

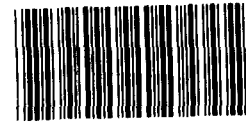
GAO

Fact Sheet for the Honorable
Rod Chandler, House of
Representatives

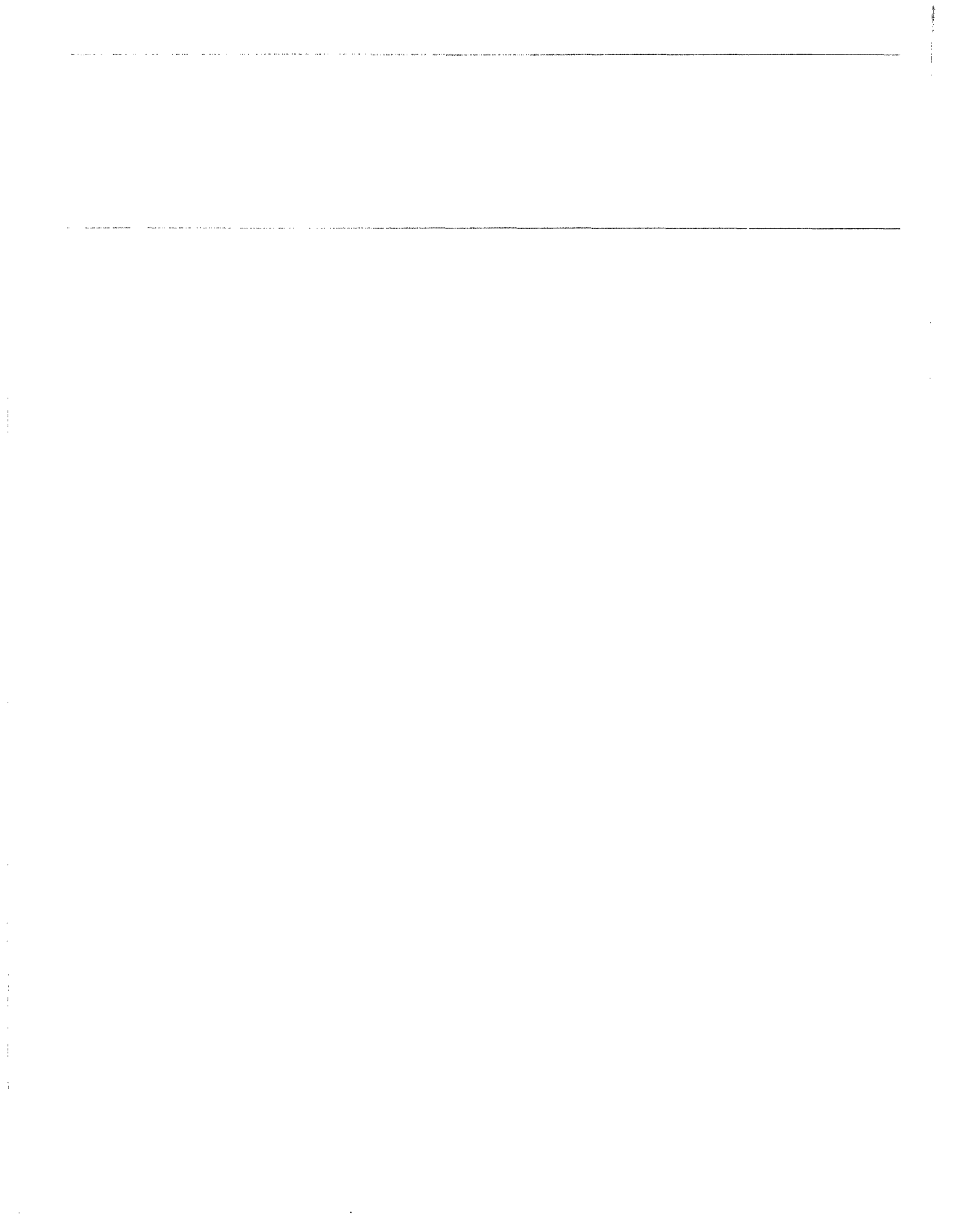
November 1990

RESOLUTION TRUST CORPORATION

Real Estate Activities in Bellevue, Washington



142631





General Government Division

B-241276

November 9, 1990

The Honorable Rod Chandler
House of Representatives

Dear Mr. Chandler:

On March 5, 1990, Chairman J. J. Pickle, Subcommittee on Oversight, House Committee on Ways and Means, requested certain information on Resolution Trust Corporation (RTC) activities in six geographic areas. This fact sheet addresses questions on RTC real estate holdings and property management activities in one of those areas--Bellevue, Washington, zip codes 98004 through 98009. Chairman Pickle asked that we send this information directly to you since you represent this area. The five other areas are being covered in separate fact sheets.

Specifically, the Chairman asked for information on (1) thrifts and real estate assets placed under RTC control; (2) real estate assets that have been sold and the purchasers of those sold for \$1 million or more; (3) the number of real estate agents that have been qualified or disqualified for RTC contracts, and for those disqualified, the reasons why; and (4) the names of managers of any high-value real estate properties in the inventory and what they are paid. The following discussion provides this information.

THRIFTS AND REAL ESTATE ASSETS
PLACED UNDER RTC CONTROL

The Office of Thrift Supervision initially places troubled thrifts under the direct supervision of RTC--which serves as conservator¹ or receiver²--when certain conditions, such as insolvency, capital inadequacy, or unsafe and unsound practices, exist.

