

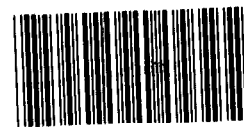
GAO

Fact Sheet for the Honorable  
Richard T. Schulze, House of  
Representatives

November 1990

# RESOLUTION TRUST CORPORATION

## Real Estate Activities in Southeast Pennsylvania



142627





General Government Division

B-241276

November 9, 1990

The Honorable Richard T. Schulze  
House of Representatives

Dear Mr. Schulze:

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--a portion of southeastern Pennsylvania, near Philadelphia.<sup>1</sup> 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) the names of managers of any high-value real estate properties in the inventory and what they are paid; (3) real estate assets that have been sold and the purchasers of those sold for \$1 million or more; and (4) the number of real estate agents that have been qualified or disqualified for RTC contracts, and for those disqualified, the reasons why. 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 conservator<sup>2</sup> or receiver<sup>3</sup>--when certain conditions, such as insolvency, capital inadequacy, or unsafe and unsound practices, exist.

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<sup>1</sup>The Subcommittee requested information for specific zip codes, listed in appendix I, encompassing an area including portions of Berks, Bucks, Chester, Delaware, and Montgomery counties, in southeastern Pennsylvania.

<sup>2</sup>A 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.

<sup>3</sup>A receiver is charged by law with the duty of winding up the affairs of a bank or savings association.

Three thrifts in Pennsylvania with total assets of about \$5.9 billion were in the RTC conservatorship program as of June 30, 1990. However, none of these thrifts were located in the review area. Prior to this date, four thrifts in Pennsylvania had been resolved, that is, sold to new owners or closed if no purchaser was found. One of these four-- Hill Financial Savings Association in Red Hill, Pennsylvania--was located in the review area.

Hill Financial was resolved through a purchase and assumption agreement in October 1989.<sup>4</sup> At that time, Hill Financial and its remaining assets and liabilities were placed into receivership. It had assets totaling about \$2.7 billion when it was partially acquired by Meridian Bancorp, Inc. of Reading, Pennsylvania. Meridian acquired assets valued at about \$.8 billion, leaving assets valued at nearly \$1.9 billion to be transferred to RTC to liquidate. About 87 percent of the assets in the Hill Financial receivership (over \$1.6 billion) were financial assets (loans, securities, and mortgages). The remainder was about \$150 million in real estate and about \$95 million in other assets.

Hill Financial's real estate assets were scattered throughout the country. Specifically, as of March 31, 1990, 575 former Hill Financial real estate assets were under RTC control. A total of 533 properties were located in 15 states other than Pennsylvania, primarily in Georgia, Texas, Tennessee, and Florida. Only 42 of Hill Financial's properties were located in Pennsylvania; 5 of them were in the review area. Also within the review area, we identified two other RTC-controlled properties previously owned by two other thrifts located elsewhere. The total asking prices for these seven properties was about \$6.7 million. These properties are shown in table 1.

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<sup>4</sup>In a purchase and assumption resolution, an assuming institution, selected by RTC through competitive bidding, purchases certain assets and assumes certain liabilities of the failed thrift. In most cases, the most desirable assets--typically, cash, securities, and performing loans--are purchased. Real estate, personal property, nonperforming loans, junk bonds, and frequently, any subsidiaries owned by the thrift, are not generally purchased by the acquiring institution.

Table 1:  
Real Estate Assets Under RTC Control  
in the Review Area as of March 31, 1990

<u>Asset location</u>	<u>Asset description</u>	<u>Receivership</u>
Geryville Pike Upper Hanover Township, PA 18073	Commercial office building	Hill Financial Red Hill, PA
E. Sixth St. Upper Hanover Township, PA 18076	Commercial office building	Hill Financial Red Hill, PA
400 Main St. Red Hill, PA 18076	Bank building and offices	Hill Financial Red Hill, PA
426 Main St. Red Hill, PA 18076	Commercial office building	Hill Financial Red Hill, PA
412 Main St. Red Hill, PA 18076	Single-family residence	Hill Financial Red Hill, PA
1510 Chester Pike Eddystone, PA 19013	Commercial office building	Concordia Federal Lansing, IL
11 Elm Drive Lansdale, PA 19446 <sup>a</sup>	Single-family residence	Horizon Financial Southampton, PA

<sup>a</sup>This property was sold by RTC after March 31, 1990.

#### PROPERTY MANAGEMENT

As of September 12, 1990, RTC had not entered into any asset or property management contracts for real estate under its control in the review area. However, a property management contractor has been selected, but the contract had not been awarded. RTC had expected to award this contract in July 1990. It is to cover several properties located in eastern Pennsylvania, including the four commercial buildings in Upper Hanover Township and Red Hill listed in table 1. These properties were used to house the operations of RTC's Northeast Consolidated Field Office until July 2, 1990, when these operations were relocated to King of Prussia, Pennsylvania.

