

107

MAY 10 10:05 PM 2:25 BOARD

April 29, 2005

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

Dear Ms. Rupp,

Serving the members of Central Minnesota Federal Credit Union is a priority for me as a Business Loan Officer. I have reviewed the proposed changes to the definition of construction or development loans in section 723.21 and must speak for our members that the definition as proposed is way too broad.

A large portion of our loan portfolio consists of member business loans. Regular maintenance and repair, which are good things, can be considered construction or development lending and we may not be able to help them out. Matter of fact, we could lose the entire line of business if we were not able to provide them with some of these routine requests. If a credit union is already involved with a business, you want to see them make improvements, expand and create jobs, not restrict access to funds further.

Member business loans, including construction and development loans, if written with the proper underwriting, procedures and monitoring pose no greater risk than a home construction loan or even consumer loans as is evidenced by our delinquent history and charge off history. Business lending at credit unions has a safer track record compared to banks and thrifts, according to a U.S. Treasury Department study. The study found that member business loans are generally less risky than commercial loans made by banks and thrifts because we generally require the personal guarantee of the borrower and the loans are fully collateralized. Ongoing delinquencies for credit unions, loans more than 60 days past due, and for banks and thrifts, loans more than 90 days past due are lower for credit unions than for banks and thrifts, the study showed. Credit unions' mid-year 2000 loan charge-off rate of .03% was much lower than that for either commercial banks (.06%) or savings institution (.58%). Treasury also found that member business lending "does not pose material risk" to the National Credit Union Share Insurance Fund. From 2000 to 2003, member business loans net charge-offs averaged .08% at credit unions while the rate of commercial banks was 1.28% and 1.11% at savings institutions.

108

Thank you for taking time to consider the ramifications of the proposed definition change and your time in reviewing this matter.

Respectfully,



Dennis Waldvogel