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November 5, 2026

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Dear Rebeca:

I read your November 2 American Banker commentary, 'Wait, credit unions are "banks" now? Not so fast…,' and want to respond directly to your call for taxing credit unions with more than $1 billion in assets. We disagree strongly with that proposal. The cost would come from institutions owned by their members, including military families and veterans, and your commentary does not show how imposing it would make those families better off. [1]

You and I both represent institutions that matter to the communities they serve. We should be able to discuss competition, lending, and accountability honestly. But that discussion has to start with the full picture, including the tax treatment banks receive and the ownership differences that remain when a credit union grows. I want to address your arguments in detail because the stakes for our members deserve more than competing talking points.

DCUC represents more than 200 credit unions serving 47 million members, with more than $525 billion in combined assets. Our position has been consistent in our April 27, 2026 letter to Congress, our July 30, 2025, request for Treasury scrutiny of Subchapter S banks, and my November 24, 2025 letter on Form 990. We support responsible oversight and accountability. We also believe Congress should preserve the cooperative tax framework that helps credit unions serve their members. [2][3][4]

1. Ownership still matters when the products look alike.

Let's start with the people who own the institution. A credit union can offer checking accounts, mortgages, business loans, and a good mobile app without becoming an investor-owned bank. Its members still own it. Earnings support reserves, services, and member benefits rather than returns to outside stockholders. Federal law gives each member one vote, regardless of the number of shares held. A larger account does not buy a louder voice. [5]

Those differences do not disappear because both institutions offer an auto loan. Nor does calling a credit union a bank in everyday conversation change its charter or ownership. Members are looking for convenient financial services. Providing them does not undo the cooperative structure Congress chose to recognize.

That matters especially for the families our member credit unions serve. A servicemember may need to manage money from another state or another continent. We should want credit unions to keep up with

those needs. Asking them to remain technologically limited or permanently small to defend their tax status would put the people they serve at a disadvantage.

2. Congress has revisited and preserved this policy.

The history deserves a closer look. The Federal Credit Union Act created the federal charter in 1934. Congress added the federal credit union tax exemption in 1937, as the amendment history of 12 U.S.C. 1768 shows. The Congressional Research Service also explains that Congress kept credit unions' exemption when it removed the exemption for savings and loan associations in 1951. This was a choice Congress returned to, not a provision it simply forgot. [6][7]

Congress again explained its reasoning in the 1998 Credit Union Membership Access Act. It recognized cooperative ownership, democratic operation, nonprofit organization, and the mission of meeting consumers' credit and savings needs, especially those of modest means. Neither those findings nor the federal exemption statute sets a $1 billion asset ceiling. [8][6]

Congress certainly can examine how institutions carry out their responsibilities. But a proposal to change longstanding policy needs to explain why the underlying rationale no longer holds. Pointing to a larger balance sheet does not answer that question. The members still own the credit union, and its earnings still support their institution.

3. The tax discussion has to include Subchapter S banks.

This is where I find ICBA's argument hardest to reconcile with its own advocacy. Your commentary contrasts tax-paying banks with tax-exempt credit unions. Yet many community banks do not pay ordinary federal corporate income tax at the institutional level. The Federal Reserve Bank of Kansas City reported that 1,447 community banking organizations, or 38 percent, had elected Subchapter S treatment as of September 30, 2024. Its definition covers organizations with less than $10 billion in assets. [9]

Under Subchapter S, eligible banks generally pass income through to shareholders, who owe tax on it. Certain institutional taxes can still apply. That is different from the credit union exemption, and we should be precise about the distinction. It would be wrong to say that these banks and their owners pay no taxes. It is equally wrong to leave readers with the impression that every bank pays ordinary corporate income tax while credit unions alone receive different treatment. [10]

ICBA's own tax platform goes further. It seeks a tax exclusion for community-bank retained earnings, supports expanding the agricultural-lending interest-income exclusion from 25 percent to 100 percent, and opposes new bank-specific taxes. Your briefing on the 2025 tax law also celebrates the permanent section 199A deduction for eligible Subchapter S bank owners. [11][12]

I understand the argument that keeping more earnings in a community bank can support lending. The same reasoning deserves consideration when a credit union keeps earnings to serve its members. ICBA cannot fairly defend those resources for bank owners while dismissing their value to cooperative members.

