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September 18, 2025

Comment Intake—Legal Standard Applicable to  
Supervisory Designation Proceedings  
c/o Legal Division Docket Manager  
Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552

Via email: [2025DesignationStandardNPRM@cfpb.gov](mailto:2025DesignationStandardNPRM@cfpb.gov)

RE: Request for Comment on Legal Standard Applicable to Supervisory Designation Proceedings [Docket No. CFPB-2025-0018, RIN 3170-AB45]

To Whom It May Concern:

On behalf of the Defense Credit Union Council (DCUC)<sup>1</sup> and its credit union members—proudly serving our nation’s military community—I write to express concerns regarding the Consumer Financial Protection Bureau’s (CFPB) proposed rule to adopt a standardized definition of “risks to consumers with regard to the offering or provision of consumer financial products or services” that will designate nonbank covered persons for CFPB supervision. While DCUC supports the CFPB’s broader goals of consistency, transparency, and streamlining requirements, we cannot support this proposal as written. The new definition would unnecessarily narrow the CFPB’s supervisory authority over nonbank covered persons at a time when their number and complexity are expanding, while placing regulated depository institutions, such as credit unions, at a competitive disadvantage.

The CFPB is authorized by statute to supervise a nonbank covered person that it has reasonable cause to determine is engaging, or has engaged, in conduct that poses risks to consumers regarding the offering or provision of consumer financial products or services.<sup>1</sup> Historically, the CFPB has exercised this authority through case-by-case orders and has not, to date, issued a rule addressing the meaning of “risks to consumers” in the context of its statutory authority. While the CFPB sites concerns that individual orders may be inconsistent or create compliance uncertainty, the proposed rule does not resolve the issue. Instead, it risks weakening supervisory oversight where it is most needed.

Specifically, the CFPB’s proposed standard states that, for purposes of section 1024(a)(1)(C) of the Consumer Financial Protection Act (CFPA), “conduct that poses risks to consumers with regard to the offering or provision of consumer financial products or services” is conduct that: (a) presents a high likelihood of significant harm to consumers; and (b) is directly connected to

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<sup>1</sup> DCUC represents more than 200 defense-affiliated credit unions and over 40 million members—including active duty servicemembers, Guard and Reserve personnel, veterans, Department of Defense civilians, and military families.

<sup>1</sup> See 12 U.S.C. 5514(a)(1)(C).

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the offering or provision of a consumer financial product or service as defined in section 1002 of the CFPA. This definition is overly narrow in two ways:

**1. High likelihood of significant harm.**

The threshold is too high - This threshold is so high that it would effectively eliminate most CFPB supervisory actions against nonbank covered persons. Many harmful practices only become evident through the examination process, making this proposed standard a prerequisite trap. Moreover, minor but widespread harms—such as deceptive or inaccurate fees applied across a large customer base—may be insignificant for the individual consumer but collectively substantial. By excluding such practices, the proposed rule would create a compliance loophole for these entities.

**2. Direct connection to products or services.**

Ignores too many risks - Limiting supervision to conduct that, “is directly connected to the offering or provision of a consumer financial product or service as defined in section 1002 of the CFPA,” excludes critical ancillary activities such as data protection, cybersecurity practices, loan servicing, and debt collection. These functions, though not always direct product offerings, significantly affect consumers’ financial well-being and must remain within the supervisory scope as they currently are for credit unions.

Furthermore, we are concerned that narrowing the CFPB’s authority now—when it already examines few nonbank covered persons each year—will further reduce oversight, particularly given the agency’s recent staff reductions. Credit unions, by contrast, undergo regular and rigorous examinations by federal and state regulators. Creating an uneven supervisory landscape disincentivizes compliance for nonbanks while increasing competitive pressure on credit unions that already meet higher supervisory standards.

The financial services industry is evolving, and CFPB’s supervisory role must evolve with it. Removing nonbank covered persons from supervision creates immeasurable risk to the entire industry. CFPB must prioritize the supervision of these entities before problems start.

Therefore, DCUC urges the CFPB to keep the current framework or adopt a standard that does not reduce supervisory expectations for nonbank covered persons. We are thankful for the CFPB’s ongoing review of its regulations and look forward to working with the agency as it streamlines requirements for community-based institutions such as credit unions.

If you have any questions, please do not hesitate to email me at [jstverak@dcuc.org](mailto:jstverak@dcuc.org) or contact me via the phone at 202.557.8528.

Sincerely,



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