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The Honorable Katie Britt, Chair

Subcommittee on Housing, Transportation, and Community Development
U.S. Senate Committee on Banking, Housing, and Urban Affairs
502 Hart Senate Office Building
Washington, DC 20510

The Honorable Tina Smith, Ranking Member

Subcommittee on Housing, Transportation, and Community Development
U.S. Senate Committee on Banking, Housing, and Urban Affairs
720 Hart Senate Office Building
Washington, DC 20510

Subject: Submission for the Hearing “Innovation in U.S. Housing: Solutions and Policies for America’s Future”

Dear Chair Britt and Ranking Member Smith,

On behalf of the Defense Credit Union Council (DCUC), I respectfully submit this letter for the official record of the Subcommittee’s October 21, 2025, hearing titled *“Innovation in U.S. Housing: Solutions and Policies for America’s Future.”* DCUC appreciates the Subcommittee’s focus on exploring innovative solutions to address our nation’s housing challenges. We welcome this attention to housing innovation, as it directly impacts the communities we serve—particularly servicemembers, veterans, and their families, who often face unique housing hurdles.

America is in the grip of an affordable housing crisis that demands urgent action. Nationwide, we have an estimated shortage of **7.3 million affordable homes** available to the lowest-income renters. Nearly half of all renter households are cost-burdened – paying over 30% of income toward housing – and over 8.5 million households face **severe** housing cost burdens. These broad housing pressures are exacerbated for those who serve our country. Military families confront distinct challenges, including frequent relocations, high costs in areas surrounding bases, and housing allowances (Basic Allowance for Housing, BAH) that often fail to keep pace with local market rents. In many base communities, rents have risen far beyond BAH, squeezing junior enlisted members and their families and leading to increased financial strain and housing insecurity.

Furthermore, servicemembers making a Permanent Change of Station (PCS) move often struggle to secure stable housing or homeownership in each new location. The hurdles extend to veterans as well – many of whom live on fixed incomes or disability benefits and are being priced out of communities where they settled after service. We are deeply concerned that rising home prices and interest rates, coupled with insufficient affordable inventory, have contributed to growing housing affordability problems and even homelessness among veterans. Simply put, when those who wore the uniform cannot find an affordable place to live, it not only harms their financial well-being but also undermines military mission readiness, recruitment, and retention. As DCUC President/CEO (and retired Air Force Colonel) Anthony Hernandez has noted, *“If we want to maintain an all-volunteer force, we must ensure that those who serve can afford to live where they serve.”*

Serving Those Who Serve Our Country

Another major challenge is that many veterans are not taking advantage of their VA Home Loan benefits. The VA home loan program – which offers no down payment, no private mortgage insurance, and capped closing costs – is a powerful tool for affordable homeownership, yet only about 13% of eligible veterans use it. Many qualified borrowers are unaware they are eligible or are dissuaded by misconceptions in the real estate market. We routinely hear reports of sellers and agents who hesitate to accept VA-backed offers due to myths that VA loans are “harder to close” or involve delays. In addition, bureaucratic issues like slower appraisals in the VA process and mandatory funding fees can make VA buyers less competitive. **These barriers effectively shut many veterans out** of the American Dream of homeownership, even when they have earned a benefit specifically to assist them. DCUC also cautions that recent changes in real estate commission practices could unintentionally disadvantage veteran homebuyers – for example, if buyer’s agents are no longer compensated by sellers, veterans using VA loans (which currently bar borrowers from paying agent commissions) could find it difficult to obtain representation. We are grateful that the VA has provided a temporary workaround in light of these changes, but a permanent solution is needed to ensure veterans aren’t denied access to housing opportunities because of technical rules or industry shifts.

