



**DCUC**  
DEFENSE CREDIT UNION COUNCIL

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September 14, 2025

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

*Upcoming Hearing:* “Pathway to Capital: The Role of SBA Lending in Supporting Main Street America” (September 16, 2025)

Dear Chairman Williams and Ranking Member Velázquez:

On behalf of the Defense Credit Union Council (DCUC) and our over 40 million members across the United States and around the world, thank you for your leadership in supporting America’s small businesses. DCUC is the premier trade association representing credit unions serving military and veteran communities worldwide. We are dedicated to ensuring that those who have served our country – as well as entrepreneurs in communities often overlooked by big banks – have access to the financial resources necessary to thrive in civilian life. We applaud the Committee’s attention to the critical issue of expanding access to capital for Main Street businesses through the Small Business Administration (SBA) lending programs.

America’s credit unions play a vital role in delivering capital to *Main Street* small businesses. As community-based, not-for-profit lenders, credit unions offer relationship-based lending and localized decision-making that larger institutions often cannot match. This is especially true in military and rural communities, where defense credit unions frequently fill the void left by big banks by providing personalized small business loans, financial education, and mentorship. Every day, credit unions leverage their deep community ties and mission-driven approach to support entrepreneurs – from the family-owned shop on Main Street to the veteran-owned startup looking to grow. These efforts strengthen local economies, create jobs, and ensure financial inclusion in areas that might otherwise be underserved.

However, credit unions’ ability to fully support small business growth is constrained by outdated laws and regulations. Chief among these is the federal **Member Business Lending (MBL) cap**, an arbitrary limit set by Congress in 1998 that restricts most credit unions’ business lending to 12.25% of their total assets. In practice, this one-size-fits-all cap means that even when a credit union has ample capital and a qualified borrower – say, a veteran-owned small business needing a modest loan to expand – the credit union may be forced to turn that borrower away once the cap is reached. This limitation does *not* reflect market realities or borrower demand in many communities. Notably, the cap’s impact is felt most acutely by the very groups we are discussing today: veteran-owned businesses and rural entrepreneurs who often have fewer alternative financing options. DCUC has long argued that the MBL cap disproportionately hurts veterans and rural communities by choking

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off a key source of affordable credit when it's needed most. In short, while defense credit unions stand on the front lines of providing capital to military and Main Street businesses, current law limits how effectively we can respond to the demand for small business financing.

Aside from the MBL cap, there are other barriers that hamper credit unions' participation in SBA lending programs. The SBA's flagship 7(a) loan program – which is critical for guaranteeing loans to small businesses – currently involves complex administrative and structural hurdles that can deter many credit unions from taking part. These challenges include cumbersome paperwork, lengthy approval processes, and resource-intensive requirements that are difficult for smaller community lenders to navigate. Streamlining the SBA loan process and reducing red tape would enable more credit unions to become SBA lending partners, thereby getting more capital into the hands of small-business owners. In particular, removing regulatory hurdles and leveling the playing field for credit unions (so they are not disadvantaged compared to other financial institutions or government lenders) will help ensure that *all* viable small businesses – whether urban or rural, veteran-owned or civilian – have fair access to financing.

In focusing on “pathways to capital,” we must pay special attention to the unique challenges faced by America's veteran entrepreneurs. Veteran-owned businesses are a powerful engine of economic growth – approximately **1.76 million** U.S. businesses are veteran-owned, employing about **5.3 million Americans** and generating nearly **\$1 trillion** in annual revenue. These enterprises bring leadership and innovation to the marketplace, and they contribute greatly to local communities. Yet, despite their significant contributions, veterans who start small businesses often struggle with accessing credit and financing on fair terms.

Studies consistently show that veteran entrepreneurs face higher barriers to obtaining loans than their non-veteran counterparts. Some of the key obstacles include:

- **Higher loan denial rates:** Veterans apply for more small-business loans per capita than non-veterans, but they are rejected at disproportionately high rates by traditional lenders. According to the SBA and Federal Reserve, veteran-owned firms are not only more likely to be seeking credit (often in modest amounts), they are also more likely to be denied financing – indicating a clear unmet demand in this segment.
- **Limited credit histories:** Many veterans have thin or limited credit files due to frequent relocations and deployments during their military service. Frequent moves and the unique circumstances of military life can make it challenging to establish the long credit history that many banks prefer to see for business loans. This lack of credit history (or collateral) can cause otherwise qualified veteran borrowers to appear higher-risk on paper, even though they are creditworthy.
- **Reliance on personal savings:** A very large share of veteran entrepreneurs end up relying on personal or family savings to fund their businesses. In fact, about **72%** of majority-veteran-owned startups use personal or family savings as their primary source of startup capital (versus 62% for non-veteran firms). This over-reliance on personal funds leaves veteran business owners financially vulnerable and limits their growth potential, as they may lack sufficient capital to expand or withstand setbacks.

