DCUC
DEFENSE CREDIT UNION COUNCIL

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The Honorable Tim Scott, Chairman
Committee on Banking, Housing, and Urban Affairs
520 Hart Senate Office Building
Washington, DC 20510

The Honorable Elizabeth Warren, Ranking Member
Committee on Banking, Housing, and Urban Affairs
309 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Scott and Ranking Member Warren:

I am writing on behalf of the Defense Credit Union Council (DCUC), which represents over 200 defense-focused credit unions with more than $525 billion in assets and serving over 40 million members (including servicemembers, veterans, and their families). We appreciate the Committee's attention to the upcoming September 4, 2025 hearing to consider President Trump's nominee, Stephen Miran, to the Federal Reserve Board. America's credit unions – and defense credit unions in particular – play a crucial role in promoting financial readiness and providing affordable services for millions of Americans. As the Committee evaluates this nomination and the future direction of Federal Reserve policy, we respectfully urge consideration of several key issues that directly impact credit unions' ability to serve their members while maintaining a safe, sound financial system.

Regulation II (Interchange Fees)

Regulation II (Interchange Fees): DCUC urges caution regarding Regulation II, the Federal Reserve's rule capping debit card interchange fees for large issuers and governing payment routing. Interchange revenue is *vital* for credit unions – particularly smaller institutions – to cover the costs of offering cutting-edge payment services, fraud protection, and the convenient access that members expect. While credit unions under $10 billion in assets are exempt from the Fed's interchange cap, in practice all issuers (large and small) have felt the downward pressure on interchange income since the Durbin Amendment's implementation. Past interventions in interchange had unintended consequences for consumers; for example, after the initial debit fee cap took effect, many institutions had to scale back free checking and rewards programs, and low-income consumers faced higher account fees as a result. We urge policymakers and the nominee to heed this history and avoid further regulations that would weaken community-based issuers. Proposals to impose additional routing mandates or expand interchange caps (such as the recently debated "Credit Card Competition Act") would similarly disrupt the economics of card programs that consumers – including military families – rely on. DCUC strongly believes in a balanced approach that recognizes the value interchange provides in funding fraud prevention and member benefits. We encourage the Federal Reserve to **avoid changes to Reg II that could disproportionately harm credit unions and their members**, and instead ensure any payments system reforms allow all participants (from the largest banks to the smallest credit unions) to compete on a level playing field. Protecting credit unions' interchange income ultimately means protecting our members from higher fees and reduced services.

Recent developments underscore our concerns. In August, a U.S. district court **invalidated the Fed's current debit interchange fee standard**, finding that the rule unlawfully included cost elements beyond the incremental processing costs allowed by the Durbin Amendment. This ruling complicates the Board's pending proposal to further lower interchange caps, as defects identified by the court would remain unresolved. Proceeding with a new rule on such shaky ground would create *significant confusion* for the industry while granting a windfall to merchants.

We also reiterate the longstanding concern shared by America's credit unions that reducing interchange revenue ultimately harms credit union members by forcing cutbacks in affordable services. As a trade association representing hundreds of community-based financial cooperatives, we ask that the Fed's leadership carefully consider these impacts. **The nominee should be prepared to address how he would balance merchants' calls for lower fees with the need for credit unions to cover fraud prevention and provide low-cost services to their members.**

FedNow and Real-Time Payments

FedNow (Instant Payments): DCUC and its member credit unions applaud the Federal Reserve for launching the FedNow Service – a 24/7 real-time payments network that promises to benefit consumers and financial institutions of all sizes. The introduction of FedNow in 2023 was a major milestone in modernizing America's payments infrastructure, and we are pleased that many credit unions (including several defense credit unions) have already connected or are preparing to connect, so they can offer members instant access to funds and faster payment options. For military families and the defense community, real-time payments can be especially valuable. Imagine a deployed servicemember needing to send money home in an emergency, or a veteran entrepreneur receiving immediate payment from a customer – the ability to transfer and receive funds **instantly, around the clock, is a game-changer**. FedNow's promise of nationwide reach for instant payments, regardless of an institution's size or location, will help ensure rural, underserved, and on-base communities are not left behind as payments innovation progresses. We encourage the Federal Reserve to continue working closely with community-based institutions on FedNow's rollout – for example, by providing technical assistance and keeping participation costs affordable – so that credit unions and small banks can readily utilize the service. It is also important that FedNow maintain strong resiliency and security features, given its critical role in the financial system. We urge the Fed to coordinate with private-sector instant payment networks to seek interoperability and standardization where possible, maximizing the utility of real-time payments for all Americans. In summary, DCUC supports FedNow as a tool to enhance financial access and efficiency, and we appreciate the Fed's efforts to ensure this new payments network is inclusive. We stand ready to help promote FedNow adoption among credit unions so that our members – including those serving our nation's military – can fully benefit from instant payments innovation.