Our July 30, 2025, Treasury letter and accompanying statement asked for a fuller accounting of bank tax preferences and who benefits from them. We stand by that request. We are not criticizing a bank for making a lawful S corporation election. We are challenging ICBA's willingness to recognize organizational structure when it benefits banks and disregard it when the institution is a credit union. [3][13]

4. A billion dollars does not change who owns the credit union.

You note that credit unions above $1 billion represented about 10 percent of institutions but held 77 percent of system assets at the end of 2024. Those numbers show where assets are concentrated. They do not show that members lost their ownership rights, their votes, or the benefits of belonging. They also show how broadly this proposal would reach, despite its focus on a relatively small number of institutions.

Think about the family whose credit union grows from just below $1 billion to just above it. Nothing about that family's ownership has changed. The institution may have attracted more deposits, served more households, or combined with another credit union to preserve service. Why should those events, on their own, trigger a new tax burden on its resources?

Larger institutions should receive supervision appropriate to their risks. If a credit union falls short of its obligations, regulators should address the problem. An asset threshold cannot do that work for them, and growth alone is no reason to withdraw cooperative tax treatment.

5. The revenue estimate leaves out the people who would bear the cost.

Your $2.6 billion figure combines roughly $2 billion in hypothetical federal income taxes and $580 million in state income taxes for 2024. That is an important distinction. The full amount is not federal revenue, and applying community-bank tax rates to credit union earnings is not the same as an official revenue estimate for a specific repeal bill.

The exemption has a fiscal cost. The question Congress must answer is whether eliminating it would leave the public better off after accounting for lending, capital, prices, and member benefits. To help answer that, the analysis should explain its tax base, treatment of S corporations, state-law assumptions, and expected changes in behavior. A comparison with banks' aggregate tax payments cannot tell us what families would gain or lose.

We can see why those household costs matter in NCUA's December 26, 2025, rate comparison. Average five-year new-car loan rates were 5.44 percent at credit unions and 7.41 percent at banks. Classic credit-card rates were 12.58 percent and 15.27 percent, respectively. These are national averages, not a promise about every loan or a calculation of how much of the difference comes from tax treatment. Still, affordable borrowing belongs in this discussion alongside projected tax receipts. [14]

We should also acknowledge the taxes already paid. Credit unions pay employment taxes, and federal law permits taxation of federal credit unions' real and tangible personal property. The IRS treats ordinary dividends on credit union share and deposit accounts as interest income reportable by the recipient. That is not the same as S corporation pass-through taxation. It does show why an institutional exemption should not be described as though every related dollar escapes tax. [6][15][16]

6 Serving more places does not mean operating without membership rules.

A broad advertisement does not tell us whether an institution is complying with its field of membership. Federal law recognizes single common-bond, multiple common-bond, and community charters. NCUA requires approval before a federal credit union changes its field of membership, and state-chartered institutions follow their applicable state rules. Broad eligibility can be entirely consistent with a lawful charter. [17][18]

The same is true of operating across state lines. DFCU Financial publicly identifies membership eligibility in Michigan and eligible Florida counties. Its presence in both states does not, by itself, establish a violation. We should judge any expansion against the law and the actual approvals involved. Geography alone cannot settle the question. [19]

NCUA's acquisition guidance also addresses how customers become members. For federal credit unions, acquired customers generally must qualify and affirmatively subscribe to membership. For state-chartered credit unions, the state supervisor must confirm that acquired customers qualify at closing. Separate rules govern permitted non-member deposits. These requirements deserve enforcement, but they should also be acknowledged in the debate. [20]

Banks and credit unions do have different regulatory frameworks. Credit unions still face capital, safety-and-soundness, consumer-protection, and fair-lending requirements. NCUA's 2026 supervisory priorities address lending risk, liquidity, capital, payments security, and fraud. We can debate whether particular rules need improvement without suggesting that credit unions operate beyond meaningful supervision. [21]

7. Bank owners have a choice about selling their businesses.

You point out that nearly two-thirds of banks acquired by credit unions had rising net operating income during the preceding five years. A profitable bank can still have owners who want to sell. They may want liquidity, a different partner, or the terms a qualified buyer offers. A transaction does not have to rescue a failing business to be a legitimate choice.

