



NATIONAL ASSOCIATION  
OF REALTORS®

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Richard F. Gaylord, CIPS, CRB, CRS, GRI  
*President*

April 3, 2008

The Honorable Henry M. Paulson, Jr.  
Secretary of the Treasury  
1500 Pennsylvania Ave., NW  
Washington, DC 20220

Dear Secretary Paulson:

On behalf of 1.3 million members of the National Association of REALTORS® (NAR), I am writing to provide our initial reaction to the “Blueprint for a Modernized Financial Regulatory Structure” that you announced on March 31 and to request that the Department withdraw its 2001 proposed rule that would permit banking conglomerates to engage in the commercial activities of real estate brokerage and management.

The National Association of REALTORS® is America’s largest trade association, including NAR’s five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

The Blueprint makes extremely ambitious recommendations, most of which, as you have acknowledged, will require many years of debate and refinement. The immediate response to the Blueprint from those potentially affected confirms that the subject is one not only of great importance but also of great controversy.

We are concerned that concentrating regulation of the financial system under a market stability regulator, a prudential financial regulator, and a business conduct regulator could give too much power to each regulator within its sphere and stifle innovation. In particular, we question whether it is good public policy to concentrate the oversight of all insured depository institutions under one prudential financial regulator. As noted in our November 9, 2007, comment letter on this subject, today “no one regulator can afford to disregard the concerns of the institutions it regulates or impose unnecessarily burdensome and costly requirements, because institutions have a choice of charters.” The details of the Blueprint reconfirm NAR’s view. For example, requiring state banks to also have a federal charter will have the effect of

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weakening and very likely killing the state bank option under the dual banking system that dates to the Civil War. The story of banking in recent years has been one of both consolidation and chartering of new community banks. The vast majority of the new banks have state charters. As an association of small business persons, we believe that the Nation is best served by making sure there will be room for a diverse banking industry meeting the needs of all its customers, large and small.

We are extremely disappointed to see that, in the discussion of key long-term issues, you recommend that Congress repeal the national policy against mixing banking and commerce and authorize holding companies to own both insured depository institutions and commercial firms. There continues to be very widely held agreement that that policy should not be modified, although there is disagreement over whether real estate brokerage and management activities are commercial. In our view, these real estate activities are purely commercial, not financial, activities. Permitting banking organizations to engage in real estate brokerage or management activities raises the same inherent conflicts of interest and unlevel playing field concerns that exist with respect to permitting commercial firms and banks to be owned within the same conglomerate.

As you know, NAR has strongly opposed the rule the Treasury Department and the Federal Reserve Board jointly published in 2001 that would allow financial holding companies and financial subsidiaries of national banks to engage in real estate brokerage and real estate management. We believe that the current crisis in the credit markets and the strain on the banking system reaffirm our view that banks should not engage in commercial activities. Allowing bank conglomerates to divert their focus from financial activities onto commercial activities will do nothing to strengthen the financial system. On the contrary, it would weaken it by allowing financial institutions to engage in activities outside their areas of expertise and invite consequences in the commercial arena similar to those we are witnessing today in the mortgage backed securities and other credit markets. Accordingly, in light of these policy concerns, concurred in by Congress which has consistently blocked issuance of a final rule, NAR requests that you withdraw the proposed rule.

Please have your staff contact Jeff Lischer, Manager, Financial Services (202.383.1117; [jlischer@REALTORS.org](mailto:jlischer@REALTORS.org)) if you have any questions regarding our comments.

Sincerely,

A handwritten signature in black ink that reads "Richard F. Gaylord". The signature is fluid and cursive, with a long horizontal line extending to the right.

Richard F. Gaylord, CIPS, CRB, CRS, GRI  
2008 President, National Association of REALTORS®