

C.A.R.A.

The Connecticut Association of Real Estate Appraisers

Uniting and Advocating for every Real Estate Appraiser in
Connecticut

6510

Chairman Crisco, Chairman Megna and members of the Insurance and Real Estate Committee, my name is Nora King representing CARA and I am here to speak in opposition to Section 2 of House Bill 6510.

In full disclosure - like you I am an elected official and serve the folks that elected me in Norwalk to the Common Council. I also hope that many of you have open minds and are listening to the testimony from professionals who are on the front lines in the industry and are not influenced by the powerful lobbyists of the banks and the National Association of Realtors.

It seems like in the past few years appraisers have had to really fight hard for consumer transparency laws and support the very important role of market valuation in the housing market.

As appraisers we spend many years in training and now we are required to have a college education to perform real estate valuations. I have a Masters in Business as well as over 250 hours in real estate appraisal courses. I am a State Certified Appraiser. Appraisers also have very strict standards known as the Uniform Standards of Professional Practice (USPAP).

No surprise here but in the past few years the housing market has seen an amazing turmoil. Many of this turmoil were at the hands of large banks that were not regulated that created many questionable lending practices and loan packages. They seem to have little concern or support that a home is one of the largest and best investment a consumer can make in securing their future. The thought that the big banks such as Wells Fargo are prompting The CT Association of Realtors to push this bill forward is amazing to me. I feel they never learn, they just keep wanting to take advantage of the consumer and diminishing the role of appraisals in the process. Appraisers and the general consumer do not have the lobbyists that the banks or realtors do. What I also find questionable is how they worded this bill in order to "sneak" the valuation of real estate as a possibility in the bill.

It is really important to understand why Brokers Price Opinions (BPOs) are dangerous and shouldn't be expanded. They should actually be reduced. A BPO should only be allowed for a homeowner getting ready to list their house for possibility of sale.

Many of my good friends are Realtors and they are amazing and are top selling agents. They are great at their profession - which is to sell real estate. They have never or would never consider doing a BPO. As with any profession there are the good and the not so good. The realtors that I currently see doing the BPOs are not the most qualified Realtors. Realtors are not trained and they are not regulated to perform "valuations" for Real Estate. I am not saying they aren't trained to sell or be great sales agents. But, realtors have little or no training in "valuations" of real estate.

The new Dodd-Frank act recognized the shortcomings of BPOs and restricts their use.

BPOs also bring down property values. Often those who are performing them underbid in order to make the sale and often times appraisers can't believe how undervalued the property sold for. I personally have had many calls from the managers of large real estate offices - brokers themselves, the top realtors and the most respected and they can't believe what is happening with the brokers that under list

properties in their communities through this BPO process. They often hire me to come in and provide appraisal services to fight the quality of the BPOs that were performed on the banks behalf. It is detrimental to the other homeowners that are in the market.

I have also had Appraisal Management Companies actually call me for leading lenders like Chase and Wells and want me to reconcile my appraisal to a BPO. Wells Fargo - I know this first hand is using BPOs for all of their properties in foreclosure. This is actually illegal under current state statutes, yet no one stops them. They first attempt to have an appraiser do a desktop review. When the appraiser determines that the market data is not available instead of ordering an appraisal they will order a BPO. Why they use them is that they can get them cheap and they are unregulated. They can pay an unqualified broker \$50 or \$75 for a BPO and then force the homeowner to settle at this price. This totally undermines lending practices and it is obvious that it is not in the best interest of the homeowner or the general public.

The biggest disservice to the consumer is that lenders allow this to happen and this is allowing deflated values for the purpose of making the short sale without the consumer having any rights. We all know that the loan modification process is in serious trouble right now with many lenders like Wells Fargo not doing the right thing. BPOs only give them one more way of letting the large banks get away with this. There is an appraisal process for a reason and that is to protect the consumer, to protect the integrity of the lending process and to protect the integrity of the legal process. Banks should realize that this is a cost of doing business and the focus should be on providing transparency to the consumer and less on using the appraisal as a profit center.

The other concern I have is with allowing attorneys to order BPOs for legal purposes. The appraisal is vital for legal purposes such as divorces, estates, trusts and tax appeals. Do you really want an unqualified and unregulated professional with little to no training determine the value of homes for estates or for a divorce? Who gets hurt here? The consumer once again. Or what about using brokers for tax appeals. They are governed by no laws and now you take the complicated revaluation process and allow brokers to low ball properties in order to make the homeowner happy to scam the town out of tax dollars that go to pay for roads, education etc. Brokers will do this in order to increase their sales business because at the end of the day that is their business - selling! Let's not kid ourselves. Appraisers are governed by standards and laws that do not allow us to do this. When we appraise for tax revaluation we appraise at market value. Not what the town wants to hear or not what the homeowner wants to hear but what the market value is.

The consumer has the right to know that the person establishing a value on their home had the training and education to establish an accurate and well documented opinion of value. If real estate brokers or agents want to determine the valuation of real estate they should go back to school and become appraisers just like appraisers do. We certainly respect their tough job of selling property. I would never be a great realtor but I am a very good appraiser. Two different professions yet this bill clearly wants to let brokers appraise or perform valuations of real estate.

Thank you for listening and please do the right thing and insists that appraisers are the one to determine real estate valuations and real estate agents sell property. Let's move in the right direction by saying no to big banks trying to hurt the consumer once again. We already bailed them out once - do we want to do it again? Do the people who elected you want to have to pay that bill one more time?

Regards,

Nora King