A security company has been contracted to provide 24-hour guard service for \$1,300 per week for the other unsold property in the review area--the vacant Eddystone commercial office building.

#### REAL ESTATE MARKETING

Environmental problems may affect the value and marketability of commercial property held by RTC in the Red Hill area. One of the four commercial office buildings formerly occupied by Hill Financial Savings and the RTC Northeast Consolidated Office was found to have excessive levels of radon. RTC has awarded a contract to determine the extent of environmental problems in this and another building.

A single-family residence, an asset of the Horizon Financial receivership, was the only sale identified in the review area. The Lansdale, Pennsylvania, home was sold for \$81,000 on May 2, 1990. The asking price for this property was \$90,000.

#### REAL ESTATE BROKER 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, RTC 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 July 24, 1990, 424 real estate brokers that wished to do work for RTC in southeastern Pennsylvania had registered with the agency. This figure included 11 brokers from within the review area, 52 brokers with Pennsylvania office addresses outside the area, and 361 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, none of the brokers with offices located in the review area had been disqualified. In fact, as of that date, only 19 firms of any type nationwide 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.

OBJECTIVES, SCOPE, AND METHODOLOGY

To obtain the information requested by the Chairman, we obtained a listing of assets located in the review area from RTC's computerized real estate inventory. The inventory contained information on real estate under RTC control and sales of RTC real estate as of March 31, 1990. RTC had experienced problems with the completeness and accuracy of its property inventory and placed a disclaimer on the information.

We discussed with the RTC Northeast Consolidated Office Director and his staff the southeastern Pennsylvania properties listed in the inventory, and they identified one additional property in the review area not listed on the March inventory. To obtain information on real estate agents and brokers, we consulted RTC's contractor registry.

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

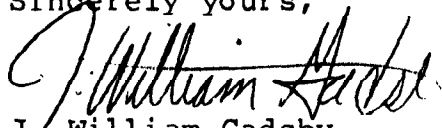
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We discussed the results of our work with the Director of RTC's Northeast Consolidated Office and his staff, who agreed with the facts presented in this document.

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

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

Sincerely yours,



J. William Gadsby  
Director, Federal  
Management Issues

LIST OF SOUTHEASTERN PENNSYLVANIA POSTAL ZIP CODES USED TO  
IDENTIFY PROPERTIES IN AREA DESIGNATED FOR REVIEW

<u>Zip code</u>	<u>Post office</u>	<u>Zip code</u>	<u>Post office</u>
18041	East Greenville	19363	Oxford
18054	Green Lane	19365	Parkesburg
18070	Palm	19366	Pocopson
18073	Pennsburg	19372	Thorndale
18074	Perkiomenville	19373	Thornton
18076	Red Hill	19374	Toughkenamon
18084	Sunneystown	19375	Unionville
18915	Colmar	19380-83	West Chester
18924	Franconia	19390	West Grove
18957	Salford	19395	Westtown
18958	Salfordville	19401	Norristown
18964	Souderton	19403	Norristown
18969	Telford	19407-08	Norristown
18971	Tylersport	19420	Arcola
18979	Woxall	19425	Chester Springs
19013-16	Chester	19426	Collegeville
19061	Marcus Hook	19430	Creamery
19073	Newtown Square	19432	Devault
19087	Wayne	19433	(invalid code)
19301	Paoli	19435	Frederick
19311	Avondale	19438	Harleysville
19312	Berwyn	19440	Hatfield
19316	Brandamore	19442	Kimberton
19317	Chadds Ford	19446	Lansdale
19318	Chatham	19450	Lederach
19319	Cheyney	19453	Mont Clare
19320	Coatesville	19456	Oaks
19321	(invalid code)	19457	Parker Ford
19331	Concordville	19460	Phoenixville
19335	Downingtown	19464	Pottstown
19341	Exton	19468	Royersford
19342	Glen Mills	19472	Sassamansville
19343	Glenmoore	19473	Schwenksville
19345	Immaculata	19474	Skippack
19347	Kemblesville	19478	Spring Mount
19348	Kennett Square	19480	Uwchland
19350	Landenberg	19481-82	Valley Forge
19352	Lincoln University	19491	(invalid code)
19353	Lionville	19492	Zieglerville
19354	Lyndell	19504	Barto
19355	Malvern	19505	Bechtelsville
19357	Mendenhall	19512	Boyertown
19358	Modena	19525	Gilbertsville
19360	New London		



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

ATLANTA REGIONAL OFFICE

Mario L. Artesiano, Evaluator-in-Charge  
Kevin C. Handley, Site Senior

(247001)



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