The DFCU Financial transaction you highlight illustrates that point. Its October 19 announcement says both boards unanimously approved the proposed Gulfside Bank acquisition. It also describes plans to retain branches and keep local leadership, with Gulfside's president serving in a regional role. Regulatory review remains necessary. Those are commitments to be fulfilled, not completed results, but they deserve consideration before concluding that the transaction necessarily removes local service. [22]

NCUA explains that these transactions purchase assets and assume liabilities rather than acquire the bank charter. It reviews valuation information and compares pricing with bank transactions. Questions about price, member benefit, integration, and continued service belong in that approval process. The fact that the seller is profitable and the buyer is a cooperative does not establish an abuse. [23]

Limiting the pool of qualified buyers could also reduce the choices available to bank owners and the prices they receive. Those are the same community-bank shareholders ICBA represents. Their freedom to consider a credit union offer deserves a place in your analysis.

8. Consolidation deserves a broader look.

Credit unions are part of banking consolidation, but they are not its dominant buyers. Olsen Palmer's 2025 year-end review, using S&P Global data, reports 16 announced credit union-bank transactions, or 9 percent of annual bank M&A deals. Its comparable series, which excludes terminated transactions, shows 19 in 2024. Counts can change depending on whether we measure announcements, completed sales, or deals that later fall through. We should use those measures consistently. [24]

We also need to distinguish losing a separate bank charter from losing access to financial services. What happens to branches, loan choices, prices, and customer service after the sale? Some transactions may deserve conditions or rejection. Others may preserve or improve access. We need evidence about the community and the transaction to know which is which.

A tax on all larger credit unions would also reach institutions that have never purchased a bank. It would not resolve the technology costs, succession issues, or operating pressures that can lead bank owners to sell. Those challenges deserve attention on their own terms. Reducing the resources of a competing institution is not a plan for addressing them.

9. SBA lending is important, but it is not the whole mission.

Your cited analysis assigns community banks 69.3 percent of SBA loans made by banks and credit unions since 2010, compared with 2.8 percent for credit unions. In the highest-poverty counties, it reports shares of 76.5 percent and 1.8 percent. Community banks deserve credit for that work. But those program shares cannot tell the whole story of how an institution serves people of modest means. [25]

A young servicemember's first car loan, a family's emergency savings account, and financial counseling for someone struggling with debt all have value. None appears in an SBA lending ranking. Neither does the full range of non-SBA lending. Congress did not make participation in one business-loan program the sole test of a credit union's public purpose.

NCUA's June 2026 data show 2,370 low-income-designated credit unions, representing 56 percent of federally insured institutions, and 448 minority depository institutions. These designations do not mean every member has a low income, and they do not replace an examination of actual outcomes. They do show why the discussion needs to extend beyond business-loan market share. [26]

Many credit unions also face a statutory member-business-lending limit, generally 12.25 percent of assets, subject to institutional exemptions and loan exclusions. Federally guaranteed portions receive exclusions, so the cap cannot explain every SBA lending difference. It still affects overall commercial-lending capacity. If ICBA wants borrowers to have more choices, supporting responsible expansion of that capacity would be more useful than taxing away resources available to lend. [27]

10. A change after an acquisition does not tell us what caused it.

The finding that SBA lending declined after nearly 80 percent of relevant acquisitions warrants examination. It does not mean SBA lending fell by 80 percent, and it does not establish why a decline occurred. Those are different questions, and readers deserve to have the distinction made clear. [25]
To understand the result, we need to compare similar communities over the same periods, including places where a bank bought another bank and places where banks remained independent. We need to consider interest rates, borrower demand, prior lending trends, the seller's circumstances, and changes in program participation. We also need to know whether the measure follows the acquired bank, the buyer, or all lending in the service area.

I ask ICBA to publish the transaction list, definitions, exclusions, time periods, and comparison results behind this claim. Without that information, any finding cannot tell us how much lending would have happened without the sale. It certainly cannot establish that a new tax on unrelated credit unions would improve access to small-business credit.

11. Mortgage applicants and local conditions also matter.

The reported increase in mortgage denial rates in 61 percent of affected service areas deserves the same care. A denial rate reflects who applied, which products they sought, and the lender's decisions. Housing costs, interest rates, borrower characteristics, and the actions of other lenders can all influence the result. A change in the overall rate does not isolate the effect of cooperative ownership. [25]

The useful question is whether similarly situated applicants received materially different treatment because of the acquisition. Answering this question requires consistent definitions and appropriate comparisons. A service-area statistic cannot automatically be assigned to one institution. Nor does a smaller average mortgage necessarily mean poorer service; the borrowers and their needs matter.

