



DCUC
DEFENSE CREDIT UNION COUNCIL

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The Honorable Tim Scott
Chairman, Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Elizabeth Warren
Ranking Member, Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Scott and Ranking Member Warren:

On behalf of the Defense Credit Union Council (DCUC) – representing over 200 credit unions with over 40 million members and more than \$525 billion in assets while serving our nation’s military members, veterans, and their families – I am writing regarding the Senate Banking Committee’s upcoming hearing on September 10, 2025, entitled “Evaluating Perspectives on Deposit Insurance Reform”. We are excited to see DCUC Member Hanscom Federal Credit Union’s President and CEO Peter Rice as one of the witnesses for the hearing. He will ensure the views of credit unions and their 144 million members nationwide are directly represented among the hearing’s witnesses. Accordingly, DCUC appreciates the opportunity to share the credit union perspective to ensure our members’ views are included in this important discussion. Our council’s mission is to advocate for the interests of credit unions that serve America’s servicemembers and their families, and the issues before the Committee profoundly affect not only those institutions, but all credit unions and the communities they support. We commend you for examining deposit insurance reforms, and we stand ready to be a constructive resource as you consider improvements.

Closing the Deposit Insurance Gap for Business Accounts: For decades, small businesses have faced a dangerous gap in deposit insurance coverage. Under current law, business accounts at both banks and credit unions are insured up to the same \$250,000 limit as personal accounts – an amount that has not kept pace with modern payrolls and operating needs. Many small companies must hold balances well above \$250,000 simply to cover monthly payroll and vendor expenses, meaning any funds above \$250,000 are uninsured and at risk if the institution fails. This reality was made painfully clear during the banking turmoil of March 2023, when the sudden failure of several regional banks left countless startups and small businesses worried they wouldn’t make payroll because their balances far exceeded insured limits. Regulators ultimately had to invoke emergency measures to protect those uninsured business deposits, underscoring an uncomfortable truth: the \$250,000 cap is no longer adequate for many legitimate business needs in today’s economy. In short, the status quo deposit insurance limit leaves too many small businesses’ operating funds exposed to loss through no fault of their own.

DCUC therefore strongly supports proposals to raise federal deposit insurance coverage specifically for business transaction (operating) accounts, as a prudent response to this vulnerability. We were encouraged by legislative efforts such as the recent amendment to the National Defense Authorization Act proposing to increase deposit insurance coverage on business operating accounts up to \$20 million for community financial institutions. Raising the insurance limit on business accounts to \$20 million (for institutions under \$250 billion in assets) would

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businesses even in the event of a bank or credit union failure. This targeted higher coverage for operating accounts is a sensible modernization of our deposit insurance system. It closes a major gap in protection and will strengthen small businesses' confidence that every dollar they deposit for employee paychecks and key expenses is safe and available when needed. Importantly, by focusing the increase on non-interest-bearing operating accounts at community institutions, such a reform would help level the playing field for those community-based lenders without extending a blanket guarantee to speculative or investment-oriented deposits. In our view, ensuring that a small business's working capital is fully insured – up to an appropriately higher cap – will materially enhance the stability of Main Street enterprises and reduce the likelihood of panic-driven withdrawals in future crises.

Ensuring Parity Between Banks and Credit Unions: In pursuing deposit insurance reform, we stress the importance of maintaining full parity between banks and credit unions in both coverage levels and emergency protection tools. We greatly appreciate that recent legislative discussions have recognized the need for regulatory parity – giving the National Credit Union Administration (NCUA) the same tools and authority as the FDIC to protect deposits during a crisis. In past emergencies, federal bank regulators could shield bank depositors through systemic risk exceptions and programs like the Transaction Account Guarantee, but those tools were not equally available to credit union regulators. This imbalance was fundamentally unfair to credit union members and led to an uneven playing field. For example, during the uncertainty in March 2023, some business members of credit unions felt pressure to shift funds from their community institutions to the largest Wall Street banks, perceiving that only the megabanks would be fully protected in a worst-case scenario. Any deposit insurance reforms should explicitly avoid that pitfall by empowering NCUA to provide comparable coverage on credit union deposits in lockstep with FDIC's coverage for bank deposits. Parity in both everyday insurance limits and extraordinary emergency measures will remove any doubt that credit union deposits are “second class,” thereby bolstering public confidence in our sector and preventing unwarranted runs of funds to too-big-to-fail institutions. In sum, credit union members deserve the same peace of mind as bank customers that their insured deposits are protected under equivalent terms and, if ever needed, by equivalent backstop authorities. We urge the Committee to ensure that any reforms apply evenly to NCUA's Share Insurance Fund and the FDIC's Deposit Insurance Fund alike.

