

## NAR Issue Summary

# Conventional Residential Lending / Comptroller of the Currency Rulings Expanding Bank Powers

### **NAR Committee:**

Conventional Financing and Policy Committee

### **What is the fundamental issue?**

In December 2005, the Office of the Comptroller of the Currency (OCC) expanded the authority of national banks to engage in real estate development by issuing rulings that allow banks to develop luxury hotels; to develop multi-use projects including office and retail space, a hotel, and condominiums for immediate sale to make the rest of the project feasible; and to take a 70 percent equity stake in a windmill farm. The new rulings represent the latest step in the OCC's continued efforts to dramatically expand the real estate powers of national banks into real estate and are inconsistent with the national policy against mixing banking and commerce.

### **I am a real estate professional. What does this mean for my business?**

Federal subsidies give banks access to cheap sources of capital, thanks to federal deposit insurance. This gives them an unfair advantage over REALTORS® and others involved in real estate development. Expanding the authority of banks to develop real estate could lead to the OCC giving banks the authority to broker real estate as well.

Allowing banks into real estate development lets them compete unfairly with real estate professionals. For example, a bank could take a real estate professional's application for financing to develop a piece of property and use the information to develop a competing proposal that cuts out the real estate professional.

Investing in real estate can be a risky venture as markets change. The OCC should not expand the authority of banks to invest in real estate development because it creates the risk that, as in the savings and loan scandal in the 1980s, REALTORS® and all other taxpayers will be forced to bail out the banks.

### **NAR Policy:**

NAR is strongly opposed to the OCC actions because they weaken the national policy against mixing banking and commerce. Permitting banks to develop real estate puts the safety and soundness of the banking industry at risk, gives banks an unfair competitive advantage because they have access to cheap sources of credit thanks to federal deposit insurance and other subsidies, and creates conflicts of interest when banks compete with real estate developers seeking banking services.



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On January 27, 2006, sent a letter to OCC explaining in detail the basis for our objections. NAR and OCC have exchanged several letters on this subject.

### **Opposition Arguments:**

N/A.

### **Legislative/Regulatory Status/Outlook**

NAR will continue to monitor and oppose OCC actions that expand bank activities beyond congressional intent.

### **Current Legislation/Regulation (bill number or regulation)**

No actions at this time.

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