

**OPENING STATEMENT OF REP. SPENCER BACHUS
MAY 2, 2001 HEARING ON PROPOSAL TO PERMIT BANKS TO
ENGAGE IN REAL ESTATE BROKERAGE AND MANAGEMENT**

The Subcommittee meets today to continue the important work of overseeing implementation of the historic Gramm-Leach-Bliley financial modernization legislation enacted during the last Congress. Last month, in collaboration with the Capital Markets Subcommittee, we reviewed rules promulgated by the Federal financial regulators governing merchant banking operations authorized by Gramm-Leach-Bliley. This morning, we will consider a recent proposal by the Federal Reserve Board and the Treasury Department to permit financial holding companies and financial subsidiaries of national banks to offer real estate brokerage and real estate management services.

Title I of Gramm-Leach-Bliley allows financial holding companies and banks, through financial subsidiaries, to engage in a broad range of activities that are considered “financial in nature” or incidental or complementary to such financial activities. Among those “financial” activities specifically enumerated in the statute are banking, insurance and securities. Title I also authorizes the Federal Reserve and Treasury Department to define additional activities that they deem to be financial in nature or incidental to such activities, and therefore permissible for financial holding companies and financial subsidiaries.

On January 3rd of this year, the Federal Reserve and the Treasury published in the *Federal Register* a proposed rule that would add real estate brokerage and real estate management to the list of activities considered financial in nature or incidental to financial activity. The proposal established a March 2, 2001, deadline for public comment.

Out of a belief that two months was simply not enough time for considered review of a proposal with potentially far-reaching consequences for consumers and providers of real estate services, I wrote to the regulators on February 1st urging them to extend the period for public comment. On February 21st, the Federal Reserve and Treasury announced a two-month extension of the comment period, until May 1st. With the expiration of the public comment period yesterday, the regulators must now begin the laborious task of reviewing and analyzing what I am told has been a heavy volume of written comments to determine how to proceed with their proposal.

My hope is that by holding today's hearing, this Subcommittee can play a constructive role in the deliberative process in which the regulators are currently engaged. In addition to giving Members an opportunity to make the regulators aware of congressional concerns with the proposal, the hearing will provide a forum to a broad cross-section of affected industry and consumer

groups, some of whom strongly support the proposed rule and others who just as adamantly oppose it.

My own reservations about the proposed rule are two-fold. First, I believe that wholesale entry of banks into the real estate business – while not in and of itself undermining safety and soundness – may serve to erode the long-standing separation between banking and commerce that Congress most recently reaffirmed in the Gramm-Leach-Bliley Act. Second, I have concerns about whether the statutory criteria that are supposed to guide the regulators' determination of what activities are financial in nature or incidental to such activities have been properly applied in this instance.

I recognize, however, that there are strong views on both sides of this issue, and that legitimate arguments can be made for permitting banks to offer real estate-related services. Certainly, the fact that some depository institutions, including Federally chartered credit unions and thrifts – as well as State-chartered banks in a number of jurisdictions – are authorized to engage in real estate activities while others are legally barred from doing so raises issues of competitive equity that should be addressed.

Before recognizing the Ranking Member for an opening statement, I want to welcome our witnesses to today's hearing, and remind both them and Members that because of the hearing

scheduled for 2:00 in this room, the Chair will be strictly enforcing the five-minute rule on oral testimony and Member questioning.

Mrs. Waters, you are recognized.