Finally, I must note that **defense credit unions themselves face regulatory constraints that can limit their ability to help**. Our member credit unions are mission-driven lenders eager to do more in the housing space, yet they must contend with certain statutory caps and compliance burdens that traditional banks do not face. For example, credit unions are capped in the amount of member business lending they can provide, which can restrict financing for housing development projects. They also bear a heavy regulatory load (from mortgage lending rules to data collection mandates) that smaller community-based lenders struggle to absorb. These challenges do not diminish credit unions’ resolve – but addressing them would unlock even greater contributions by credit unions toward solving the housing crisis.

Despite the hurdles, credit unions – and defense credit unions in particular – are proactively implementing creative solutions to expand housing access and affordability. **Credit unions are unique** in that we are not-for-profit cooperatives with a core mission to serve our members and communities, not to maximize profits. That mission translates into real, tangible support for members striving for homeownership or affordable rental options. As Congress debates broad policy fixes, **credit unions are already taking action on the ground**: across the country, they are helping military families navigate the path to stable housing through targeted programs and member-first policies. I’d like to highlight a few innovative approaches that our credit unions are deploying to make a difference:

- **Specialized VA Home Loan Programs:** Many defense-focused credit unions excel in providing VA mortgages with **no down payment, no PMI, and reduced fees**, often at lower rates than other lenders. Institutions such as Navy Federal Credit Union, PenFed Credit Union, and Service Credit Union have developed streamlined VA loan processes that eliminate unnecessary delays, making it easier for military borrowers to use their earned benefits. These efforts ensure that servicemembers and veterans can compete in hot housing markets with VA offers that are just as attractive as cash or conventional offers.
- **First-Time Homebuyer Grants and Assistance:** Understanding that coming up with a down payment is a major barrier, some credit unions offer **down payment assistance grants** and special first-time homebuyer programs tailored for young servicemembers and junior enlisted families. Often, these grants do not need to be repaid – effectively giving military renters a stepping stone to ownership. By bridging the affordability gap in high-cost base housing markets, credit unions help members who might otherwise be locked out of homeownership achieve that goal.
- **Financial Education and Housing Counseling:** Defense credit unions complement their lending with robust financial literacy initiatives. Many provide one-on-one **housing counseling, budgeting classes, and credit-building programs** to prepare members for sustainable homeownership. For example, Fort Hood Area Credit Union and Andrews Federal Credit Union have certified housing counselors on staff who guide military borrowers through the process and help them avoid predatory lenders. This education-first approach improves borrowers’ readiness to qualify for loans and maintain their homes over the long term.

around military installations. Recognizing that on-base housing is limited and local housing shortages are acute, these credit unions partner with developers, community nonprofits, and CDFIs to support the construction of affordable units. By offering loans for manufactured or modular homes and new construction, credit unions help bring **cost-effective housing options** to the markets that need them most.

Leveraging the Federal Home Loan Bank Affordable Housing Program: Credit unions are also active participants in public-private initiatives like the FHLB’s Affordable Housing Program. Many defense credit unions utilize AHP grants to **provide subsidies for low- and moderate-income military homebuyers**, covering critical needs such as closing costs, home repairs, or gap financing. This use of AHP funds directly reduces the cost of homeownership for military families and is an example of how credit unions effectively channel federal housing resources to their communities.

PCS Bridge Loans and Relocation Mortgages: Because military orders can force families to move on short notice, some credit unions have designed **bridge loan programs and flexible refinancing options** specifically for members undergoing a PCS move. These products, rarely found at traditional banks, can cover the overlap of owning two homes during a move or allow a quick refinance with no penalties when a family must relocate. Such tailored lending solutions prevent military families from being financially stuck or forced to sell a home at a loss due to service requirements.

In addition to these initiatives, credit unions frequently go “beyond banking” to support housing stability. Many participate in local partnerships to combat homelessness and improve housing conditions – for instance, by working with nonprofits on home repair projects for veteran homeowners or investing in community land trusts and affordable apartment projects. The **bottom line** is that credit unions are committed to doing everything in our power to solve the housing crisis at the ground level. We are not-for-profit lenders with a public purpose: when our members and communities thrive, we thrive. However, we can do even more with the right policy environment. Informed by our on-the-ground experience, we offer the following recommendations for reforms that Congress should consider in order to amplify innovative housing solutions.

