

May 5, 2005

Mary Rupp, Secretary of the Board, NCUA
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mary,

I am writing to let you know that I oppose the proposed change to the definition of a construction and development MBL. I think there are two separate and distinct risks associated with construction and development lending. One risk is the possibility that an improvement will not be completed in a timely manner and within budget. A loan officer that is knowledgeable about the type of project can generally manage this risk with good construction lending practices and oversight.

The other primary risk is the speculative nature of commercial development. Even if the improvements were made on time and within budget, the project will fail if it does not sell or otherwise produce income as anticipated such as with housing or land development. This risk is much more difficult to manage so it makes sense to limit this kind of lending.

The new proposed definition of construction and development loans does not account for this distinction and would make us unable to meet the ordinary and customary needs of our business members. We should be encouraging improvement and expansion when prudent. There is little speculative risk in building a machine shed to protect machinery or in adding on to a dairy barn to increase capacity on a well-managed dairy operation. These risks can be managed through sound underwriting and monitoring and should not be classified the same as a truly speculative project.

In addition, classifying the whole property as a construction and development loan when only minor improvements are being made to a strong and viable operation would overstate the level of risk. Our risk when financing a new machine shed on a \$million property for a viable operation is generally limited to the transaction of building the shed. We already know it is affordable and are not speculating whether it will be used for the purposed intended. We would not be able to serve our current member base if this were to pass.

I strongly encourage you to focus on projects that are truly speculative in nature and to exclude the existing viable portion of the property.

Sincerely,

John Heinen, CIA, CUCE
Internal Audit/Compliance Manager
Central Minnesota FCU
(320) 256-4269