

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

Dear Ms. Rupp:

Thank you for the opportunity to comment on the proposed modifications to the Member Business Lending Rule, part 723. My concerns are centered on the proposed change in the definition of "construction or development loans" to include property already owned by a borrower.

The current cap on construction and development loans of 15% of net worth currently restricts us from meeting our member's needs. The proposed revision to the definition would make our current situation even worse by further limiting our ability to provide the types of loans that our members require.

Chartered in 1938 as St. Mary's Parish Credit Union in rural Melrose MN, our credit union has a history of meeting our rural communities needs. Today, as Central Minnesota Federal Credit Union community charter, we serve a rural area with strong economic growth. The farmers, small business owners, and entrepreneurs who are our members have a high demand for commercial, agricultural, construction and development loans in order to survive, grow, and thrive. The changes in the definition would put the credit union at a competitive disadvantage. Our members need these types of loans and get them from someone. If they have to go down the street to get the loan, the rest of their business will follow.

One of the facts of life in our rural agricultural economy today is that the number of farms is decreasing, and the size of the farming operations are growing. The surviving farms continue to upgrade and grow their operations. In small communities, it is difficult to attract new businesses. Economic development tends to focus on growing the hometown businesses that exist, due to a competitive environment that makes attracting new businesses difficult. Both for our expanding farms and growing businesses, new borrowings to make improvements are made to the existing owner of the property. The proposed revision to include property already owned to the definition would negatively impact our ability to help these members due to the 15% of net worth cap.

A vast majority of our lending is to members we have known and worked with for a period of time. A loan to a member for a purchase of construction or development property is significantly different than a loan to a member who owns the property and where the credit union has a history of the property and the borrower, and the ability to repay is proven.

Setting a cap for any particular class of loans might be appropriate if one could prove a higher degree of risk. Broad definitions such as the construction or development loan