



Serving Credit Unions in California and Nevada



June 17, 2005

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

Re: Comment Letter on 12 CFR Part 723 (Member Business Lending)

Dear Ms. Rupp:

The California and Nevada Credit Union Leagues are pleased to comment on the National Credit Union Administration (NCUA) Board's proposal seeking revisions and amendments to Member Business Lending Rules. Together, the California and Nevada Credit Union Leagues represent the largest state trade association for credit unions in the United States, serving 500 member credit unions in California and Nevada with 8.8 million members.

Construction or Development Loans

The California and Nevada Credit Union Leagues strongly support the NCUA proposed revision to the definition of "construction or development loans." The current MBL rule, which limits financing arrangements to purchase transactions, is unduly restrictive and unfairly penalizes borrowers who already own or have rights to a property. Essentially, because the nature and purpose of the loan is the same – construction and development of income-producing property – it is only reasonable to allow existing property owners equal access to member business loans. The proposed changes bring both clarity and flexibility to the treatment of construction and development loans.

Government Guaranteed Loan Programs

Secondly, the Leagues fully support an expansion of the MBL rule to include all government guaranteed loan programs. Equal access to all government guaranteed loan programs is absolutely critical to support credit unions in their mission to satisfy their members' business loan needs.

Since October 2004, credit unions have been allowed to make SBA guaranteed loans under SBA's lending requirements instead of the more restrictive MBL rule. While this expansion has been a move in the right direction, the current rule is still unjustifiably

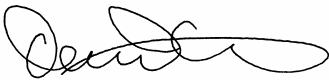
restrictive. Complete expansion will facilitate increased knowledge among credit unions of existing loan programs that can be properly matched to the unique circumstances and needs of their members. Without expansion, many credit unions will remain unaware of the breadth of government guaranteed loans that currently exist. Many of these programs target underserved or disadvantaged segments of the business population and allow small businesses to secure loans that would normally be declined by local banks. Additionally, the Leagues together firmly believe that, consistent with the MBL cap calculation, the guaranteed portion of any government guaranteed loan should be excluded from the PCA calculation.

Conclusion

In closing, the California and Nevada Credit Union Leagues applaud the NCUA's continuing efforts to secure fair access to needed resources for credit unions and their members.

Thank you for the opportunity to express our views on the proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Chatfield". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

David L. Chatfield
President/CEO
California and Nevada Credit Union Leagues