Liquidity Facilities for Credit Unions

Emergency Liquidity and the Central Liquidity Facility (CLF): A robust emergency liquidity backstop is essential for the safety and soundness of the credit union system. For credit unions, the National Credit Union Administration's Central Liquidity Facility (CLF) serves as the equivalent of the Federal Reserve's Discount Window – a vital source of contingency loans in times of economic stress. During the early months of the COVID-19 pandemic, Congress wisely took steps to broaden CLF access. **Temporary provisions enacted in 2020 allowed corporate credit unions to act as agent members of the CLF on behalf of hundreds of smaller credit unions, greatly extending the reach of the CLF's liquidity protection**. This expanded access proved critical: even the smallest credit unions (including those serving remote military bases or local communities) could quickly tap emergency liquidity when needed, without each having to join the CLF individually amid a crisis. That enhanced capacity helped ensure credit unions could continue lending confidently and meeting their members' needs despite the economic turmoil of 2020.

Unfortunately, those temporary measures – including the ability for corporate credit unions to facilitate CLF access for small credit unions – expired in 2022. We are now back to a situation where many credit unions, especially modest-sized ones, face barriers to CLF membership, leaving gaps in the system's liquidity backstop. DCUC strongly supports efforts to **permanently restore corporate credit unions' role in the CLF**, leveraging the existing credit union network to bolster system-wide resilience. We believe cooperation between the Federal Reserve and NCUA on this front, with Congress's support, would greatly enhance financial stability. Empowering corporate credit unions as gateways to the CLF is a proven solution (as demonstrated in 2020) to ensure that no credit union is left stranded from vital liquidity in times of need. In this regard, we respectfully ask the Committee to explore the nominee's views on emergency liquidity. **Would Mr. Miran support legislative or regulatory efforts to reinstate and permanently authorize corporate credit unions' ability to act as agents in the CLF for their members, thereby strengthening the liquidity safety net for smaller institutions?** This question is of paramount importance to our industry's preparedness for future crises.

Central Bank Digital Currency (CBDC)

Central Bank Digital Currency: DCUC appreciates the Committee's thoughtful oversight of emerging financial technologies, including the concept of a U.S. Central Bank Digital Currency. While innovation in payments is important, we have **serious concerns about the potential issuance of a retail-oriented U.S. CBDC**. In our view, the risks and unintended consequences of a Fed-issued digital dollar held directly by the public outweigh any speculative benefits. Chief among these concerns is the risk of financial disintermediation: if consumers and businesses could move their deposits out of community institutions and into accounts at the Federal Reserve, credit unions (and community banks) would likely face significant outflows of the deposits we use to fund loans to families, homebuyers, and small businesses. During times of financial stress, this dynamic could become acute – people might rush to move funds into a perceived "safe" central bank wallet, draining deposits from local lenders exactly when communities most need credit. Even in normal times, a widely available retail CBDC could gradually siphon away deposits. The result would be a reduction in the lending capacity of credit unions and other community-based lenders, meaning less access to credit for consumers and higher borrowing costs in local economies. This disintermediation threat is not merely theoretical; many experts (including voices within the Federal Reserve System itself) have warned of this likely outcome.

A retail CBDC also raises **grave privacy and cybersecurity concerns**. By design, a CBDC could create an unprecedented centralized record of Americans' financial transactions, potentially giving government authorities far greater visibility into citizens' day-to-day finances. Strong privacy safeguards would be essential, yet even well-intended protections could erode over time under pressure to use such data for law enforcement or other purposes. Additionally, consolidating payments into a single, government-run system would present a high-value target for cyberattacks or operational failures. No system is immune to bugs or breaches, and a widely used CBDC platform experiencing a disruption or hack could have **crippling effects on the economy**, potentially freezing transactions for millions of people. In short, we see a U.S. retail CBDC as a solution in search of a problem. The United States is not standing still on payments innovation – between FedNow and private-sector real-time payment networks, faster digital payments are already being delivered within the existing two-tier banking system. We question whether a retail CBDC is necessary or offers benefits beyond what the private sector (and initiatives like FedNow) are achieving. Rather than risk destabilizing our financial system or encroaching on Americans' privacy in the pursuit of a theoretical innovation, DCUC supports recent legislative efforts to require explicit Congressional authorization before the Fed could implement any retail CBDC. Indeed, *America's credit unions have voiced support for proposals to prohibit the Fed from issuing a retail CBDC without such authorization*, such as the **Anti-CBDC Surveillance State Act** pending in Congress. We urge the nominee to carefully consider the necessity and risks of a CBDC. **The Committee should ascertain whether Mr. Miran believes a retail CBDC is advisable, and how he would address the risks of disintermediating community lenders and undermining privacy and cybersecurity.**

