap** is a statutory limit imposed by 12 U.S.C. §1757a, and it has become an **unfair and arbitrary constraint** that hinders credit unions' ability to fully serve veteran-owned small businesses. Unlike banks, which face no comparable cap, credit unions must turn away or curtail small business loans once they approach this threshold. DCUC's member credit unions consistently report that they remain well-capitalized and eager to do more business lending while maintaining safe and sound operations. However, the rigid MBL cap "*prevent[s] [credit unions] from doing more to help America's veterans start small businesses*". In practice, this means deserving veteran entrepreneurs may be denied credit or left under-served **not due to credit risk, but due to an**

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artificial lending ceiling imposed on the community-based financial institutions best suited to assist them. In DCUC's view, this cap is an outdated relic that does not reflect the realities of today's economy or the strong lending track record of credit unions. It is especially untenable when its impact falls on those who have served our nation.

Legislative Solution – The Veterans Member Business Loan Act (VMBLA): We urge the Committee to support and advance the **Veterans Member Business Loan Act**, bipartisan, bicameral legislation to modernize the Federal Credit Union Act. In the 119th Congress, this proposal was introduced as **H.R. 507** by Rep. Vicente Gonzalez (D-TX) and Rep. Brian Fitzpatrick (R-PA) in the House, and as **S. 110** by Sen. Mazie Hirono (D-HI) and Sen. Dan Sullivan (R-AK) in the Senate. The VMBLA is a common-sense bill that would **exempt loans made to veteran-owned small businesses from the credit union MBL cap**, thereby freeing up additional lending capacity specifically for veterans. Importantly, this change would come at **no cost to taxpayers** – it simply removes an arbitrary limit and allows credit unions to deploy more of their own capital to veteran entrepreneurs. By excluding veteran business loans from the cap calculation, Congress would “*unlock more capital for veterans*” and enable credit unions to fully support these borrowers without having to scale back other business lending. DCUC wholeheartedly supports this legislation and believes it aligns perfectly with the hearing’s goal of *increasing access to capital for small businesses*. Enacting the VMBLA would immediately inject new opportunities for veterans to obtain affordable credit through credit unions, all while maintaining prudent regulatory oversight and without expanding government spending. We are grateful that this Committee has already shown interest in the issue, and we hope to see the bill move forward with your endorsement.

Veteran-Owned Businesses – A Growing Community with Unmet Credit Needs: America’s veteran entrepreneurs have proven their dedication and skills in service, and now contribute tremendously to our economy as small business owners. There are nearly **2 million veteran-owned small businesses** in the United States, collectively employing about **5 million Americans** and generating close to **\$1 trillion in annual sales**. These firms span every industry, from Main Street retail shops to high-tech startups, and represent approximately 5% of all U.S. businesses. Despite their successes and pivotal role in local economies, veteran-owned businesses often face greater difficulty in accessing the capital needed to launch and grow. Studies consistently show that **veteran entrepreneurs have higher loan denial rates than their non-veteran counterparts** – for example, **36% of veteran business owners are denied credit** when seeking to start or expand a business, versus about 20% for non-veterans. Likewise, veteran-owned firms tend to apply for credit more frequently and in larger amounts, yet **a staggering 60% report a financing shortfall (receiving less funding than requested)**. According to the Federal Reserve and SBA, loan approval rates from major lenders are roughly 10 percentage points lower for veterans than for other borrowers. The reasons often include shorter or less-established credit histories (due to military relocations and deployments) and lack of collateral, challenges that many veterans encounter when transitioning to civilian business life. The bottom line is that **veterans have the ideas, discipline, and drive to build businesses, but they frequently struggle to obtain equitable access to financing**. This Committee’s focus on increasing capital access is therefore especially pertinent to veteran entrepreneurs. By exempting veteran business loans from the credit union MBL cap, Congress can materially **bridge this credit gap**. Credit unions – mission-driven, not-for-profit lenders rooted in their communities – are ideally suited to step in and provide more loans to veteran-owned businesses once freed from the current cap. In fact, credit unions often serve markets that big banks overlook, including military bases and rural areas. Removing the cap barrier will empower us to say “yes” more often to a veteran applying for a business startup loan or an expanding vet-owned company looking for capital. This means more veteran-owned startups launched, more jobs created in local communities, and ultimately a stronger small business sector – truly **investing in the backbone of America**.

DCUC's Ongoing Advocacy and Commitment: DCUC has long championed this policy change as part of our commitment to veteran financial access and economic opportunity. In a letter to the Committee last year, we emphasized that the 12.25% lending cap is “*hindering [credit unions'] ability to serve veteran-owned small businesses*” and urged support for exempting veteran loans via the Veterans Member Business Loan Act. We noted then, as we do again now, that credit unions stand ready to safely **lend more to veteran entrepreneurs** if given the chance. “*We are prevented from doing more to help America's veterans... due to this outdated MBL cap. Our members stand ready to do more now to help America's veterans,*” DCUC wrote in that testimony. This sentiment remains true today. Our credit unions see firsthand the promising veteran-owned ventures that could hire more employees or expand operations with a modest loan – if not for the arbitrary ceiling imposed on our lending. Removing that ceiling for veteran loans is a top legislative priority for DCUC. We have applauded the bipartisan coalition in Congress working to fix this issue, and we have highlighted the overwhelming public support for expanding veteran small business credit availability. Simply put, “*veteran entrepreneurs deserve full access to capital, and credit unions are uniquely positioned to provide it*”. We firmly believe that **lifting the MBL cap for veteran loans “helps pay back the sacrifices [veterans] made in defense of our nation”**. No organizations understand that duty better than defense credit unions, which exist to serve those who served us. DCUC will continue to work tirelessly with Congress, the Small Business Administration, and other stakeholders to eliminate barriers and improve financing options for our veteran small business community.

Conclusion – A Call to Support Veteran Access to Capital: In closing, we respectfully urge the House Small Business Committee to **support exempting veteran business loans from the credit union MBL cap** as a critical measure to increase access to capital for those who have worn our nation’s uniform. This reform is pro-veteran, pro-small business, and pro-community – it allows local not-for-profit lenders to do what they do best: invest in their members’ success. Enacting the Veterans Member Business Loan Act would immediately expand the availability of affordable credit for veteran entrepreneurs, unleashing new economic opportunities in communities across the country. **By embracing this bipartisan solution, Congress can honor our veterans’ service in a meaningful way – helping them overcome financial hurdles and build thriving businesses here at home.** DCUC and our member credit unions stand ready to assist you in advancing this policy. We remain committed to partnering with you to ensure that *all* of America’s small business owners, especially our veterans, have a fair chance to access the capital they need to succeed. Thank you again for holding this important hearing and for your leadership on expanding small business capital access. We appreciate your consideration of our views, and we welcome any further opportunity to provide information or assistance to the Committee.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the House Committee on Small Business