¹A conservator is appointed to, among other things, operate the thrift as a going concern, and preserve and conserve the assets and properties of the thrift.

²A receiver is charged by law with the duty of winding up the affairs of a bank or savings association.

B-241276

As of June 30, 1990, RTC had resolved--sold to new owners or closed if no purchaser was found--two thrifts in Washington State, neither of which were located in the review area. At this time, there are no thrifts in conservatorship in the state of Washington.

REAL ESTATE ASSETS SOLD

We identified one property within the review area that had been sold by RTC. RTC records show that the property was 2.0 acres of commercially zoned, vacant land located at the Northwest corner of 140th NE and 8th Street in Bellevue, Washington. The property was last appraised in March 1988 at \$590,000. It sold on December 1, 1989, for \$480,000. The net proceeds received on the sale were \$422,295; the difference resulted from tax credits, commissions, closing fees, title insurance, and excise taxes. As of March 31, 1990, RTC's real property inventory listed no other real estate under RTC control in the review area.

REAL ESTATE AGENT REGISTRATION

RTC procedures do not require real estate agents to register with it because state laws and regulations require agents to work through licensed brokers. However, real estate brokers interested in handling RTC property are required to register. Brokers must certify that their employees or subcontractors, including real estate agents, meet qualification and integrity requirements. As of August 8, 1990, 377 real estate brokers that wished to do work for RTC in Bellevue had registered with the agency. This figure included 8 brokers from within the review area, 30 brokers with Washington State office addresses outside the area, and 339 brokers from other states.

RTC may disqualify brokers, or any other contractors, on the basis of information provided on the Fitness and Integrity Certifications Form that must be submitted with the firm's Contractor Registration Request. As of July 31, 1990, no brokers with offices located in the review area had been disqualified. In fact, as of that date, only 19 firms nationwide, of various types, had been disqualified from being considered for RTC work. Firms may ask for a reconsideration of their status at any time after they have been disqualified.

The fact that a firm is registered with RTC and its name is included on the contractor registry simply enables the firm to be considered for RTC contracts and receive solicitations for services. Inclusion in the registry does

not imply that the firm is qualified to do work for RTC or that it is an approved RTC contractor. RTC contracting procedures require contracting officers to determine qualifications and obtain additional ethics certifications from potential contractors each time a firm is considered for a contract.

PROPERTY MANAGEMENT

According to an RTC representative, the one property that had sold as of March 31, 1990, was vacant land not put under a management contract prior to its sale.

OBJECTIVES, SCOPE, AND METHODOLOGY

We obtained the information requested by the Chairman from various documents we gathered and analyzed and through discussions with officials at RTC's Western Region and Intermountain Consolidated Field Office. We also gathered data from one thrift under RTC control. We used RTC's computerized real estate inventory to obtain a listing of assets located in the review area using postal zip codes 98004 through 98009 to identify Bellevue, Washington, properties under RTC control. The inventory contained information on real estate holdings and sales as of March 31, 1990. We did not verify the computerized data; therefore, we cannot attest to the completeness or accuracy of the property listings.

RTC has experienced considerable problems with its real property inventory system. It is aware that data in the system were not always complete and accurate and has been trying to verify the data as it updates the inventory. Because of these data quality problems, RTC placed a disclaimer on the database magnetic tapes and floppy disks. The disclaimer stated that

". . . information contained in the computer product is not guaranteed and is submitted subject to, without notice, correction, errors, prior sale or withdrawal from the market. The RTC, now and forever, makes no guarantee, warranty, or representation, expressed or implied, as to the location, quality, kind, character, size, description, or fitness for any use or purpose, of any property listed and/or described in the computer product."

RTC is in the process of hiring a contractor to develop and operate a completely new system for its automated real

B-241276

property inventory records. It expects this new system to be in place during the first quarter of 1991. Since RTC solicited for a system that is currently operational it does not expect the delays sometimes experienced in systems development.

We did our work from April through August 1990 in accordance with generally accepted government auditing standards.

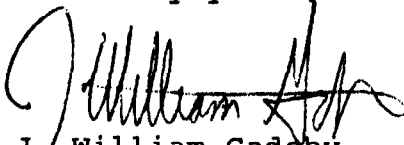
- - - - -

Throughout the course of our work we discussed the information contained in this fact sheet with RTC Western Region officials, who agreed with the facts presented in this document.

As agreed with the Subcommittee, no further distribution of this fact sheet is planned. However, we will make copies available to interested parties and others upon request.

The major contributors to this product are listed in the appendix. If you have any questions, please contact me on 275-8387.

Sincerely yours,



J. William Gadsby
Director, Federal
Management Issues

MAJOR CONTRIBUTORS TO THIS FACT SHEET

GENERAL GOVERNMENT DIVISION, WASHINGTON, D.C.

Gaston L. Gianni, Jr., Associate Director, Federal Management Issues
Ronald L. King, Assistant Director, Federal Management Issues
Stuart M. Kaufman, Senior Social Scientist

DENVER REGIONAL OFFICE

Ron Guthrie, Evaluator-in-Charge
Alan Dominicci, Evaluator
Nina Hammon, Evaluator

(247003)

Ordering Information

The first five copies of each GAO report are free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P. O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