Managing Costs and Phasing In Reforms to Protect the NCUSIF: While expanded deposit insurance coverage for business accounts is greatly needed, it is not without cost, and we encourage Congress to structure reforms in a way that spreads and contains these costs. Credit unions collectively fund the National Credit Union Share Insurance Fund (NCUSIF) through our own member-funded contributions, and a dramatic increase of insured limits (for example, to \$20 million per account) could necessitate significant additional reserves and assessments to maintain the fund's statutory equity ratio. We appreciate that some proposals contemplate a gradual phase-in of these newly insured deposits – over a decade, in the case of the aforementioned NDAA amendment – to mitigate immediate strain on the insurance fund. DCUC strongly supports such a phased approach. Phasing in the higher coverage over several years would give the NCUSIF time to adjust and accrue necessary reserves from premiums, rather than forcing a sudden spike in premiums or one-time assessments on credit unions. We also urge continued analysis to ensure that the costs of higher coverage, whether through special assessments or ongoing premiums, are allocated fairly and do not disproportionately burden any particular segment of the credit union industry. Put simply, the reform must strengthen small business deposit protection without undermining the very community-based lenders that serve those businesses. DCUC and our member credit unions stand ready to work with you and regulators on practical implementation strategies – such as refining premium assessments – to uphold safety and soundness while these much-needed protections are put in place.

Linking Deposit Protection with Small Business Lending Capacity: Finally, if the goal is to holistically support America's small businesses, deposit insurance reform should be coupled with action to remove outdated barriers that limit small businesses' access to credit from community lenders. In particular, we urge you to consider eliminating or easing the statutory cap on credit union member business lending (MBL) as part of any legislative package to help small companies. Under current law, most federal credit unions cannot lend more than 12.25% of their total assets to businesses, due to an arbitrary MBL cap set decades ago. This cap severely restricts the amount of capital that credit unions can provide to local entrepreneurs and small firms – even when they have the capacity and member demand to do more. Banks, notably, face no equivalent regulatory cap on business lending, leaving credit unions at an unfair disadvantage in serving Main Street. In practice, credit unions that are ready and willing to finance more small businesses often find their hands tied by this outdated limit, regardless of the needs of their members or opportunities to promote local economic growth. If Congress is committed to helping small businesses thrive – as the deposit insurance improvements rightly aim to do – it should also unlock the lending potential of credit unions by removing this disparity with banks.

One key bipartisan effort in this area is the **Veterans Member Business Loan Act**, which would exempt loans made to veteran-owned small businesses from the credit union MBL cap. DCUC wholeheartedly supports this legislation and others like it. This bipartisan proposal recognizes that those who served our country and are now building businesses deserve full access to capital. By allowing credit unions to lend freely to veteran entrepreneurs without counting against the cap, Congress would immediately open up new sources of financing for a community that represents approximately 1.76 million businesses, employs over 5 million Americans, and generates nearly \$1 trillion in revenue. These veteran-owned firms face unique challenges – including higher loan denial rates and limited credit histories related to military service – which make it all the more critical to remove needless barriers to credit. Exempting loans to veteran-owned small businesses from the cap (or, better yet, eliminating the cap entirely for all business lending) would empower credit unions to better meet the capital needs of small companies without increasing systemic risk. It would also strengthen local economies by enabling the growth of businesses that create jobs in communities across America. More broadly, lifting the MBL cap would level the playing field between credit unions and banks in small business lending, allowing community-focused, member-owned credit unions to more fully support America's entrepreneurs and job creators. We firmly believe that deposit insurance reform and MBL cap relief go hand-in-hand as complementary tools to bolster Main Street – the former protects the deposits that small businesses rely on, while the latter ensures they can obtain the loans and lines of credit needed to start up and scale up.

Conclusion – A Partnership to Protect and Empower Main Street: DCUC applauds the Committee's attention to the pressing issues highlighted by recent bank failures and the fragility of small business deposits. We strongly support modernizing deposit insurance coverage for business accounts to better safeguard employee paychecks and operating funds, and we urge that credit unions be fully included in these reforms to ensure parity in protections across institutions. At the same time, we encourage you to seize this moment to address the credit side of the equation by removing the credit union business lending cap that hinders community lenders from fully serving small businesses. Taken together, these steps will markedly improve the operating environment for small companies: their deposits will be safer, and their access to affordable credit will expand.

