

FTR March 13, 2014

To: Members of the Insurance and Real Estate Committee

Fr: Connecticut Bankers Association

Contacts: Tom Mongellow, Fritz Conway

Re: H.B. No. 5501 AN ACT AUTHORIZING A LIMITED SCOPE REAL ESTATE ESTIMATED VALUATION

POSITION: SUPPORT with Amendments

The Connecticut Bankers Association (CBA) represents all banks doing business throughout the State. In certain lending situations such as mortgage modifications, the federal HAMP homeowner assistance program, short sales and restructurings, we routinely need to assess the value of property but do not need a complete and costly appraisal. This bill would allow for a product that would meet that need. The estimated valuation referred to in the proposed legislation is commonly known as a "broker price opinion". In other states, these are allowed to be conducted by realtors and we would support that same approach in Connecticut. Once again, BPOs would only be used in cases where an appraisal is not required. This is important in that even if appraisers have the ability to offer a BPO type of product as this bill provides, they may not be willing to offer them (as they have opposed BPO enabling legislation in the past).

However, the Realtors already have the authority to support this product in the context of a listing agreement, and could easily and inexpensively provide this product to lenders and ultimately save the consumer hundreds of dollars.

The Realtors Association has provided the Committee with language that will enable realtors to provide BPO's to lenders and servicers and we are supportive of it. We urge the committee to adopt the amendment and support the bill.

Background:

A BPO is not an inexpensive appraisal - It is a completely different product. Outside of Connecticut, it is a market snapshot used by banks as a cost-effective piece of valuation data with respect to existing loans, which already have appraisals on them. In 35 other states,

banks can use these products to make decisions with respect to borrower loan modifications, the HAMP federal homeowner assistance program, short sales and restructurings. BPO's save borrowers hundreds of dollars when modifying or restructuring a mortgage.

BPOs do not and will not replace appraisals in the judicial foreclosure or mortgage origination context. Moreover, because BPOs are a snapshot of market price, realtors are imminently qualified to provide them. That's their business - understanding a property's market value so they can appropriately price and market those properties for their client.

We are aware of at least 35 states that broadly allow realtors to conduct BPOs. Connecticut should as well. In at least 2 of these states (including Nevada and Hawaii) appraisers supported the legislation.

The Dodd-Frank Act amended the Truth in Lending Act to ensure no conflicts when a realtor performs a BPO. It provides that *anyone (including a realtor) who provides valuation related products (including BPOs) cannot have a financial interest in the subject property.* That means that a realtor will not get the listing when they provide a BPO for a bank/lender/servicer.