NATIONAL ASSOCIATION OF REALTORS®

REALTOR®

The Voice for Real Estate®

430 North Michigan Avenue
Chicago, Illinois 60611-4087
312.329.8411 Fax 312.329.5962
Visit us at *www.REALTOR.org.*

Coldwell Banker AJS Schmidt
4488 Cascade Road, SE
Grand Rapids, MI 49546
616.559.7241 Fax 616.559.7242
E-mail: pvredevoogd@realtors.org

Pat V. Combs, ABR, CRS, GRI, PMN
President

November 9, 2007

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

RE: TREAS-DO-2007-0018, Review by the Treasury Department of the Regulatory Structure Associated with Financial Institutions
[transmitted electronically on www.regulations.gov]

Dear Secretary Paulson:

On behalf of more than 1.3 million members of the National Association of REALTORS® (NAR), I am pleased to submit comments in connection with the review by the Treasury Department of the regulatory structure associated with financial institutions.

The National Association of REALTORS®, "The Voice for Real Estate," 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 goal of the restructuring review is to "consider ways to improve efficiency, reduce overlap, strengthen consumer and investor protection, and ensure that financial institutions have the ability to adapt to evolving market dynamics, including the increasingly global nature of financial markets." We agree with your objectives and recognize the considerable challenges the Department faces considering the complexity of the current structure and the significant resistance you are likely to face.

NAR is not submitting detailed comments in response to the specific questions you have asked, but I do want to recommend that you bear in mind the potential risks of concentrating regulation over all insured depository institutions and their affiliates under one federal agency. While the current system would fail the "business school efficient organization chart" test, it has other merits. For one thing, 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. There are also individual benefits under the current structure. The thrift charter has the benefit of promoting housing and other community lending, a focus that could be lost if the thrift and national bank charters were merged or weakened if their two regulators were merged. The national bank charter serves commercial banks extremely well. The Federal Reserve Board keeps its pulse on institutions, both large and small, by supervising state member banks and bank holding companies. These supervisory responsibilities give the Fed insight about the state of the banking industry which is no doubt extremely helpful as it makes monetary policy. The Federal Deposit Insurance Corporation, whose principal obligation is to administer the deposit insurance fund, also benefits by supervising state nonmember banks and learning about pressures and risks institutions face that could lead to a claim on the fund.

While we do not believe the purpose of your review is to identify substantive changes to the authority of insured depository institutions or their affiliates, I am writing to put NAR on record, in this context, against authorizing banking organizations to engage in real estate brokerage or management activities. As you may know, NAR has strongly disagreed with 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. In our view, these activities are purely commercial, not financial, activities. The fact that banks are involved in real estate financing and other related activities should not be a basis for concluding that real estate brokerage and management are financial activities or activities that are incidental or complementary to financial activities. Such reasoning leads to the conclusion that banking organizations may broker any product whose sale they may finance—appliances, automobiles, airplanes, artwork, etc. 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 to control banks.

Congress has enacted legislation reaffirming the long-standing national policy against mixing banking and commerce by prohibiting banking organizations from engaging in real estate brokerage and management activities. NAR will continue to work for permanent legislation.

In light of NAR's strong support for the national policy against mixing banking and commerce and the regulatory and legislative history outlined above, I am writing to request that you do not recommend giving banking organizations the authority to engage in real estate brokerage or management as a result of your restructuring review.

Please contact Jeff Lischer, Manager, Financial Services (202.383.1117; jlischer@realtors.org) if you have any questions regarding our comments.

Sincerely yours,

Pat V. Combs, ABR, CRS, GRI, PMN
2007 President, National Associations of REALTORS®

cc: The Honorable David G. Nason
Assistant Secretary for Financial Institutions