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June 1, 2005

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

Madam Secretary:

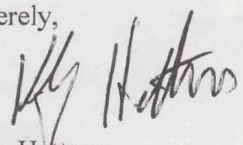
It is my privilege to offer comments on the proposed amendments to the National Credit Union Administration 12 CRF Part 723 concerning Member Business Loans, specifically regarding the definition of construction and development.

It is my opinion that recent interpretation and regulation of loans labeled construction and development has made a dramatic shift from the original intent of the National Credit Union Administration Board. When NCUA first proposed the rule providing oversight to construction and development, the following rationale was stated: *"A disproportionate amount of losses incurred by credit unions in member business loans have been made in the area of construction, development and speculative real estate lending."* NCUA further explained the risk associated with these loans included projects not completed on schedule, not completed within cost estimates and the lack of assurance the venture will be successful upon completion.

Recent interpretations leave the door open to including general maintenance as construction and development. The most stunning example found throughout the portfolio of the Co-op Credit Union of Montevideo would be as follows: Long-time member finances their agricultural production business with the Co-op Credit Union of Montevideo and uses the annual operating note to perform scheduled maintenance on buildings. Under this scenario, use of the operating funds for maintenance could be interpreted as construction and development, therefore classifying the loan as such. In many cases, an individual member may have a large enough operating loan to place the Co-op Credit Union of Montevideo out of compliance with the regulation.

I encourage you to consider the initial guidance NCUA provided to this rule. Please reflect on the original intent of NCUA as you look for direction with this regulation. Certainly, the example provided above was not the intent of the initial regulation. Expansion of definitions and loans included will ultimately undermine the astonishing progress being made throughout the Credit Union movement in the area of Member Business Loans.

Sincerely,



Kirby Hettver
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