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June 6, 2005

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

Madam Secretary:

I would like 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.

When NCUA first proposed the rule providing oversight to construction and development loans, 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. 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.

Recent interpretations leave the door open to including general maintenance as construction and development. The loan portfolio of the Co-op Credit Union of Montevideo would have many instances where funds for general maintenance would be small portion of the total amount owed. Examples would be a member purchases an existing building for \$100,000 and includes \$5,000 for painting and new carpeting or a 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 these scenarios, including funds to make minor improvements or the use of the operating funds for maintenance could be interpreted as construction and development, therefore classifying the total loan as such. The recent interpretations would include many large loans in our portfolio where just a small portion of the funds were used for maintenance or minor improvements and would seriously hinder our service to our members in order to stay in 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 examples provided above were not the intent of the initial regulation. The expansion of definitions and loans considered as construction and development will ultimately undermine the amazing progress being made throughout the Credit Union movement in the area of Member Business Loans. Everyone in the Credit Union movement wants to be able to serve our members and not send them down the street.

Sincerely,



Ruth Schoen
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