January 12, 2026

To the Honorable Members of the United States Senate:

The Senate is poised to vote on legislation that has the potential to reduce local lending to families and small businesses by trillions of dollars if a critical legal loophole is not closed. We, the CEOs of the national trade associations representing thousands of community financial institutions, want to make clear that community bankers and credit union leaders nationwide are opposed to allowing yield and rewards on payment stablecoins.

The rapid expansion of payment stablecoins introduces significant risks when issuers or their affiliates offer any form of compensation to stablecoin holders, including advertised yields, promotional rewards, or interest-like payments. These practices threaten to drain deposits from regulated institutions, constricting the credit that fuels communities across our great nation.

The Treasury Department estimates that $6.6 trillion in bank deposits could be at risk if these incentives persist, and it is likely that demand deposits held by credit unions would be similarly vulnerable to shifts in the money supply. Customers could lose access to the credit these deposits represent and the protections that attach to bank and credit union deposits, including FDIC and NCUA insurance and the prudential safeguards of banking and credit union supervision.

Every deposit represents a home loan, a small business loan, or an agricultural loan. Simply stated, policies that undermine bank and credit union deposits destroy local lending.

Congress took an important step by prohibiting interest payments on stablecoins in the GENIUS Act, encouraging the use of stablecoins as an innovative payment tool, *not a store of value*. However, recent market behavior demonstrates that this safeguard is being eroded through indirect arrangements with exchanges and related firms. Without clear statutory language extending this prohibition in market structure legislation now being advanced, trillions will be displaced from community lending, and the financial fabric of towns and neighborhoods nationwide will be weakened.

We urge Congress to codify a comprehensive ban on stablecoin inducements—whether paid by the issuer or any affiliated platform or partner—so that payment stablecoins remain payments instruments, not investment or deposit substitutes.

Sincerely,

Rob Nichols
President & CEO
American Bankers Association

Scott Simpson
President & CEO
America's Credit Unions

Omuso George
President & CEO
Association of Military Banks of America

Jeannine Jacokes
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