



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

500 New Jersey Avenue, N.W.
Washington, DC 20001-2020
202.383.1194 Fax 202.383.7580
www.realtors.org/governmentaffairs

Al Mansell, CRB
President

Terrence M. McDermott
EVP/CEO

GOVERNMENT AFFAIRS
Jerry Giovaniello, Senior Vice President
Walter J. Witek, Jr., Vice President

October 20, 2005

Dear Representative:

As you may know, The Government Accountability Office recently issued a report entitled “Real Estate Brokerage—Factors That May Affect Price Competition.” The study focused on three issues- 1) competition in the industry, 2) the use of the Internet, and 3) the effect of competition on consumers by state banks engaged in real estate brokerage. Here’s what they found.

Competition: The real estate industry is competitive. That competition is based more on non-price factors such as quality, level of service and reputation.

- “The real estate brokerage industry has a number of attributes that economists normally associate with active price competition...”
- “Moreover, uniformity in commission rates within a market at a given time does not necessarily indicate a lack of price competition.”

Internet: The internet has increased consumer access to information and created new ways to buy and sell real estate.

- “The Internet also has fostered the creation or expansion of a number of Internet-oriented firms that provide real estate brokerage or related services, including discount brokers and broker referral services.”

State Chartered Banks: Few state chartered banks engage in real estate brokerage.

- “Our review...showed that approximately 30 states may potentially authorize state-chartered banks or their operating subsidiaries to engage in some real estate brokerage activities.”
- “However, we also found that because only a small number of banks in these states appeared to have taken advantage of this authority, the effect on competition and consumers was likely minimal... and none offered discount brokerage services.”

You can read the full report at <http://www.gao.gov/new.items/d05947.pdf>.

Sincerely,

Al Mansell, President
National Association of REALTORS®