



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

**On**

**Raised Bill No. 6510 – An Act Concerning the  
Regulation of Private Transfer Fees and the  
Valuation of Real Estate**

**Presented by**

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

Good Afternoon Chairman Crisco, Chairman Megna 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.

I appear before the committee today in order to offer testimony in relation to Section II of Raised Bill 6510. This proposed bill would amend Section 20-500 to 20-528 of the statutes governing the conduct of real estate appraisers. Essentially, this proposed language would dramatically expand the utilization of Broker Price Opinion (BPO's) for a variety of purposes. It is my hope that I can provide the committee with some historical background and perspective about the issue of Broker Price Opinions.

The Insurance and Real Estate Committee, in the legislative session of 2003, also considered legislation to allow the expanded use of broker price opinions. The introduction of this legislation was in response to solicitation of many realtors by property owners who were seeing the changes in the valuation of their homes because of the mandated five year revaluation cycle. The Committee, at that time, heard testimony from our organization as well as the realtors about the issue of expanding the utilization of Broker Price Opinions. The Committee was deeply concerned that any user of a Broker's Price Opinion could, mistakenly, assume that the product they were



provided was similar to a real estate appraisal. The testimony of others here today will clearly address the difference in the level of analysis between a real estate appraisal and a Broker's Price Opinion. The stakeholders in 2003 legislation came to an agreement to allow the payment of a fee for a Broker's Price Opinion provided that the information was provided to a property owner or other interested party in the pursuit of a listing. The will of the Insurance and Real Estate Committee in 2003 was to limit the scope of Broker Price Opinions to aiding in the pricing of real estate for potential listing purposes.

The language in Raised Bill 6510 is very troubling and could be in conflict with current customs and practices. It appears that a broker's price opinion could be used by a mortgagee to make important decisions such as whether to approve a short sale, pursue a deficiency action in a foreclosure or extend credit secured by real estate. Given the critical nature that the value of real estate would play in any of these decisions, it is evident that a real estate appraisal, completed by a properly trained and certified individual, should be utilized in the decision making process. A Broker's Price Opinion, while appropriate in the broad pricing spectrum when offering property for sale, certainly does not have the level of content and analysis that is necessary when attempting to value real estate in a changing market.

Raised Bill 6510 also appears to allow attorneys to secure Broker Price Opinions in representation of *such attorney's* client. This language is troubling to me as a real estate valuation professional. My firm provides real estate appraisals that are used for sale purposes, mortgage purposes, probate purposes, gifting purposes, foreclosure purposes, public acquisition purposes and to appeal property tax assessment. The value of the real estate is key to the decision making process in all of these situations previously enumerated. Therefore, a real estate appraisal performed by a properly trained and certified individual is the only product that makes sense. The language found in Raised Bill 6510 would permit a Broker's Price Opinion to be performed with the results, in my mind, being quite suspect in terms of accuracy and quality of analysis.

It is the opinion of the Connecticut Chapter of the Appraisal Institute that raised Bill 6510 could have substantial unintended consequences to a broad range of consumers of real estate valuation services. The law in the State of Connecticut has clearly supported the theory, as well as the practice, that the estimate of the value of real estate must be performed by a properly trained and certified real estate appraiser. The acceptance of a lesser quality product that, to directly quote the language in the bill, ***is an estimate of value but is not referred to as or construed to be a real estate appraisal*** brings to mind the famous ***duck analogy***.



The Connecticut Chapter of the Appraisal Institute would like to encourage the members of the Insurance and Real Estate Committee to delete Section II-The Valuation of Real Estate from Raised Bill 6510. Thank you for allowing me to present this testimony and I would be happy to answer any questions from the committee.