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DEFENSE CREDIT UNION COUNCIL

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The Honorable French Hill
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Delivered electronically to: fsc119@mail.house.gov

Re: Defense Credit Union Council Comments on the CFPB Reform Act of 2026 Discussion Draft

Dear Chairman Hill and Ranking Member Waters:

On behalf of the Defense Credit Union Council, I appreciate the opportunity to provide comments on the Committee's discussion draft to reform the structure, authorities, rulemaking practices, and supervisory responsibilities of the Consumer Financial Protection Bureau.

DCUC represents more than 200 defense-affiliated credit unions serving over 40 million members, including active-duty servicemembers, members of the National Guard and Reserve, veterans, civilian defense personnel, and their families. Defense credit unions operate in communities across the United States and on military installations around the world. They are not-for-profit, member-owned financial cooperatives whose earnings are returned to members through lower fees, competitive loan products, and improved savings opportunities.

DCUC supports a consumer financial regulatory framework that protects consumers, targets fraud and intentional misconduct, and holds bad actors accountable. That framework must also be transparent, predictable, appropriately tailored, and respectful of the distinct structure and mission of credit unions. Consumer protection is not advanced when responsible institutions are forced to divert resources from member service to duplicative examinations, ambiguous regulatory expectations, or compliance systems designed for the nation's largest financial institutions.

For military and veteran communities, access to responsible financial services is directly connected to financial readiness. Regulatory policy should therefore protect consumers without unnecessarily limiting access to affordable credit, emergency liquidity, mortgage lending, and other financial products relied upon by military families.

DCUC generally supports the direction of the Committee's discussion draft and recommends the following refinements.

Title I — Reforming Bureau Governance

DCUC supports bringing the CFPB under the congressional appropriations process, establishing a dedicated and independent Inspector General, strengthening economic analysis, expanding small-entity review, and requiring retrospective evaluation of CFPB regulations.

A dedicated CFPB Inspector General would provide focused, independent oversight of the Bureau's operations, expenditures, data practices, rulemaking procedures, supervision, and enforcement activities. Congress should ensure that the Inspector General has direct access to Bureau personnel and records, independent budgetary authority, and an affirmative obligation to report significant findings to Congress.

Congress should also consider replacing the Bureau's single-director governance model with a bipartisan, five-member commission whose members serve staggered terms. No more than three commissioners should belong to the same political party, and the commission should include meaningful experience with credit unions, community-based financial institutions, consumer protection, and prudential supervision.

A bipartisan commission would reduce abrupt changes in policy between presidential administrations and make the Bureau's regulatory agenda more consistent, deliberative, and durable. DCUC previously supported this governance model, along with regular appropriations, an independent Inspector General, rigorous cost-benefit analysis, SBREFA review, and formal coordination with credit union regulators.

Congress should also establish a permanent Credit Union Advisory Council, or an equivalent statutory advisory body, to provide the Bureau with direct and continuous input from credit unions of different sizes, charter types, geographic markets, and fields of membership. The council should include defense credit unions serving military installations and overseas communities. DCUC has previously urged the Bureau to restore a formal credit union advisory body because direct institutional input improves policy development, identifies unintended consequences, and strengthens coordination across government.

Economic analysis and small-entity review

Every proposed CFPB rule that would materially affect credit unions or other community-based financial institutions should be supported by a comprehensive and publicly available economic analysis. That analysis should address:

- Direct and indirect compliance costs;
- Effects on consumer prices and product availability;
- Effects on competition between large and small institutions;
- Operational and technology costs;
- Cybersecurity and data-security implications;
- Effects on rural, underserved, military, and overseas communities;
- Reasonably available, less burdensome alternatives; and
- The cumulative effect of the proposal when combined with existing requirements.

The Bureau should disclose the data, assumptions, models, and methodologies supporting its analysis. When the Bureau relies on incomplete information or assumptions that cannot be independently verified, it should identify those limitations expressly.

SBREFA review should be required for every rule that is reasonably expected to impose a material burden on small financial institutions. The Bureau should not be able to avoid small-entity review merely by concluding that a proposal is not economically significant in the aggregate. A regulation may have a limited economy-wide effect while still imposing substantial costs on individual credit unions.

Small-entity review panels should include representatives from small credit unions, state-chartered credit unions, defense credit unions, and institutions serving rural or underserved markets. Recommendations from those panels should be included in the public rulemaking record, together with the Bureau's response.

Five-year retrospective review

DCUC supports mandatory retrospective review but recommends strengthening the discussion draft's timetable. The draft generally provides an eight-year review period for major rules and a ten-year period for other rules. Those periods are too long in a rapidly changing financial marketplace.