These challenges have taken a toll on the rate of veteran business ownership. The share of U.S. businesses owned by veterans dropped from **11%** in 2014 to just **8.1%** by 2020. We should be alarmed that those who bravely served our nation are finding it harder to launch and grow businesses back home. Factors like limited credit history or lack of collateral should not be allowed to stifle the entrepreneurial dreams of our veterans. Removing barriers to capital for veteran entrepreneurs isn't just the right thing to do for those individuals – it will also bolster the economies of countless communities. From rural towns to bustling cities, veterans bring strong leadership, discipline, and innovation to the marketplace. Empowering them to succeed in business will pay dividends in job creation and economic growth nationwide.

Fortunately, credit unions are uniquely positioned to help bridge the gap for these veteran entrepreneurs. Defense-focused credit unions, in particular, understand the military community and the challenges of transition to civilian life. Our member credit unions operate on or near many military installations and have longstanding relationships with servicemembers and veterans. We see firsthand the talent and potential our veterans have as business owners – and we are eager to do more to support them. With their not-for-profit, mission-first model, credit unions are often willing to make smaller-dollar loans or accommodate special circumstances (like non-traditional credit profiles) to serve a veteran with a strong business plan.

To address these barriers and empower veteran-owned small businesses, **DCUC strongly supports** the *Veterans Member Business Loan Act (VMBLA)*. This bipartisan, bicameral legislation – introduced in the House by Representatives Vicente Gonzalez (D-TX) and Brian Fitzpatrick (R-PA) and in the Senate by Senators Mazie Hirono (D-HI) and Dan Sullivan (R-AK) – would amend the Federal Credit Union Act to **exclude loans made to veteran-owned small businesses from the credit union MBL cap**. In essence, loans to veterans would no longer “count against” that arbitrary 12.25% cap, freeing up credit unions to lend more to veteran entrepreneurs without increasing any systemic risk to the financial system. This is a prudent, targeted reform. By carving out veteran business loans from the cap, Congress can unleash existing lending capacity in the credit union sector to support those who have served – all at *no* cost to taxpayers and with *no* reduction in safety and soundness.

The benefits of the VMBLA would be immediate and profound. Exempting veteran business loans from the cap would effectively “**open the spigot**” of capital for thousands of veterans looking to start or grow a business. According to a joint SBA/Federal Reserve report, veteran-owned firms are more likely than other businesses to seek financing yet are more likely to be denied or underfunded, leaving a clear gap between their credit needs and what the market provides. By allowing credit unions to fully meet this unmet demand, the VMBLA will help veteran entrepreneurs secure the funding they need to expand operations, hire employees, and invest in their communities. Over time, this will translate into more local jobs and economic activity. In particular, many **rural areas** – which often have high concentrations of veterans but fewer alternative lenders – would see a much-needed boost. Lifting the cap for veterans will spur new economic opportunities in underserved rural and small-town communities that have been starved of capital in recent years. This is truly a win-win proposition: *veterans gain access to opportunity, and communities gain the businesses, services, and jobs those veterans create.*

Equally important, the Veterans Member Business Loan Act achieves all of this **without costing the taxpayers a dime**. Credit unions, not the government, supply the capital for these loans – we are simply asking for relief from an artificial constraint so that we can put our capital to work for veteran entrepreneurs. This bill would allow mission-driven, member-owned credit unions to do more for the veterans and military families we serve, while maintaining all prudential lending standards. It’s worth noting that Congress has already recognized the wisdom of exempting certain categories of loans from the cap (for example, loans secured by agricultural properties are excluded from the MBL cap under current law). Veteran business loans are just as deserving of an exemption, given the outsize sacrifices and service of those who will benefit. Our nation’s heroes should not be *disadvantaged* when seeking business financing; they should compete on equal footing for credit, rather than being shut out by an arbitrary cap. By aligning veteran small business loans with existing exceptions, VMBLA ensures that those who wore our nation’s uniform are no longer penalized in the marketplace.

DCUC has been championing this reform for years, and we are encouraged by the growing bipartisan support it has garnered. With lead sponsors from both parties and dozens of cosponsors, the Veterans Member Business Loan Act represents a timely, commonsense effort to give back to those who have given so much for our country. As one credit union leader (and Air Force veteran) aptly said, supporting veterans’ transition to successful business ownership is more than a financial issue – *it’s a way to honor their service and contributions*. We firmly believe that enacting this bill would honor our veterans not just with words, but with tangible opportunities to prosper in the next chapter of their lives. It would empower thousands of transitioning service members to create jobs, grow wealth, and continue serving their communities as business leaders. In short, this bill is about unlocking the potential of America’s veterans and, in doing so, strengthening our nation’s economic future.

