



**TESTIMONY OF THE
CONNECTICUT CHAPTER OF THE APPRAISAL INSTITUTE
BEFORE THE COMMITTEE ON BANKS
ON
RAISED BILL NO. 5417 – AN ACT CONCERNING
BROKER PRICE OPINIONS**

Presented by

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Senator Bob Duff
Representative William Tong
Committee on Banks
Legislative Office Building
Hartford, Connecticut

Good Afternoon Co-Chairman Duff, Co-Chairman Tong and members of the Committee on Banks. 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 Raised Bill 5417. 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 real estate appraisal statutes were passed by the 1995 session of the Connecticut Legislature and signed into law by then Governor Rowland. The passage of the Chapter 400g separated the statutes governing real estate appraisers from the statutes that governed the real estate brokerage and sales profession. The will of the Committee on Real Estate and Insurance was clear in that the function of valuing real estate must be independent and removed from the sale and brokerage of real estate where the licensed professional has a financial interest in the outcome of the transaction.



Members of the Committee on Insurance and Real Estate were emphatic that property should be valued by licensed and certified appraisers and should be sold by licensed real estate brokers and sales people.

The Committee on Insurance and Real Estate, in the legislative session of 2003, considered concept 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 Committee on Insurance and Real Estate, again, addressed the issue of expanding Broker Price Opinions in the 2011 session. Members of the Appraisal Institute and other concerned professions presented testimony at that time in opposition to Raised Bill 6510. The language of that bill was very similar to the language of Raised Bill 5417 currently before this committee. The Committee on Insurance and Real Estate was concerned enough about the potential for abuse that Raised Bill 6510 did not move forward.

The language in Raised Bill 5417 is very troubling and is in conflict with current laws, 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 5417 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 5417 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 5417 could have substantial unintended consequences to a broad range of consumers of real estate valuation services. Since 1995 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 ask that the members of the Committee on Banks continue the well established precedent within the legislature and find that Raised Bill 5417 is without merit and not permit this legislation to move forward.

Thank you for allowing me to present this testimony and I would be happy to answer any questions from the committee.