Congress should require the Bureau to review **every regulation at least once every five years**. Each review should evaluate whether the rule:

1. Continues to address a demonstrated consumer harm;
2. Produces measurable net benefits;
3. Duplicates another federal or state requirement;
4. Has become outdated because of technology or market developments;
5. Disproportionately burdens smaller institutions;
6. Restricts access to responsible financial products; or
7. Can be simplified, consolidated, tailored, or repealed.

For major regulations, the Bureau should be required to make an affirmative determination to retain, amend, or repeal the rule. Reviews should not become administrative exercises that automatically preserve the existing regulation. The Bureau should publish an annual review calendar, accept public petitions identifying outdated provisions, and explain its response to all material comments.

Coordination with prudential regulators

Consultation alone is insufficient. For any proposed or final regulation that materially affects credit unions, Congress should require the CFPB to obtain the written concurrence of the NCUA before proceeding. For state-chartered credit unions, the Bureau should also formally engage the appropriate state supervisory authorities.

The discussion draft would require the Bureau to solicit and consider written comments from prudential and state regulators. DCUC recommends going further by requiring meaningful regulatory concurrence, particularly when a proposal implicates credit union safety and soundness, liquidity, capital, lending operations, or examination requirements.

The NCUA understands the credit union system's cooperative structure, field-of-membership framework, capital requirements, statutory lending authorities, and not-for-profit mission. Its role should extend beyond commenting after the CFPB has already developed a proposal.

Title II — Restoring Clarity and Procedural Fairness

DCUC supports congressional efforts to clarify the Bureau's authority over unfair, deceptive, or abusive acts or practices and to establish predictable procedural safeguards.

UDAAP standards should be established through rulemaking

Whenever practicable, generally applicable UDAAP standards should be established through notice-and-comment rulemaking. The Bureau should not use individual enforcement actions, consent orders, examination findings, supervisory highlights, speeches, advisory statements, or informal guidance to impose legal obligations that were not reasonably identifiable from a statute or regulation.

Enforcement is necessary when an institution violates established law. It should not be used to announce a new interpretation and then punish an institution for failing to anticipate it.

Congress should provide that a new Bureau interpretation may be applied prospectively only unless the underlying conduct was clearly prohibited by existing law. Regulated institutions should receive a reasonable implementation period before being held accountable under a materially new interpretation.

The discussion draft appropriately recognizes good-faith compliance and provides an opportunity to cure certain self-identified potential violations. DCUC supports those provisions and recommends that the protection apply expressly to not-for-profit credit unions that reasonably relied on governing statutes, regulations, official guidance, or the findings of their prudential regulator.

Good-faith compliance and proportional penalties

When a credit union makes a good-faith effort to comply, identifies an error, reports it to its regulator, remediates affected members, and corrects the underlying process, those actions should materially reduce—or, in appropriate cases, eliminate—civil money penalties.

The absence of a civil penalty should not prevent restitution or corrective action when a member has suffered an actual loss. The distinction is between making a consumer whole and imposing a punitive sanction on a cooperative institution whose members ultimately bear that cost.

Civil money penalties should be proportionate to:

- Actual consumer harm;
- The number of affected consumers;
- The institution's intent or degree of culpability;
- Whether the conduct was isolated or recurring;
- The speed and completeness of remediation;
- Voluntary self-reporting;
- Cooperation with regulators;
- The institution's size and financial resources; and
- Its previous compliance history.

A technical, promptly corrected violation by a community credit union should not be treated in the same manner as an intentional, widespread, or repeated practice by a large market participant.

Enforcement and investigative safeguards

Civil investigative demands should identify with reasonable specificity the conduct under investigation, the applicable legal authority, the relevant products, and the covered time period. Information demands should be proportionate to the alleged conduct and should not become open-ended searches for a possible violation.

Recipients should have a meaningful opportunity to petition an independent official to modify or set aside an unduly burdensome demand. The Bureau should also be required to complete investigations within a reasonable period or formally explain why continued investigation is necessary.

Congress should clarify that CFPB enforcement actions, settlements, and consent orders involving one institution do not establish binding legal duties for other institutions.

Jurisdictional clarity

Congress should preserve the traditional authority of state insurance regulators and clarify the respective responsibilities of the CFPB, NCUA, state credit union supervisors, and other prudential regulators.

Where the NCUA or a state regulator is already examining a credit union for compliance with a consumer financial law, the CFPB should not conduct a duplicative examination covering the same institution, products, and period.

Title III — Promoting Innovation in Consumer Financial Markets

DCUC supports the discussion draft's effort to create greater certainty for responsible small-dollar lending by depository institutions and to distinguish nonbinding guidance from legally enforceable requirements. The proposed safe harbor generally covers qualifying small-dollar products offered by insured depository institutions, including credit unions, and the draft requires agency guidance to state clearly that it lacks the force and effect of law.

