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DEFENSE CREDIT UNION COUNCIL

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

Opposition to a 10 Percent Credit Card Rate Cap and Request for a Meeting

Dear Senator Warren:

On behalf of the Defense Credit Union Council (DCUC), I urge you to oppose a blanket 10 percent credit card rate cap and request a meeting with you and your staff to discuss its consequences for servicemembers, veterans, underserved borrowers and the credit unions that serve them. We share the goal of reducing harmful debt. We strongly disagree that cutting off access to responsible credit is an acceptable way to pursue it.

This letter renews the concerns in DCUC's January 2026 correspondence with your office. In your January 9, 2026 statement, you publicly reiterated your willingness to work on legislation capping credit card rates. In your April 27, 2026 letter, you pressed federal banking regulators about President Trump's promised 10 percent cap. Your public support makes it especially important that we discuss how this proposal could limit credit for military families and underserved borrowers. DCUC raised the same concerns with Senators Sanders and Hawley in February 2025 and President Trump and congressional leaders in January 2026.

Federal credit unions already operate under a statutory rate ceiling

The Federal Credit Union Act, 12 U.S.C. § 1757(5)(A)(vi), generally caps loan rates at federal credit unions at 15 percent a year, including finance charges. The law allows NCUA, the federal credit union regulator, to approve a higher cap for up to 18 months when certain legal conditions are met. NCUA has approved an extra three percentage points. This makes the current general cap 18 percent through September 10, 2027. This framework applies to federally chartered credit unions. State-chartered credit unions operate under different applicable rules.

The extra three percentage points are part of the maximum rate a federal credit union may charge. They are not a separate fee. Congress gave NCUA flexibility to respond to funding costs and protect the financial health of credit unions. A blanket 10 percent card cap would remove that flexibility for covered card loans and fall five percentage points below the 15 percent limit in the law.

DCUC's February 4, 2026 letter to NCUA urged the agency to preserve the 18 percent ceiling because even a return to 15 percent could restrict service to members with limited or impaired credit histories. Our concern about 10 percent follows directly from that longstanding position.

The access consequences deserve serious consideration

NCUA's supporting analysis, using September 30, 2025 data, identified 2,073 federal credit unions with loans above 15 percent, including 1,380 with a low-income designation or Community Development Financial Institution certification. It warned that returning the general ceiling to 15 percent could threaten the financial health of as many as 1,068 institutions. These findings concern the general loan ceiling; they do not predict failures under a 10 percent card cap. They do demonstrate why protecting the ability to lend matters.

Research on credit cards also deserves attention. A February 2026 Philadelphia Fed working paper used a model to study a 10 percent cap. It found lower credit limits and worse overall outcomes for borrowers with weaker credit. The Congressional Research Service's March 2026 review also warns that a cap could reduce access and push borrowers toward more expensive loans outside the banking system. These warnings matter, even though borrowers who keep their cards may benefit from lower interest.

DCUC's judgment is that a blanket 10 percent ceiling would produce tighter approvals, smaller credit lines and reduced availability for members whose loans cannot cover their costs at that rate. A young servicemember building credit and a veteran recovering from a financial setback should not lose a responsible option because policymakers assume every lender can absorb the same reduction in revenue.

Small credit unions cannot wish away lending costs

Credit unions must fund loans, manage fraud, operate secure systems, meet compliance obligations and absorb credit losses. Smaller institutions must spread many of those costs across fewer accounts. A rule that reduces income without reducing these costs forces difficult choices about lending, member services and the resources available to absorb future losses.

Consider a hypothetical $1,000 balance held constant for a year. At a simple annual rate of 18 percent, gross interest would be $180; at 10 percent, it would be $100. The $80 difference would benefit a borrower who keeps the loan, but it cannot simply be assumed to represent excess profit. Funding, servicing and loss costs still have to be paid. Actual account results depend on repayments, charges and other terms.

We recognize arguments that large card banks earn enough to absorb lower rates. Those total profits do not show what a small member-owned credit union can afford or the cost of lending to an individual member. Credit unions need steady earnings to protect the money that belongs to their members. They cannot keep lending at a loss without making cuts or raising costs elsewhere.

Military families need credit they can use

A credit card cap leaves the need for emergency financing intact. Families denied a responsible card may turn to payday lenders where permitted, costly installment credit or other alternatives. Others may fall behind on essential bills. A family facing a deployment, relocation or unexpected repair needs a practical way to meet the expense.

The introduced text of S. 381 would impose its 10 percent limit on credit cards, includes finance charges and contains no credit union exemption. Other types of loans would remain subject to different rules. Congress should examine where rejected card applicants would turn before making a safer credit option harder to obtain.

A meeting to develop workable consumer protections

I respectfully request a 30-minute meeting with you, your staff and representatives of defense credit unions, including smaller institutions, at your earliest convenience. We would welcome a discussion of actual lending costs and decisions about approvals and credit limits, the effects on members building or repairing credit, and practical alternatives to a blanket cap. NCUA's perspective would also be valuable.

We are ready to work with your office on clear disclosures, enforcement against deceptive practices, meaningful complaint resolution, financial counseling and emergency loans that credit unions can responsibly provide. We also urge you to preserve NCUA's authority under current law and closely study approval rates, credit limits and the other choices available to borrowers before advancing a 10 percent cap.

Senator, a lower advertised rate cannot compensate a military family for the loss of a loan it needs. We ask you to reject this blanket cap and work with us on measures that make responsible credit both affordable and available. Thank you for considering our request.

Serving ALL Who Serve,



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