

**STATEMENT FOR FINANCIAL SERVICES SUBCOMMITTEE ON  
FINANCIAL INSTITUTIONS AND CONSUMER CREDIT HEARING  
ON H.R. 3424, THE COMMUNITY CHOICE IN REAL ESTATE ACT**

**July 24, 2002**

**Representative Max Sandlin**

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Mr. Chairman and Ranking Member Waters, I commend you for holding today's hearing on the Community Choice in Real Estate Act. I look forward to hearing from the witnesses who have agreed to testify before us today.

As members of this committee know, the Gramm-Leach-Bliley Act specifically prohibits financial holding companies and banks' financial subsidiaries from engaging in certain real estate activities, including investment and development. The rationale behind this prohibition is simple: while Gramm-Leach-Bliley allowed financial services companies to diversify and engage in new lines of business, the Act sought to prevent a breakdown in the wall between banking and commerce. And yet just one year after passage of Gramm-Leach-Bliley, the Treasury Department and the Federal Reserve attempted to hastily promulgate a rule that directly challenges congressional intent. As if there was any doubt as to Congress's intention to maintain banking and commerce as separate activities, as of today, *a majority of the House* – 245 members of Congress, including 26 members of this committee – have cosponsored H.R. 3424. Congressional intent on this matter is clear, and while the regulators have the statutory authority to allow financial holding companies and their subsidiaries to expand into new businesses, Congress has a duty to clarify intent to prevent unintended consequences from arising.

The proposed rule that would allow federally chartered financial services firms to engage in real estate brokerage and property management would not only defy Congress's clear intent to keep banking and commerce separate, but would actually redefine inherently commercial activities as financial in nature, or incidental to a financial activity. As some financial services firms shift away from their core businesses and diversify into new product lines in understandable attempts to increase profits, there is a significant danger of federally chartered, national banks engaging in real estate activities in local communities to which they have no connections. Additionally, no credible evidence exists that indicates a lack of competition in the real estate brokerage industry. To the

contrary, significant competition already exists within this industry. My concern is that consumers would not only *not benefit* from the entry of banking companies' into real estate brokerage, they would actually face *decreased* competition as large, national financial services firms consolidate and exert market power in our local communities.

Finally, while I support recent congressional efforts to prevent the Treasury Department from issuing the controversial rule in question, I am deeply concerned that this issue, which clearly lies within this committee's jurisdiction, will be handled through the appropriations process in the future. Mr. Chairman, I urge you to reassert the Financial Service Committee's jurisdiction over this issue by scheduling consideration of H.R. 3424 in this subcommittee before the end of this year.

Thank you Mr. Chairman.