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**Testimony of the  
Connecticut Chapter of the Appraisal Institute  
before the Insurance and Real Estate Committee**

**On**

**Senate Bill No. 13 – An Act Concerning  
Real Estate Appraisal Management Companies**

**Presented by**

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Senator Joseph Crisco  
Representative Stephen Fontana  
Insurance and Real Estate Committee  
Room 2800: Legislative Office Building  
Hartford, Connecticut

Good Afternoon Senator Crisco, Representative Fontana and members of the Insurance and Real Estate Committee. My name is Ralph Biondi and I am a certified general appraiser with the firm of Biondi & Rosengrant L.L.C. in Waterbury, Connecticut. I am here today as the chairman of the Legislative Affairs Committee of the Connecticut Chapter of the Appraisal Institute.

The Appraisal Institute is a global membership association of professional real estate appraisers with nearly 25,000 members throughout the world, including 400 here in Connecticut. The Appraisal Institute was organized in 1932 with a mission to support and advance its members as the choice for real estate valuation solutions and uphold professional credentials, standards of professional practice and ethics consistent with the public good. The Appraisal Institute is recognized nationally, and within the state of Connecticut, as the leading advocate for the real estate appraisal profession. As members of the committee know, real estate appraisers provide very specialized services within the larger real estate economy and are unique in the process as our regulation is by virtue of a federal mandate but is administered by the state.

We appreciate the committee holding a hearing on Senate Bill #13, An Act Concerning Real Estate Appraisal Management companies. I would like to provide the members of the committee with some background so they may understand the reason for the bill before the committee.

Appraisal Management Companies (AMC) are business entities that administer networks of independent appraisers to fulfill real estate appraisal assignment on behalf of lenders. AMC's are third party brokers of appraisal services who sit between banks and other mortgage originators and licensed or certified appraisers who perform the real estate appraisals. The AMC recruits, qualifies, verifies licensure, negotiates fees and service level expectations with a network of third party appraisers. In some cases, the AMC is also responsible for many tasks associated with the collateral valuation process to include appraisal review, quality control, market value dispute resolution, warranty administration and record retention.



Appraisal management companies have been in existence for many years and afford lenders the option of outsourcing the administration of the appraisal function. However, the industry has experienced explosive growth in the past year since the implementation of the Home Valuation Code of Conduct (HVCC). The Home Valuation Code of Conduct was a consent decree between the Attorney General of the State of New York and FNMA and FHLMC, the two largest purchasers of mortgages in the secondary financial market. HVCC was designed to prevent unfair pressure on real estate appraisers from mortgage originators and others with an interest in the financing transaction. It was hoped that this Code of Conduct would more completely address the issue of lender pressure on appraisers to *hit the mark* and meet the valuation expectations of the mortgage broker and borrower.

However, the implementation of HVCC had *unintended* consequences that are proving more and more disruptive to the appraisal process within the mortgage financing transaction.

These unintended consequences can be attributed to the consolidation of the appraisal ordering process with one entity. Some AMC's take an exorbitant percentage of the fee paid by the borrower for the real estate appraisal. They seek to maximize profit by intimidating appraisers into working for a lesser fee. They also seek to accelerate the turn around time for assignment completion. There are also reports of AMC's sending appraisers to distant areas where they lack full market knowledge. This may lead to inadequate valuation conclusions that can be disruptive to the sale or refinancing marketplace. I have read postings on a variety of appraiser oriented websites detailing what I would charitably call *very troubling* recitations of appraiser dealings with the more egregious appraisal management companies. I know there are others here today who will address those types of concerns.

We think it is important to note that the AMC's are the only entity in the real estate sale and financing transaction who are not licensed or regulated. All other participants, be they banks, mortgage companies, real estate appraisers, attorneys, title companies, home inspectors and realtors are licensed or certified by either federal or state regulatory agencies. The appraisal management companies are the notable exception. Six states have passed legislation regulating appraisal management companies with California being the most recent. It is my understanding that another thirty states are considering some form of regulation of appraisal management companies. Additionally, HR-4173 the Wall Street Reform and Consumer Protection Act of 2009, passed by the United States House of Representatives, includes a provision for mandating the regulation of appraisal companies within the next three years.



The Connecticut Chapter of the Appraisal Institute has been proactive in dealing with the appraisal management company issue on behalf of appraisers in Connecticut. Members of the chapter, and our lobbyist, have met with representatives of the Connecticut Banking Department, the Connecticut Department of Consumer Protection and the Attorney General. A meeting took place this past Friday with representatives of the Connecticut Bankers and Mortgage Bankers Association, the Connecticut Association of Realtors and the Homebuilders of Connecticut. Representatives of T.A.V.M.A., the trade association for national appraisal management companies, were included in this meeting by conference call. A clear consensus emerged that the language found in Senate Bill 13 represents a framework to properly address the issue of registering and adequately regulating appraisal management companies and protecting the interests of all of the participant groups and, most importantly, the consumers of real estate appraisal services.

The Connecticut Chapter of the Appraisal Institute would like to encourage the members of the Insurance and Real Estate Committee to pass An Act Concerning Real Estate Appraisal Management Companies. Thank you for allowing me to present this testimony and I would be happy to answer any questions from the committee.