In addition to passing the VMBLA, we urge Congress to continue **modernizing SBA lending programs** in ways that expand access to capital through community-based lenders. First and foremost, DCUC strongly supports preserving the successful public-private partnership model at the heart of SBA's 7(a) loan program. We **oppose any expansion of SBA's direct lending authority** that would turn the SBA into a direct competitor to private lenders. Recent proposals to allow the SBA to make 7(a) loans directly – bypassing local financial institutions – have been widely criticized as inefficient and duplicative. Community-based lenders like credit unions and community banks are far better equipped than a distant federal agency to meet the unique needs of small business borrowers, particularly in specialized communities like those around military bases. Local lenders offer relationship-based lending, personalized guidance, and an understanding of their customers' circumstances – factors essential for serving veteran-owned startups and other Main Street enterprises. We were therefore heartened by the introduction of the legislation that would block the SBA from becoming a direct 7(a) lender and instead **preserve the essential role of community lenders** (including credit unions) in delivering SBA-guaranteed loans to Main Street. DCUC views this issue as a vital safeguard for America's small business lending system and a direct win for military-connected entrepreneurs. We urge the House Small Business Committee to support efforts that **keep the SBA focused on partnering with lenders rather than displacing them**. By maintaining the SBA's long-standing public-private partnership model, Congress will ensure that small businesses continue to benefit from the efficiencies and personal touch that local lenders provide, while still enjoying the credit enhancements (guarantees) that the SBA offers.

At the same time, Congress should look for opportunities to **streamline and improve the SBA's loan programs** to make them more accessible. Simplifying the 7(a) loan application process, reducing unnecessary paperwork, and increasing outreach to both lenders and borrowers would enable more credit unions to participate and more small businesses to benefit. For example, SBA could expand training and technical assistance for community lender participation, and enhance programs like the Veteran Business Outreach Centers (VBOCs) to help veteran entrepreneurs navigate the loan process. We also support ensuring *regulatory parity* in small business lending – meaning credit unions should not be unfairly disadvantaged compared to other financial institutions (or government-sponsored lenders like the Farm Credit System) when serving small businesses. Leveling the playing field and encouraging partnerships (for instance, making it easier for credit unions to utilize USDA or SBA loan guarantees) will channel more investment into rural and underserved communities without costing the government more. Ultimately, all policy levers should align toward one goal: eliminating the obstacles that prevent promising entrepreneurs – including those who wore our nation's uniform – from accessing the capital they need to build their businesses.

**Call to Action – Recommendations:** In light of the above, we respectfully urge the Committee to take the following actions:

1. **Support and pass the Veterans Member Business Loan Act.** This bipartisan legislation is a critical step toward removing an unnecessary barrier that limits access to capital for veteran-owned small businesses. By advancing the VMBLA, Congress will send a powerful message that America's veterans deserve more than gratitude – they deserve a fair chance to build and grow businesses here at home. We ask that the House Small Business Committee formally endorse this bill and work with the Financial Services Committee to move it forward.
2. **Preserve the SBA's community lending partnership model.** We urge you to oppose any expansion of SBA direct lending under the 7(a) program. Instead, champion policies that reinforce the successful public-private model in which local lenders (credit unions and banks) originate SBA-backed loans. This includes supporting measures like the *Protecting Access to Credit for Small Businesses Act*, which would prohibit the SBA from becoming a direct lender. Keeping the SBA as a partner – rather than a competitor – will ensure that small businesses continue to receive personalized service and that taxpayer dollars are leveraged efficiently through private-sector expertise.

- 3. Modernize SBA programs to expand access and participation.** We recommend working with the SBA to streamline loan program requirements and reduce red tape that prevents community-based lenders from participating fully. Simplifying the 7(a) loan application process, accelerating approval timelines, and providing more support (training, technology, staffing resources) for smaller lenders will help bring more credit unions into the program. We also encourage increased outreach through SBA's Veteran Business Outreach Centers and other initiatives to ensure veteran, minority, and rural entrepreneurs are aware of and prepared for financing opportunities. By cutting unnecessary bureaucracy and fostering greater lender participation, Congress can help channel more capital to Main Street businesses that need it most.

Mr. Chairman and Ranking Member, thank you for the opportunity to share DCUC's perspective on these issues. We deeply appreciate your leadership and your commitment to improving the pathways to capital for America's small businesses. The upcoming hearing's focus on SBA lending is timely, as our nation looks to fuel an inclusive economic recovery. From our vantage point, expanding credit opportunities – by *lifting outdated lending caps*, *modernizing SBA programs*, and *empowering community lenders* – will unlock entrepreneurship, job growth, and financial resilience on Main Streets across the country. For our veteran entrepreneurs in particular, such measures are not only sound economic policy but also a way to honor their service and sacrifice.

DCUC and our member credit unions are fully committed to “serving those who serve our country,” and we stand ready to work with you to advance these priorities. We are eager to assist the Committee in any way as you consider policies to strengthen SBA lending and small business growth. **Thank you for your consideration of our views, and for your continued support of America's small businesses and the veteran community.** Please do not hesitate to reach out if we can provide further information or support.

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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*CC: Members of the US House Small Business Committee*