Responsible small-dollar lending

Credit unions are well positioned to provide reasonably priced emergency credit because they know their members, understand their deposit histories, and operate under a member-service mission. This is particularly important for military families confronting emergency travel, a permanent change of station, delayed reimbursements, vehicle repairs, housing deposits, or other unexpected expenses.

Congress should establish a workable framework in which credit unions can offer responsible small-dollar products without building a compliance infrastructure that is economical only for the largest institutions.

The statutory safe harbor should:

- Remain voluntary rather than becoming the exclusive permissible product design;
- Preserve NCUA-authorized Payday Alternative Loans and other responsible credit union products;
- Permit reasonable use of existing account and member-relationship information;
- Avoid requiring costly third-party underwriting models;
- Prevent repetitive application and disclosure requirements;
- Allow appropriate product flexibility while prohibiting abusive rollovers and debt traps; and
- Index the applicable dollar threshold so inflation does not make the safe harbor obsolete.

Products outside the safe harbor should not be presumed unlawful or unsafe. Credit unions should retain the ability to develop alternative products that comply with applicable consumer protection requirements.

Tailoring by size, complexity, and risk

Regulatory requirements should be calibrated to an institution's size, complexity, business model, risk profile, and demonstrated compliance history. A community-based credit union should not be expected to maintain the same staffing, technology, documentation, or compliance architecture as a nationwide bank or large nonbank platform.

Without meaningful tailoring, economies of scale become a regulatory advantage for the largest institutions, reducing competition and consumer choice.

Guidance must remain guidance

Every guidance document, bulletin, examination manual, interpretive statement, advisory opinion, or similar publication should clearly state that it does not have the force and effect of law.

Congress should further provide that:

- An institution may not be cited solely for failing to follow guidance;
- Deviation from a suggested "best practice" is not itself a legal violation;
- Civil penalties may not be based on noncompliance with guidance;
- Significant guidance should be subject to public notice and comment; and
- Examiners may not convert advisory language into mandatory examination expectations.

Innovation and third-party accountability

Innovation should not permit nonbank technology companies or data recipients to operate under weaker privacy, cybersecurity, authorization, retention, or liability standards than regulated financial institutions.

Entities receiving consumer financial data should be held directly responsible for unauthorized access, misuse, retention, or disclosure occurring within their systems. A credit union should not be held liable for a third party's breach or misuse when the credit union complied with its legal obligations and the event occurred outside its control. DCUC has previously emphasized that consumer-authorized data sharing must be accompanied by equivalent protections and clear third-party accountability.

Title IV — Promoting Effective, Predictable Supervision

DCUC supports reforms that reduce duplicative oversight and place primary consumer-compliance supervision with the regulator that best understands the institution.

The discussion draft would increase the asset threshold for direct CFPB supervision of banks and credit unions from $10 billion to $21 billion, index that threshold, and permit certain institutions to elect consumer-compliance supervision by their prudential regulator. These are meaningful improvements, but an asset threshold and elective framework do not fully resolve the duplication experienced by credit unions.

NCUA should be the primary examiner for every credit union

All federally insured credit unions should be examined for consumer financial compliance by the NCUA or, where applicable, through an examination coordinated with the appropriate state supervisory authority.

The NCUA is the federal regulator responsible for the safety and soundness of the credit union system. It understands how consumer compliance requirements interact with credit union capital, liquidity, operations, field-of-membership limitations, and member service.

For credit unions, the supervisory election contemplated by the discussion draft should be automatic and continuing rather than optional or temporary. Once the NCUA or an appropriate state supervisor has examined a credit union's compliance with a consumer financial law, the CFPB should not conduct a separate examination of the same subject matter.

The CFPB may retain generally applicable rulemaking authority and an appropriate backstop enforcement role when the NCUA formally refers a matter or when there is a documented and unresolved failure to address significant consumer harm. That backstop should not become a basis for routine parallel examinations.

One lead regulator and one examination record

Congress should require a single lead regulator for each examination matter. Regulators should rely on one another's examination reports, findings, and validated data rather than repeatedly requesting the same records from the institution.

The supervisory framework should include:

- Coordinated examination schedules;
- Consistent interpretations of applicable law;
- Shared examination information;
- A prohibition on duplicative document requests;
- Reasonable and uniform response periods;
- Advance notice of examination scope; and
- A clear process for resolving conflicting regulatory instructions.

CFPB resources should be concentrated on large, complex, or high-risk entities, including nonbanks that may not be subject to the same level of routine prudential oversight as federally insured credit unions. DCUC has consistently supported a risk-based approach that focuses enforcement on actual consumer harm and avoids duplicative supervision of responsible credit unions.