To truly unlock the potential of credit unions and scale up the successful efforts described above, we urge Congress to support a series of common-sense legislative and regulatory reforms. These proposals, drawn from DCUC’s prior correspondence and the broader credit union movement’s advocacy, would remove roadblocks and empower financial cooperatives to play an even larger role in addressing America’s housing needs. **Based on past letters and testimony, key recommendations include:**

- **Raise the Credit Union Member Business Lending Cap for Housing Projects:** Current law arbitrarily caps most credit union business lending at 12.25% of assets, which can prevent credit unions from fully supporting housing development and small business growth. We urge Congress to *raise or modernize the member business lending (MBL) cap*, particularly to exclude loans for affordable housing and multifamily projects from counting against the cap. This reform would enable community-based lenders to finance more apartments, starter-home developments, and mixed-use projects without running into a needless ceiling. **By lifting this cap, Congress would unleash additional capital for local housing solutions** at no cost to taxpayers.
- **Expand Credit Unions’ Access to the Federal Home Loan Bank System:** Liquidity is the lifeblood of mortgage lending. We ask Congress to ensure credit unions can fully access Federal Home Loan Bank (FHLB) advances and programs by updating the definition of “Community Financial Institution” in the FHLB Act to include credit unions. Currently, many smaller credit unions are excluded from FHLB membership or certain products because the law’s definitions are outdated. Including credit unions as CFIs would give over 1,800 additional credit unions access to critical housing liquidity. This change will **better equip credit unions to support their communities’ housing needs**, especially during liquidity crunches, by tapping into the FHLB system for low-cost funds.

- **Modernize Field of Membership Rules to Reach Underserved Areas:** We urge support for legislative solutions that allow credit unions to expand services to underserved and disadvantaged communities. For example, permitting **all federal credit unions to add underserved areas to their field of membership** (an authority currently limited to certain charter types) would enable more lenders to serve “credit deserts” and communities lacking affordable financial services. America’s Credit Unions have emphasized that expanding the ability to add underserved areas will improve access to financial services and housing finance in communities that need it most. In short, **modernizing these charter restrictions** will help reduce gaps in homeownership by empowering mission-driven credit unions to serve more people in need.
- **Enhance and Promote the VA Home Loan Program:** To ensure veterans can make full use of their hard-earned housing benefits, we ask Congress to back improvements to the VA loan program. First and foremost, **pass the bipartisan VA Home Loan Awareness Act of 2025**, which simply adds a clear disclosure on mortgage applications to inform veterans of their potential VA loan eligibility. This low-cost, commonsense step will significantly boost awareness so that no veteran misses out on a benefit due to lack of information. Beyond that, we need to address the misconceptions and inefficiencies plaguing the VA loan’s usage. Congress should work with VA and industry to **streamline VA appraisals and underwriting** (which are often slower than conventional loan processes) and **reduce or eliminate VA funding fees for first-time buyers** to make VA loans more competitive. We also support initiatives to **educate real estate professionals about VA loans** – for example, encouraging the housing industry to stop viewing VA offers as undesirable by dispelling myths. Finally, we recommend Congress **monitor and legislate solutions to the buyer-agent commission issue** mentioned earlier so that VA borrowers can obtain representation without violating VA rules. Taken together, these actions will **maximize the impact of the VA Home Loan program**, allowing more veterans to become homeowners with the great terms they deserve.
- **Increase Basic Allowance for Housing (BAH) and Tie it to Real Market Costs:** When military housing stipends fall short of actual local housing costs, servicemembers have to make up the difference out-of-pocket – effectively a pay cut that can destabilize a family’s finances. We urge consideration of updates to the BAH formula to *fully reflect current market rents and home prices in each locality*, and to adjust more rapidly in volatile markets. Increasing and modernizing BAH will directly alleviate housing affordability gaps for thousands of military renters, reducing their cost burden. This is a matter of readiness and fairness: those who are willing to serve should not be placed in financial jeopardy by housing cost shortfalls. We recognize BAH is primarily a DoD responsibility, but Congressional support and oversight can ensure BAH keeps pace with reality on the ground.
- **Support Affordable Housing Initiatives in Military Communities:** We ask Congress to target federal housing resources and programs to areas with high concentrations of military and veteran families. For example, **allocate additional HUD Housing Choice Vouchers and Low-Income Housing Tax Credits (LIHTCs) to counties near major military installations** where affordable rentals are scarce. This would incentivize development of more affordable units in the communities where our servicemembers live. Similarly, Congress should encourage and fund **public-private partnerships to increase housing supply in defense communities**, expanding on the success of the Military Housing Privatization Initiative (which improved on-base housing) to also boost off-base options. We also support increased funding for **HUD-certified housing counseling tailored to military borrowers** and transitioning veterans. Dedicated counseling and homebuyer education – whether through non-profits or credit union programs – can greatly improve financial preparedness and reduce default rates. In sum, by **directing affordable housing resources and supportive services to military/veteran-heavy regions**, Congress can help ensure those who serve or have served are not left behind in the housing market.

