April 25, 2019

The Honorable James Inhofe  
Chairman  
Senate Armed Services Committee  
228 Russell Senate Building  
Washington, D.C. 20510

The Honorable Adam Smith  
Chairman  
House Armed Services Committee  
2216 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Jack Reed  
Ranking Member  
Senate Armed Services Committee  
228 Russell Senate Building  
Washington, D.C. 20510

The Honorable Mac Thornberry  
Ranking Member  
House Armed Services Committee  
2216 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Inhofe, Chairman Smith, Ranking Member Reed and Ranking Member Thornberry:

On behalf of America’s 181 Defense Credit Unions and over 23 million members, I am writing regarding potential legislation that would require the Department of Defense (DoD) to accept the value of services provided by banks as full payment for any lease, services, and utilities costs for the space they occupy on military installations. The Defense Credit Union Council advocates for all Defense Credit Unions located on every United States military installation around the world.

As you know, DoD has the discretionary authority to waive all costs for Defense Credit Union land leases along with administrative fees and logistical costs provided that certain regulatory standards are met. This authority was granted after several years of discussion with DoD and through the enactment of an amendment to the Federal Credit Union Act in 2006. This waiver is only open to Defense Credit Unions when at least 95 percent of the membership served by the allotment of space or the facility built on the leased land is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families.

In return, Defense Credit Unions are able to continually provide quality financial products and services along with stronger community support as not-for-profit, member-owned financial institutions. Savings from this discretionary waiver are directly passed on to the members and their military communities as there are no third-party dividends limiting this support. Defense Credit Unions understand this expectation and are aware that DoD is not required to waive any costs.
An amendment proposed in the last Congress would have required DoD to allow all banks to operate rent free on military installations. The idea was that this amendment would provide parity between banks and credit unions. Yet, credit unions were excluded in the proposed language. Fortunately several members of Congress expressed concerns about that exclusion and the underlying policy change. The amendment was subsequently rejected.

The Defense Credit Union Council recognizes the important services that credit unions and banks provide to consumers on military installations. These well-regulated financial institutions offer choices in financial products and services and guard against predatory lending practices. However, DCUC would be very concerned with any legislative language that benefits banks by going beyond DoD’s discretionary authority in this area; altering the status quo and thus putting Defense Credit Unions at a disadvantage.

Additionally, this issue becomes more complex as other profit-centered entities pursue the same benefit. We urge both the Senate and House Armed Services committees to study the full impact of specific statutory language which the banks seek to establish. All stakeholders, including the DoD, need to agree on a path forward that is truly in the best interests of our armed forces.

On behalf of America’s Defense Credit Unions and their 23 million members, thank you for your consideration.

Sincerely,

[Signature]

Anthony R. Hernandez