America's **144 million** credit union members – including military servicemembers, veterans, and their families – have a huge stake in these policy decisions. They know that credit unions (alongside community banks) are the backbone of local economies. By enhancing deposit protections and freeing credit unions to lend more, Congress can fortify the economic foundation of communities large and small, leveling the playing field between Wall Street and Main Street. We are grateful for your leadership in exploring solutions that support our nation's small businesses, and we stand ready to work with you to refine and advance these reforms. Whether it is providing data, sharing our members' experiences, or offering technical feedback on implementation, DCUC is committed to being a constructive partner in this endeavor.

Thank you for your consideration of the credit union perspective on these matters. If you have any questions or require additional information, please do not hesitate to contact me. DCUC and the broader credit union community are eager to collaborate with you to ensure that small businesses – including those founded by our veterans – enjoy both the safety for their deposits and the access to credit that they need to thrive. We look forward to continuing to work with the Committee as you evaluate and enact these critical reforms.

We welcome the opportunity to further discuss these issues or provide any additional information you may need. Please do not hesitate to contact us with questions.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs

Potential Questions for the Hearing

1. **Credit Union Representation:** Given that credit unions serve over 140 million Americans, including many small businesses, how are their interests being considered in deposit insurance reform discussions? Should future hearings include credit union regulators or representatives to ensure these perspectives are heard?
2. **Adequacy of \$250,000 Limit:** Is the current \$250,000 deposit insurance limit sufficient for modern small business needs like payroll, and what did recent bank failures (e.g. in March 2023) reveal about the risks businesses face with uninsured operating accounts?
3. **Targeted Coverage Increase:** Would raising deposit insurance coverage for business transaction accounts (for example, up to \$20 million for community institutions) effectively protect small businesses' operating funds without extending guarantees to more speculative deposits? How might this targeted approach strengthen community banks and credit unions relative to the largest banks?
4. **Parity Between Banks and Credit Unions:** How important is it to maintain parity between the FDIC and NCUA insurance programs? What steps should Congress take to ensure credit union deposits have equivalent protection and that regulators like NCUA have the same emergency authorities as the FDIC to prevent runs and instill confidence during crises?
5. **Funding and Implementation:** What are the potential cost implications of significantly expanding deposit insurance coverage for the FDIC's Deposit Insurance Fund and the NCUA's Share Insurance Fund? Would a phased-in implementation (gradually integrating higher insured amounts over several years) help mitigate strain on these insurance funds, and how might any increased costs be fairly allocated among institutions?
6. **Protecting Small Businesses:** In what ways would higher deposit insurance limits on business accounts directly benefit small businesses and their employees? For instance, how would such reforms ensure that a small business can meet its payroll and expenses even if its financial institution fails, and could this added security improve business confidence in community banks and credit unions?
7. **Member Business Lending Cap:** Should reforms to deposit insurance be accompanied by reforms to the credit union Member Business Lending cap? How does the 12.25% asset cap on credit union business lending impact small business access to credit, and would raising or eliminating that cap allow credit unions to play a larger role in financing local businesses without compromising safety and soundness?

8. **Veteran-Owned Businesses:** There are roughly 1.8 million veteran-owned small businesses in the United States, employing about 5 million people. Would exempting loans to veteran-owned businesses from credit union lending caps (as proposed in the bipartisan Veterans Member Business Loan Act) help these entrepreneurs access more capital? What unique credit challenges do veteran-owned firms face, and how might this targeted relief support veteran entrepreneurs and local job creation?
9. **Competitive Equity and Unintended Consequences:** Could unequal changes in deposit insurance (or unequal lending rules) between banks and credit unions inadvertently drive deposits toward larger banks or otherwise distort competition? How can Congress ensure that reforms both protect deposits and maintain a level competitive playing field between community-based institutions and big banks?
10. **Holistic Support for Main Street:** Overall, how can deposit insurance reform be designed as part of a broader strategy to strengthen Main Street financial stability? For example, how would pairing enhanced deposit insurance protection with expanded lending capacity for credit unions and community banks improve the resilience of small businesses and local economies, and what safeguards are needed to balance expanded access to credit with prudent risk management?