- **Reduce Regulatory Burdens that Impede Mortgage Lending by Community Lenders:** Finally, we urge a balanced regulatory approach that recognizes credit unions' consumer-focused mission and avoids one-size-fits-all rules that disproportionately burden smaller institutions. Recent DCUC letters have highlighted that excessive compliance costs can limit credit unions' ability to offer competitive mortgage products. For instance, the cumulative weight of CFPB mortgage regulations, HMDA reporting expansions, and other rules is felt most acutely by community lenders who lack armies of lawyers. We ask Congress to exercise robust oversight of financial regulators and consider legislative relief where appropriate – such as tailoring regulations for small lenders, streamlining mortgage disclosure requirements, and **allowing more flexibility in loan terms** so long as safety and soundness are maintained. By **cutting through government red tape** (to borrow the phrase from a House hearing DCUC contributed to), lawmakers can free up credit unions to innovate and serve borrowers that big banks overlook. In particular, removing needless obstacles to offering mortgages will enable credit unions to *expand access to home loans for first-time buyers, low-income members, and other underserved groups* that we are passionate about helping.

Each of these recommendations offers a pragmatic way to bolster housing affordability or remove barriers, and **we stand ready to work with you on making them reality**. Whether it is a statutory change to empower community lenders, an appropriation to fund targeted programs, or simply collaborating with agencies to improve processes, DCUC and America's credit unions are eager partners in crafting housing solutions.

In conclusion, we believe that America's housing future will be brightest when **innovative local solutions** are paired with supportive national policy. Credit unions are proving every day that member-driven, community-based finance can make a real dent in the housing crisis – from helping a young military family buy their first home with a zero-down VA loan, to investing in affordable apartment complexes near a base, to counseling a veteran so they can qualify for a mortgage. But we can do even more. As I wrote to this Committee earlier this year, *"The affordable housing crisis in the U.S. requires urgent action. Military families face unique housing affordability challenges, and defense credit unions are committed to providing solutions... However, policy support is needed to scale up credit unions' impact."* We echo that message today. **Now is the time for bold yet practical action** to eliminate roadblocks and pave new pathways for housing access.

DCUC greatly appreciates the Committee's attention to these issues. We are committed to continuing our work with Congress, regulators, the Department of Defense, and housing stakeholders to ensure those who serve our nation have access to safe and affordable housing. **Stable homes for our servicemembers and veterans translate into a stronger force and a stronger country** – a goal we can all unite behind. Thank you for considering our views and for your leadership in exploring housing innovations.

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

Sincerely,



Jason Stverak
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DCUC

CC: Members Senate Banking Housing and Urban Affairs Committee