

TESTIMONY OF:

SEAN T. HAGEARTY, MAI
COMMISSIONER, STATE OF CONNECTICUT REAL ESTATE APPRAISAL COMMISSION

CONCERNING:

RAISED BILL NO. 6510, SECTION 2
AN ACT CONCERNING THE REGULATION OF PRIVATE TRANSFER FEES AND THE
VALUATION OF REAL ESTATE

VENUE:

INSURANCE AND REAL ESTATE COMMITTEE
PUBLIC HEARING OF MARCH 8, 2011

INTRODUCTION / RELEVANT BACKGROUND

Chairman Crisco, Chairman Megna and Members of the Committee,

Thank you for the opportunity to appear before the Committee and also to provide written testimony. I'm Sean Hagearty, a certified general real estate appraiser and a commissioner for the Real Estate Appraisal Commission. I am here to speak in opposition to Section of Raised Bill 6510.

I have been an appraiser for 20 years and have held a certified general appraiser license in Connecticut since 1992. I hold the MAI designation from the Appraisal Institute, am a past president of the Connecticut Chapter of the Appraisal Institute and currently serve as an instructor for both pre-licensing and continuing education offerings for the Appraisal Institute and other real estate organizations.

As a practicing appraiser, I echo most of the comments raised by my colleagues who have also testified today. However, the primary reason I am here today is to address the raised bill from my viewpoint as a Commissioner serving on the appointed body at the State of Connecticut charged with the oversight of all licensed real estate appraisers. In particular, I, along with the other members of the Commission, am very concerned about the potential impacts this bill would have on all consumers, appraisers and users of appraisal services.

Specifically, I will concentrate on the areas of appraiser **accountability** and **enforcement**, two issues covered adequately by our present appraisal laws, but which would be significantly weakened, to the detriment of the consumer and potential users of appraisal services, by the raised bill.

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CONNECTICUT REAL ESTATE APPRAISAL COMMISSION

The Commission consists of 8 members appointed by the Governor. The composition includes 5 appraisers and 3 members of the public. We meet monthly – 11 times per year - and work hand in hand with state employees in the Department of Consumer Protection to provide oversight of all individuals licensed as real estate appraisers.

The Commission, in conjunction with State staff, is charged with implementing federal mandates and state law concerning appraisers. This includes the promulgation of minimum education requirements to obtain an appraisal license, the examination process and the review of relevant work experience which was completed under the supervision of a certified appraiser.

Once an individual becomes a licensed appraiser, the Commission with state staff, also cover the enforcement of mandatory continuing education and conduct the investigation of all complaints filed by consumers about appraisers and appraisals. This includes holding informal and formal hearings with the appraisers in question. When necessary, the enforcement function includes establishing appropriate fines and other punishments when appraisers have been found to violate the Uniform Standards of Professional Appraisal Practice, which is specifically incorporated by reference in our state appraisal laws, or other aspects of our state appraisal laws.

The existing state appraisal laws include Section 20-504-11 “Duty to Cooperate”. A copy of the law is attached to this testimony.

This section requires ALL licensed appraisers to cooperate with state staff in any investigation or inquiry. Licensed appraisers who fail to do so face many possible punishments, including the potential revocation of their license.

AREAS OF CONCERN WARRANTING DISCUSSION

- There is simply a fundamental conflict of interest in having individuals with an existing or proposed financial interest in the property providing valuation service concerning the same, regardless of the intended use of the assignment (lending, foreclosure, tax appeal, etc.) The proposed bill will greatly increase the number and likely the severity of these conflicts. Foreclosure is an excellent example.
- Under existing state laws, consumers and users of appraisal services have a clearly established framework to file a complaint about an appraiser. The proposed bill will expand the number of unlicensed individuals providing appraisal services under a different name while not providing any accountability or opportunity for consumer redress. This can only serve to harm the consumer's interests.
- One of the unintended consequences if the bill were to become law would be to encourage existing licensed appraisers to forego their appraisal licenses and simply maintain real estate salesperson or brokers licenses instead. Likewise, brokers and salespersons who also maintain appraisal license would give them up as well. This would be due to the fact that annual license fees and continuing education requirements are less than those for real estate appraisers.
- Without an appraisal license, there would be no duty to cooperate, thus harming the state's ability to address complaints filed by consumers affected by these services
- The fiscal impact to the State will be negative. At the same time the State will be losing occupational license fees from appraisers "downgrading" to say salespersons licenses, the State's ability to address consumer complaints will be weakened as there will be no clear framework to pursue individuals providing the services. Pursuing complaints will be more time consuming for State staff, with less effective enforcement mechanisms.

Sec. 20-504-11. Duty to cooperate

A certified or provisional appraiser or applicant shall cooperate with department staff if such appraiser or applicant is contacted in connection with an inquiry or investigation performed by the Department of Consumer Protection concerning possible violations of real estate appraiser statutes or regulations. A certified or provisional appraiser or applicant shall not make any untruthful or misleading statements in connection with any Department of Consumer Protection or commission inquiry, investigation or hearing.

Sec. 9. Section 20-512-2 of the Regulations of Connecticut State Agencies is amended to read as follows:

Sec. 20-512-2. School approval and requirements

(a) Each college, university, community college, junior college, real estate appraisal organization, real estate organization, state agency, federal agency, proprietary school or other provider of education shall obtain approval as a real estate appraisal school from the commission before offering approved courses in real estate appraisal prerequisite education or continuing education. School approval shall be obtained from the commission before any courses will be considered for approval for the purpose of becoming a state certified general appraiser, state certified residential appraiser or state provisional appraiser in the state of Connecticut, or for the purpose of renewing or maintaining any such license or certification. Application for such school approval shall be made on forms prescribed by the Commissioner of Consumer Protection, and located on the Department of Consumer Protection website, www.ct.gov/DCP. Course and school approvals shall be reviewed on a periodic basis at the discretion of the commission.

(b) All approved schools shall:

- (1) Be responsible for keeping course material current and accurate;
- (2) Permit the commission, without prior notice, to visit the school and observe the instruction given to insure proper standards as to method and content of any approved courses;
- (3) Conduct each course of study in a classroom or other facility which is adequate to implement the offering. No course shall be conducted in a classroom location that is not approved by the local fire marshal for such use. Courses shall not be held on the premises of a real estate appraisal office, real estate brokerage office or real estate franchise; and
- (4) Abide by the regulations established under the authority of section 20-512 of the Connecticut General Statutes, including sections 20-512-1 to 20-512-11, inclusive, of the Regulations of Connecticut State Agencies.

(c) School approval or course approval may be withdrawn by the commission for failure by a school or its representatives to comply with the provisions of sections 20-512-1 to 20-512-11, inclusive, of the Regulations of Connecticut State Agencies.

(d) All approved schools or applicant schools shall cooperate with department staff if such school is contacted in connection with an inquiry or investigation performed by the Department of Consumer Protection concerning possible violations of real estate appraiser statutes or regulations. No representative of such school shall make any untruthful or misleading statements in connection with any Department of Consumer Protection or commission inquiry, investigation or hearing.

Sec. 10. Section 20-512-3 of the Regulations of Connecticut State Agencies is amended to read as follows: