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P.O. Box 10018 Manhattan Beach, CA 9026

June 16, 2005

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Member Business Loans (12 C.F.R. Part 723)

Dear Ms. Rupp:

On behalf of our 120,000 member-owners throughout the U.S. who have entrusted us with \$1 billion in assets, Western Federal Credit Union (Western) appreciates the opportunity to comment on the Agency's proposed changes to the regulations governing member business lending. Western can support most of the proposal but has concerns about the language dealing with "development and construction lending."

Corporate Credit Unions

We support the changes to the definition of "net worth" that allow corporate credit unions to meet the definition of "well-capitalized" if they meet the Agency's standards applicable to corporate credit unions. This is consistent with the different business focus and operations that make corporate and natural person credit unions different.

Net Worth

Likewise, we support the Agency's efforts to standardize the definition of "net worth" throughout the Rules and Regulations. This will assist credit unions in not having to look at the specific definition of net worth for each instance it appears within the Rules and Regulations.

Development or Construction Loans

While we understand the reasoning for this proposed change, we are concerned that different examiners may differ in applying this proposed definition.

For example, a member enters into a first mortgage loan with a federal credit union in 2000 to purchase a property that will become his/her primary residence. Five or six years later, that member returns to their federal credit union seeking a home equity loan to make improvements to the property to enable the creation of a "bed and breakfast" business within their home.

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Under the proposed regulation, the home equity loan would be considered a member business loan (if the loan exceeds \$50,000). Yet, would the existing first mortgage loan need to be considered and treated as a member business loan? While the primary residence exemption under Section 723.1 (b)(1) would apply, the proposed language of Section 723.31 does not include the primary residence exemption.

Western strongly encourages the Agency to amend the "construction or development loan" definition in Section 723.31 to specifically exclude loans used to improve a member's(s') one-to-four unit primary residence.

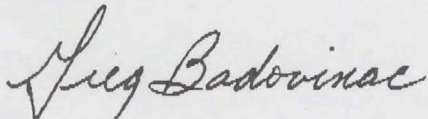
Government Guaranteed Loan Programs

We support the Agency's efforts to exclude the amount of a loan covered by government guaranteed loan programs from the loan amounts that would trigger compliance with Part 723. We also support the language that would permit all programs to be included within the exemption rather than a list that would need to be updated as programs begin, end or have their name changed.

Conclusion

If I can be of any assistance to you in this matter, please feel free to contact me at 310.536.5330.

Sincerely,



Greg Badovinac
Compliance Officer