Credit unions must follow applicable fair-lending and consumer-protection laws. If the evidence shows discrimination or unlawful conduct, regulators should act. We support accountability for the institution responsible. Taxing cooperative members across the country would not address the specific conduct or explain what happened to the borrowers involved.

12. Transparency and fraud prevention need practical answers.

We should be candid about disclosure. Federal credit unions already undergo examinations and file public quarterly Call Reports. Those reports provide substantial financial information, but they do not contain every Form 990 disclosure. GAO has identified an executive-compensation disclosure gap and considered ways to improve information and member access. That is a legitimate subject for discussion. Following the existing IRS filing rules, however, is not tax evasion. [28][29]

As I explained in my November 24, 2025, Treasury letter, DCUC opposes a blanket Form 990 requirement without a demonstration of what it would add to existing oversight. Identify the missing information, who needs it, and the least burdensome way to provide it. Strong controls, independent review, effective examinations, and enforcement matters. We should not assume that adding one annual form can take their place. [4][21]

The Jackson Area Federal Credit Union scandal is serious. Members deserve accountability, recovery efforts, and an explanation of the failures that happened as a result. But NCUA's September 30, 2026, announcement reported about $60 million in assets at Jackson Area. Five-Star Credit Union, which assumed members' share accounts, had $1.261 billion. NCUA reported that service continued and insured accounts remained protected. [30]

Under your proposed threshold, the larger cooperative that stepped in to preserve service would face the new tax; the failed institution was below the threshold. That should give ICBA pause. Your commentary itself acknowledges uncertainty about whether Form 990 would have exposed the scheme sooner. Let's address the failures that permitted fraud without using members' losses to justify a tax on other credit unions.

13. DCUC supports credit unions of every size.

I also want to address your reference to Jason Stverak's September 9, 2025, essay on the decline of small credit unions. Jason raised concerns about consolidation and the political challenge of explaining the cooperative difference. He also defended the value larger credit unions provide and called for a system in which institutions of every size can thrive. Both parts of that argument matter. [31]

We stand by that position. Small credit unions need practical support, and larger credit unions remain cooperatives whose tax status should be protected. Recognizing a challenge in public perception is not endorsing a tax. Jason called for cooperation, shared resources, and stronger advocacy. Please do not treat that call as support for a proposal that works against its purpose.

14. The consequences would reach the families we serve.

For defense credit unions, retained earnings help sustain service through deployments, moves, and transitions to civilian life. During the 2025 government shutdown, DCUC documented emergency loans at zero or low interest, payment deferrals, fee waivers, and financial counseling. Those services mattered to households facing an interruption in income. They also required institutions with resources available to respond. [32]

A new income tax would leave less for reserves, lending, and member assistance. Each credit union would have to decide how to absorb that cost through retained earnings, pricing, or spending. The response would vary, but the cost would remain inside an institution owned by the people Congress intended to benefit.

Community banks and credit unions have worthwhile work they can do together, including preventing fraud, improving financial education, and helping smaller institutions compete. I would welcome that work. A campaign that takes resources from credit unions asks military families, veterans, teachers, first responders, and other members to pay for weakening their own financial institution.

I ask ICBA to withdraw the proposed $1 billion tax threshold and acknowledge the bank tax preferences that belong in this debate. Please publish the methods and comparisons behind your acquisition claims, and direct reporting and supervisory proposals toward specific problems they can solve. I also ask that future references to DCUC's work reflect our clear support for credit unions of every size.

We will continue to urge Congress to preserve credit unions' federal income-tax status without an arbitrary asset cutoff. A credit union's success does not cancel its members' ownership. The resources that help community banks lend also matter when they support a cooperative and the families who rely on it.

I welcome a serious conversation about how our institutions can better serve their communities. DCUC will be a willing participant in that conversation and a firm defender of our members. We will not accept a selective tax campaign that asks them to give up the benefits of the cooperative institutions they own.

Sincerely,



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President & CEO
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Sources

Source numbers correspond to the references in the letter.

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