Ensuring Fair Access and Proportionate Regulation

Fair Access and Financial Inclusion: We ask that the Federal Reserve's policies and supervision continue to support fair access to financial services, especially for those in underserved communities. Credit unions, by virtue of their member-owned, community-focused model, serve as a critical safeguard against the "debanking" of vulnerable populations. Unlike large for-profit banks that may sometimes restrict or terminate services based solely on profit or risk metrics, credit unions prioritize relationships and financial inclusion – ensuring that low-income families, veterans, and small business owners retain access to essential banking services. DCUC's members see firsthand that overly rigid, one-size-fits-all regulatory expectations can inadvertently push institutions toward de-risking practices that leave certain groups without banking options. We urge the Fed, in its oversight of large banks and in crafting regulations, to be mindful not to **inadvertently force credit unions (or community banks) into the same restrictive de-risking behaviors as larger institutions**. Any new rules or guidance should be tailored to risk and institution size so that community-based lenders can continue serving those most at risk of financial exclusion. We would welcome the nominee's perspective on how the Federal Reserve can encourage financial inclusion and ensure that regulatory compliance regimes do not unduly burden smaller institutions that are already meeting community needs. In particular, **Mr. Miran should be asked how he would work to prevent "debanking" and promote access to financial services for military families, low-income consumers, and other un**

Federal Reserve Transparency and Independence

Federal Reserve Transparency and Independence: DCUC believes that a transparent Federal Reserve is crucial for maintaining public confidence and accountability in our financial system. We support efforts to improve transparency in the Fed's regulatory, supervisory, and operational activities in ways that enhance oversight without compromising the Fed's independence in conducting monetary policy. In particular, greater openness about regulatory rulemaking and supervisory expectations that affect community-based lenders would help credit unions better understand the rationale behind Fed decisions and adapt accordingly.

For example, if the Federal Reserve clearly communicates changes in bank examination policies or payment system rules, credit unions (though mostly regulated by the NCUA) can prepare and comply more effectively, ultimately benefiting our members. We also encourage continued transparency in monetary policy deliberations and communications – practices like regular press conferences and the Monetary Policy Report to Congress have been valuable and should be maintained or expanded. Furthermore, DCUC is supportive of reasonable Congressional oversight of the Federal Reserve's budget and activities. Measures such as periodic public reporting on the operating expenses of the Federal Reserve Banks and Board of Governors, or on the usage of emergency lending facilities and the discount window (in aggregate), can enhance accountability without undermining policy independence. We believe such transparency can be achieved while preserving the Fed's ability to make decisions free from political interference. Striking this balance – **independence with accountability** – will ultimately strengthen the credibility of the central bank. We trust that the Committee will examine the nominee's views on Fed transparency and governance reforms. **Mr. Miran should be questioned on whether he supports measures to increase transparency of Fed activities (such as budget oversight and reporting of emergency lending) and how he would uphold the Fed's independence even as he advocates for accountability.**

Suggested Questions for the Nominee: In light of the above issues, DCUC respectfully suggests the Committee ask the nominee the following questions to ensure his views align with maintaining a strong, inclusive financial system for all Americans:

- *Regulation II (Interchange Fees):* Given ongoing litigation and concerns about the impact of interchange fee caps on community institutions, will you commit to fully considering the impact on credit unions and their members before supporting any changes to Regulation II? How will you balance merchant interests in lower fees with the need for small issuers to cover fraud prevention costs and continue offering affordable banking services to their members?
- *FedNow and Payments:* What are your plans to support the continued expansion of the FedNow real-time payments network in a way that ensures credit unions of all sizes can participate? How will you ensure the FedNow Service remains accessible, interoperable, and secure for institutions serving rural, military, or underserved communities?
- *Emergency Liquidity:* Do you support efforts to strengthen the credit union system's access to emergency liquidity, such as by **restoring corporate credit unions' ability to act as agents for smaller credit unions in the Central Liquidity Facility**? How would you work with the NCUA and Congress to ensure no community-based institution is cut off from critical liquidity backstops in a crisis?
- *Central Bank Digital Currency:* What is your position on a U.S. retail CBDC? In your view, do the potential benefits of a Fed-issued digital dollar outweigh the risks to credit unions and community banks of deposit flight and disintermediation? How would you address the privacy and cybersecurity concerns associated with a CBDC, and do you believe the Federal Reserve should have explicit Congressional authorization before proceeding with any form of CBDC?
- *Fair Access and Inclusion:* How will you ensure that Fed oversight and regulatory policies promote financial inclusion and do not inadvertently encourage "debanking" of legal businesses or vulnerable consumers? What steps will you take to recognize and support the role of credit unions and other community lenders in serving populations that might be overlooked by larger banks?
- *Transparency and Governance:* Do you support increasing transparency at the Federal Reserve – for example, providing more insight into the Fed's budget, operations, and emergency lending programs – and what limits would you consider to ensure the Fed's monetary policy independence is preserved? How would you approach calls to reform Fed governance, such as proposals to alter the Fed's structure or the Executive Branch's removal power over Fed officials, in a manner consistent with our financial system's stability and the Fed's credibility?

Thank you for the opportunity to share our perspective. DCUC greatly appreciates your leadership in considering these critical issues during the nomination process. We stand ready to work with you and members of the Committee to ensure that Federal Reserve policies foster a balanced, inclusive, and safe financial system that allows credit unions to continue serving their members and communities.

Sincerely,

Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the Committee