



NATIONAL ASSOCIATION
OF REALTORS®

The Voice for Real Estate®

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Thomas M. Stevens, CRB, CRS, GRI
President

June 28, 2006

The Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Bair:

On behalf of more than 1.3 million members of the National Association of REALTORS® (NAR), I would like to offer my congratulations on your becoming Chairman of the Federal Deposit Insurance Corporation.

The National Association of REALTORS®, “The Voice for Real Estate,” is America’s largest trade association, including NAR’s five commercial real estate affiliates. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of 1,500 local associations or boards and to 54 state and territory associations of REALTORS®.

From time to time, NAR meets with senior FDIC officials to discuss issues of mutual interest. I would appreciate the opportunity to meet with you in the near future to congratulate you in person and to discuss several regulatory actions that are of great concern to our members, including the two discussed below. Joe Ventrone, NAR’s Managing Director for the Regulatory and Industry Relations Division, will work with your staff to schedule this meeting. He may be reached at 202-383-1095 or JVentrone@Realtors.org.

Wal-Mart and Home Depot ILC Applications

As you are well aware, both Wal-Mart and Home Depot each seek to own an industrial loan company (ILC) chartered by the state of Utah, and these proposals are now pending before the FDIC. NAR is strongly opposed to both applications. Our April 11, 2006, testimony on the Wal-Mart application for federal deposit insurance for Wal-Mart Bank and our June 5, 2006, letter to your San Francisco Regional Director on the Home Depot Notice of Change in Control related to its proposed acquisition of EnerBank USA explain our concerns in detail.

Banks must be “honest brokers” of financial services and not be swayed into making credit and other business decisions based on their affiliation with commercial firms. When commercial firms are

allowed to engage in banking, the bank functions under an inherent and irreconcilable conflict of interest. The bank's commercial parent will be tempted to use the bank in a manner that furthers its corporate objectives, which may be at odds with what is in the best interests of the bank subsidiary, customers, competitors, and our financial system.

REALTORS® are also concerned about the competitive impact of giving large commercial firms benefits that come with owning a federally insured bank. For example, if an ILC owned by a commercial firm provided loans on favorable terms to suppliers of its parent, it would put other commercial firms at a disadvantage.

Finally, we believe that mixing banking and commerce creates risks to the financial system because a bank owned by a commercial firm may not have the freedom to exercise the discipline needed to make independent credit judgments.

Because of the important public policy issues involved, we urge the FDIC to prevent Wal-Mart, Home Depot, and other commercial firms from becoming owners of ILCs until Congress legislates to address this issue.

State Bank Preemption

On October 14, 2005, the FDIC published a proposed rule concerning preemption of various state laws related to (1) activities of out-of-state branches of state banks, and (2) exporting of interest rates by state banks. The genesis of this rule was the March 2005 Financial Services Roundtable petition asking the FDIC to (1) issue regulations preempting state law to give state banks parity with national banks with respect to their activities across the board and (2) codify by regulation the rules related to exporting interest rates. The Roundtable asked to have the law of a state bank's home state apply to the state bank's activities in other states (host states), whether it carried out the activities through a branch, through an operating subsidiary, or otherwise.

NAR believes the proposed rule would significantly expand the scope of preemption beyond that provided by the statute, which limits the scope of the preemption to activities conducted at branches of state banks. We continue to believe that the solution is for Congress to consider whether state banks are, in fact, disadvantaged under current law and, if so, to reconsider the scope of the preemption after full and open debate.

Let me congratulate you again and wish you every success as Chairman.

Sincerely yours,



Thomas M. Stevens, CRB, CRS, GRI
2006 President, National Association of REALTORS®