

May 5, 2005

Mary Rupp
1775 Duke Street
Alexandria, VA 22314

To whom it may concern,

I am a retail loan processor at the Central Minnesota Federal Credit Union. This letter is in response to changes in the definition of Construction and Development lending that NCUA is proposing. I would like to take a minute to express my concern in regards to these changes. If these changes happen as written it will have a negative impact on our institution and membership.

Our credit union is a small community institution whose first priority is member service. Our members in those communities and the surrounding areas depend greatly upon the services we provide them. Especially our services as they relate to Construction and Development lending. If the proposed changes were put into effect that would have a very large impact on the services we could provide to members. It is my understanding that the changes that are proposed would greatly restrict our ability to write many of the construction loans that our members need. Additionally it would restrict us in providing services that potential members are looking for.

Additionally the proposed changes seem somewhat vague. There are no clear guidelines as to what would be classified as an improvement loan. Under the proposed guidelines something as small as painting could be considered improving the property, and if there is financing related to that improvement, could potentially result in needless dollars being categorized as an improvement loan. Even though the initial purpose was otherwise.

As a small community credit union we are also greatly involved with lending to small businesses. Not all lending that businesses consume is considered a business loan. Much of the products and services they consume are things like Home Equity Loans and Mortgages on their personal properties. If these funds are used to improve upon their business they could then fall under the proposed rules and that would again be unreasonably restrictive on our lending.

I do understand the concerns of the NCUA, but our highly experienced staff has the training necessary to minimize much of the risk involved with this type of lending. I hope that my comments have provided some insight to our situation.

Sincerely,



Adam Schmidt