

Resolution No. 2

Date: February 6, 2007

City: Orlando, Florida

NAHB Resolution

Title: Treatment of Residential Real Estate in Financial Institutions
Regulation
Original Sponsor: Financial Institutions and Capital Markets Subcommittee of the
Housing Finance Committee

WHEREAS, federally insured commercial banks and thrift institutions provide more than 90 percent of the loans for residential land acquisition, development and construction (AD&C);

WHEREAS, there are no other significant sources of residential AD&C credit;

WHEREAS, in the early 1990s, home builders faced a severe credit crunch as federal banking regulators issued warnings on the risks of real estate lending that did not appropriately distinguish among the different types of real estate loans, which historically have shown wide variations in credit performance;

WHEREAS, residential real estate loans, including home mortgages and residential AD&C loans, historically have experienced much more favorable credit performance than nonresidential real estate loans;

WHEREAS, in the initial efforts of federal banking regulators to revise bank capital requirements, residential AD&C loans were accorded the same capital treatment as nonresidential real estate loans with significantly higher historical default and loss experience;

WHEREAS, in recent years, the federal banking regulators have issued guidance and regulations intended to address the risk posed to banks and thrifts by real estate loans, especially the risk of the rapid growth and high concentration of real estate loans on bank balance sheets, often without noting that residential and nonresidential real estate loans carry significantly different risks; and

WHEREAS, data collected and reported by the federal banking regulators provide only limited details on loan activity and performance for the different types of real estate loans, making it difficult for the regulators to assess bank credit experience by real estate asset type,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge the federal banking regulators to collect and report greater details on loan activity and performance by type of real estate loan; and

BE IT FURTHER RESOLVED that NAHB urge the federal regulators to appropriately distinguish among real estate assets having significantly different credit histories in their oversight and regulation of commercial banks and thrift institutions and, in particular, recognize the favorable historical credit performance of residential real estate loans.

Board of Directors Action:
Joint Executive Board Action:
Resolutions Committee Action:
Housing Finance Committee Action:
Financial Institutions and Capital Markets Subcommittee of the
Housing Finance Committee Action:

Approved
Recommends Approval
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