NATIONAL ASSOCIATION
OF REALTORS®

The Voice for Real Estate®

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Pat Vredevoogd Combs, ABR, CRS, GRI, PMN
President

January 31, 2007

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 am writing to thank you and the Board of the Federal Deposit Insurance Corporation (FDIC) for extending the moratorium on industrial loan company (ILC) applications by commercial firms. 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 1,400 local associations or boards and to 54 state and territory associations of REALTORS®.

We are pleased that you accepted the key element of the recommendation by many members of Congress, NAR, and others to extend the moratorium to give Congress more time to consider whether to eliminate or tighten the existing ILC loophole that permits commercial firms to own a federally-insured depository institution. On October 10, 2006, my predecessor, Thomas M. Stevens, wrote to you recommending that the FDIC extend the moratorium to the end of 2007. In our view, the reality of the congressional calendar meant that the original six-month moratorium did not allow adequate time for Congress to decide before the moratorium was scheduled to expire. NAR strongly supports enactment of H.R. 698, the "Industrial Bank Holding Company Act of 2007," which Rep. Paul E. Gillmor and Chairman Barney Frank reintroduced on Monday. We urge you to continue to proceed cautiously, in light of the important public policy issue at stake, and continue to take into account the strong views of all those concerned.

NAR is on record as strongly opposing FDIC approval of applications by commercial firms to own ILCs, including the Wal-Mart and Home Depot applications to own an ILC chartered by the state of Utah. Our October 10, 2006, letter to you, which responded to the 12 questions the FDIC published for public comment in connection with ILCs, explains the basis of NAR's concerns in detail.

Banks should not make credit or 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. This imposes 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. 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. For example, if a Wal-Mart Bank is permitted to process customer payments to Wal-Mart Stores through the payments system, Wal-Mart Stores could spread the risks of its commercial operations to others participating in the payments system.

Realtors® are also concerned about the competitive impact of giving large commercial firms the 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. The Home Depot business plan is a striking illustration of why banking and commerce should not mix. The plan proposes channeling credit from the Home Depot Bank primarily to home improvement contractors that are customers of Home Depot itself. This plan will have anti-competitive effects since customers of other building suppliers will not have an opportunity to obtain credit on favorable terms.

Because of the important public policy issues involved, we once again applaud your decision to extend the moratorium to prevent Wal-Mart, Home Depot, and other commercial firms from becoming owners of ILCs until Congress has time to address this issue.

Sincerely,

Pat V. Combs

Pat Vredevoogd Combs, ABR, CRS, GRI, PMN
2007 President, National Association of REALTORS®

cc: Members of the FDIC Board:
The Honorable Martin J. Gruenberg, Vice Chairman
The Honorable Thomas J. Curry
The Honorable John C. Dugan, Comptroller of the Currency
The Honorable John M. Reich, Director, Office of Thrift Supervision
The Honorable Barney Frank
The Honorable Paul E. Gillmor