NCUA review of CFPB rules

All CFPB rulemakings materially affecting credit unions should be reviewed and approved by the NCUA before they are proposed and again before they are finalized.

This requirement would not eliminate the CFPB's consumer protection role. It would ensure that rules affecting credit unions are evaluated by the agency responsible for their safety and soundness and that unintended consequences are addressed before they affect member access or institutional operations.

Title V — Preventing Regulation by Enforcement

DCUC supports Title V's objective of reducing reliance on enforcement actions to establish regulatory policy. We also support recognizing voluntary self-reporting when determining civil penalties and improving procedures for verifying and processing consumer complaints. The discussion draft includes self-reporting among the relevant civil-penalty considerations and establishes additional complaint-verification and prior-notification procedures.

No new legal standards through enforcement

The Bureau should not commence an enforcement action based primarily on a legal theory that was not reasonably apparent from existing statutory text, a duly promulgated regulation, or controlling judicial precedent.

Where material uncertainty exists, the Bureau should use rulemaking, advisory opinions, or a transparent no-action process to clarify expectations prospectively.

Consent orders and settlements should bind the parties to those proceedings. They should not be treated as generally applicable law for other institutions.

Safe harbor for voluntary compliance and remediation

Congress should establish an express safe harbor for institutions that:

1. Identify a possible violation through internal monitoring;
2. Promptly report the matter to the appropriate regulator;
3. Stop the conduct;
4. Notify and remediate affected consumers;
5. Cooperate fully with the regulator; and
6. Establish corrective controls to prevent recurrence.

Absent intentional misconduct, recklessness, concealment, or repeated failure to correct the same problem, a qualifying credit union should not be subject to punitive civil money penalties. Consumer restitution and appropriate corrective action should remain available.

This approach would create a meaningful incentive for institutions to identify and resolve problems rather than creating a system in which voluntary disclosure simply increases enforcement exposure.

Credit union complaints should be managed by the NCUA

Consumer complaints involving credit unions should be collected, investigated, and managed by the NCUA, with appropriate coordination for state-chartered institutions. The NCUA possesses the institutional expertise, examination information, and supervisory relationships necessary to determine whether a complaint reflects an individual service dispute, a compliance failure, or a broader pattern requiring corrective action.

Credit union complaint narratives should not be published on the CFPB's public website. Complaints are allegations at the time they are submitted and may be incomplete, mistaken, duplicated, or attributable to circumstances outside the institution's control. Publishing unverified, institution-specific narratives may create reputational harm before the credit union has had a meaningful opportunity to investigate and respond.

DCUC supports using complaint information to identify marketwide trends, emerging scams, and recurring consumer harms. That objective can be achieved through aggregate, de-identified reporting from the NCUA to the CFPB without publicly identifying an institution or publishing unverified narratives.

This proposal is not intended to suppress complaints or reduce accountability. It is intended to direct complaints to the regulator best positioned to investigate them, facilitate prompt resolution, and distinguish individual disputes from systemic conduct.

Protection of sensitive consumer information

Congress should establish enforceable data-protection requirements for all consumer information collected or maintained by the CFPB. Those requirements should include:

- Collection only of data reasonably necessary for a defined statutory purpose;
- Encryption in transit and at rest;
- Role-based access restrictions and access logging;
- Written retention and destruction schedules;
- Restrictions on contractor and third-party access;
- Prompt breach notification;
- Independent cybersecurity testing;
- De-identification of data used for research or public reporting; and
- Prohibitions on using complaint or supervisory information for unrelated purposes.

Particular care should be taken with information concerning servicemembers and military families. Deployment status, duty location, overseas assignment, financial hardship, and family contact information can create security, privacy, and fraud risks when improperly retained or disclosed.

Conclusion

DCUC appreciates the Committee's work to develop a more accountable, durable, and effective consumer financial regulatory structure.

An effective CFPB should have the authority and resources necessary to address fraud, deception, exploitation, and demonstrable consumer harm. It should also operate under clear statutory boundaries, transparent rulemaking procedures, meaningful congressional oversight, and a supervisory structure that recognizes the existing role of prudential regulators.

For credit unions, reform should produce a straightforward result: clear rules established before enforcement, requirements proportionate to institutional size and risk, one primary examiner, meaningful consideration of good-faith compliance, and a regulatory system that protects consumers without unnecessarily restricting access to responsible financial services.

DCUC stands ready to work with the Committee, its members, and staff as the legislation develops. Thank you for considering the views of defense credit unions and the military and veteran communities they serve.

Sincerely,

Jason Stverak
Chief Advocacy Officer
DCUC

CC: Members of the House Financial Services Committee