

**Testimony of John J. Galvin, MAI**  
Farmington, Connecticut  
[john@agvalues.com](mailto:john@agvalues.com)  
860-214-2850

**Regarding: Section 2 of House Bill 6510 -, An Act Concerning the Regulation of Private Transfer Fees and the Valuation of Real Estate**

Chairman Crisco, Chairman Megna and members of the Insurance and Real Estate Committee, my name is John Galvin and I am here to speak in opposition to Section 2 of House Bill 6510. I am a commercial real estate appraiser, holding the MAI designation from the Appraisal Institute and past president of the Connecticut Chapter of the Appraisal Institute. I have been involved in banking, real estate, and commercial real estate appraisal for over 25 years and I have watched our Connecticut real estate market fluctuate since the oil crisis in the 1970's. Section 2 of House Bill 6510 is taking a *major step backwards by removing existing protection for Connecticut Consumers* from abuses in the mortgage lending / foreclosure process.

In the 1980's – we experienced the Savings & Loan Crisis – a major cost to the tax payer. One primary reason for this fiasco was the lack of regulation on the appraisal process and who could complete an appraisal for lending purposes. As a result, the Federal Government adopted the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA). As part this, the Appraisal Foundation, a quasi-government body, was created and enacted the Uniform Standards of Appraisal Practice (USPAP), which mandated guidelines and regulations to perform appraisals for real estate.

Each State had to create a Real Estate Appraisal Commission and enact a licensing procedure for appraising real property. In Connecticut, USPAP became part of our State Law for appraisers – brokers are not required to comply with USPAP. The need for an UNBIASED OPINION OF VALUE was recognized by Federal Regulating Agencies as a mandatory requirement for having stable market conditions; thus, avoiding a loss in tax dollars due to potential fraud and abuses within the mortgage lending process – AND to provide a necessary layer of financial protection for the end user of the realty, the consumer – home owner.

In the State of Connecticut, we have made great strides in restoring Public Trust with the appraisal process to protect the consumer. The CT Real Estate Appraisal Commission has made great strides in ensuring appraisers are experienced, educating and held accountable. In addition, restrictions were placed on the trainee process and last year we passed legislation to regulate Appraisal Management Companies, all efforts not just to maintain stability in the Connecticut Real Estate market, but primarily to enhance Public Trust in the appraisal process – WHY? To protect the consumer.

**Testimony of John J. Galvin, MAI (Page 2 of 2)**

**Regarding: Section 2 of House Bill 6510 -, An Act Concerning the Regulation of Private Transfer Fees and The Valuation of Real Estate**

The purpose of Section 2 of House Bill 6510 is to simplify the foreclosure process, to reduce costs to the few large mortgage servicers, and most would argue, to liquidate all of the troubled and delinquent loans in order to return to a market of growth. In my opinion, this is a false perception that will have to be paid for by the tax payer and the consumer, primarily because it will cause a shift in the supply and demand curve resulting in value declines. Though this process has already started in Connecticut, the passing of Section 2 will expedite this decline – creating pressure on the downward spiral in values.

Economic history clearly demonstrates that the further the decline in values the longer it takes to recover and regain stability in the market. Simplifying the foreclosure process will cause an increase in inventory of available real estate (dumping distressed properties = oversupply). At the same time, the pool of potential buyers is reduced, as those getting foreclosed will not be able to re-enter the market for some time.

Leaving the existing appraisal law in place, and not passing Section 2, will keep us on the current trend in Connecticut, which is a market that now shows signs that values are stabilizing. It will also provide time for the market to absorb the unavoidable foreclosures and also provide time to create options for those in the beginning stages of the foreclosure process – to perhaps work out their situation (i.e. a laid-off worker who can no longer afford the house time to sell the house and get out from under the mortgage without filing bankruptcy, etc.). Simply put, though I have a tremendous respect for the role of the real estate broker / sales agent in the market place, that role should not be commingled with the roll of the appraiser just so a few large institutions can save a few dollars at the expense of others.

By savings, I am referring to circumventing the appraisal process meant to protect all parties involved. A mistake in the value process can create large tax consequences for the consumer (the IRS considers the difference between the loan amount and the foreclosed sale price is a tax gain) and cause a larger deficiency judgment (a deficiency judgment against the foreclosed homeowner can be filed for the difference in the loan amount and the foreclosed sale price plus all related costs – which the bank / mortgage servicer can collect from the consumer over time). Utilizing a Broker's Price Opinion (BPO) in the foreclosure process inserts an opinion of value developed by a potentially biased interest, focused on capitalizing on the negative situation of others – others who have the need, and the right to benefit from an unbiased opinion of value prepared by a Connecticut Certified Real Estate Appraiser.

Thank you, John J. Galvin, MAI