

TESTIMONY OF LINDA M SEPSON, SRA
REGARDING RAISED BILL 6677
AN ACT CONCERNING BROKER PRICE OPINIONS
INSURANCE AND REAL ESTATE COMMITTEE

THURSDAY, FEBRUARY 19, 2015

Chairman Crisco, Chairman Megna, and Members of the Committee,

I am Linda M. Sepson, and I am here in protest of the Raised Bill 6677. I am a Certified Residential Appraiser with 29 years' experience, I hold the SRA designation from the Appraisal Institute, I am an approved Instructor for the Appraisal Institute, and have taught Appraisal Courses and CE and Real Estate CE, for my own school and others. I am one of the few Appraisers in the State Certified by the Appraisal Foundation to teach the required Uniform Standards of Professional Appraisal Practice which defines the rules and standards to which an Appraiser is ethically bound to maintain. This same document is the basis of the Laws governing Appraisers in the State of Connecticut. I am also on the Board of Directors for the Greater Bridgeport Board of Realtors, a Member of CAR and NAR and a former Commissioner for the Department of Consumer Protection Appraisal Commission.

There are 3 topics I would like to address in response to this Bill: Public Responsibility, Qualifications, and Cost to Implement. But before I start – I'd like to make sure you are aware of the fact that in 2012 when this topic last came up there were 26 States that were Mandatory – you had to be a licensed or certified appraiser to develop an opinion of value on real property for any reason. *Now – in 2015, THIRTY SEVEN states have adopted Mandatory Licensing!* Connecticut had the foresight to put Mandatory licensing on the law books almost 20 years ago, why would we backtrack now????

RESPONSIBILITY TO THE PUBLIC/CONSUMERS IN CONNECTICUT

On the website for Consumer Protection, the first statement you see is:

Ensuring a Fair Marketplace and Safe Product and Services for Consumers.

We have spent years educating the Public Consumer on the role of Appraisers and Sales Agents and Brokers. Appraisers are to be the one unbiased person in any valuation transaction. No matter what our final opinion of value is – the fee, negotiated at the start of the process never changes to accommodate the needs of the client. This client is the Public Consumer the Department of Consumer Protection is addressing on their website. Sales Agents and Brokers are defined as Advocates for their clients. Their goal is to work to get them the best deal, lead them through the monsoon of paperwork, advise them of their rights to a Building Inspection, and help them follow through with any other parties (lender, insurance, lawyers).

Allowing Sales Agents and Brokers to develop opinions of value without the same credentials with which an Appraiser has to comply, would be misleading to even an educated Public Consumer. This proposed Bill 6677 is broad enough to cover everything except Federally Related Transactions. Probate, Tax Appeals, Divorce, Property Disputes, Foreclosures, lenders who do not need USPAP compliant appraisals because they are not selling the mortgages, all these would be allowed and what recourse would a

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Public Consumer have? There are no regulations that specify procedures of determining value, or any recourse for penalties to the Sales Agent or Broker.

QUALIFICATIONS

I almost didn't add this topic – as most people look at this first and decide this is the only reason Appraisers should Appraise and Agents and Brokers should Advocate for Buyers and Sellers

But there is a difference, and each year over the past several years, the difference in our tasks widens.

Requirements for a Sales Agent's License:

- a. You need to be 18 years old
- b. You need to take and pass a 60 hour Real Estate Principles and Practice course
- c. Pass a State Sales Agents Exam
- d. You need to work under a Broker

Requirements for a Broker

- a. Complete 2 years of working as a Sales Agent under a Broker
- b. Take one Appraisal 30 hour Appraisal course – usually the first intro course that Appraisers start with, and another 30 hour course on any varied topic
- c. Pass the State Brokers exam

There is no requirement during the two year agent period other than to be actively engaged – no definition of "actively engaged" no prescribed number of sales to be made, no mandatory number of hours.

Requirements of an Appraiser

- a. Bachelor's Degree from college (new Jan 1, 2015). Before that we only needed an Associate's Degree
- b. Start with 75 hours of education – 30 on Appraisal Practice, 30 on Appraisal Procedures and 15 on USPAP – the Ethics course that our State Law is based on.
- c. Find a Certified Appraiser to be your Supervisor, and this Supervisor has to have completed a course on just what his /her responsibilities are as a Supervisor.
- d. Complete 2500 hours of actual appraising for a Residential Certification within a minimum of 2 years, (3000 hours and 3 years for the General Certification). Most people take closer to 4 -6 years to hit this mark.
- e. Take an additional 125 hours of classes for Residential Certification, and 225 hours for a General Certification. Submit all the certificates to the Appraisal Commission

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- f. Submit your log of appraisals completed to the Appraisal Commission for review
- g. Submit a number of appraisals, requested by the Appraisal Commission from your log
- h. Attend an interview at a general Appraisal Commission meeting, with your Supervisor, where you will be questioned by the seated Commissioners on your experience, education and usually a few questions on your submitted appraisals.
- i. Pass the National Appraisal Exam

This takes the average person anywhere from 3-6 years to complete. Now, after all this, you have met the MINIMUM qualifications to express an opinion of value as an Appraiser licensed in the State of Connecticut.

COST TO IMPLEMENT

Let's suppose the Bill 6677 does pass.

As I stated I was an Appraisal Commission member in the mid 90's, back when the Appraisal Commission was poorly staffed, the Commissioner positions could not be fully filled, and when there was a complaint from a member of the Public we were created to protect, a Commissioner who was a Certified Appraiser would have to step down and be the investigator in the case, working with DCP attorneys. During this time, the federally regulated Appraisal Sub Committee, who has the primary task of making sure the States are fulfilling the obligation they have made to the Public Consumer to protect them, came in to do their audit. You may remember that at this point, the Appraisal Commission was shut down by the ASC, this meant all appraisal licenses were invalid and no one from another state could come in to appraise anything because the Commission was no longer able to issue a new license.

The Appraisal Commission has come a long way from that crisis, over the past few years we have had ONE staff position for a qualified examiner, who handles the complaints, the investigations, reviews all the proposed and existing schools, reviews all the applications for courses both Qualifying Education (required to obtain a license), and Continuing Education (required to keep your license), answers a myriad of questions from appraisers and consumers, verifies that all appraisers have taken the required Continuing Ed courses, arranges interviews for Provisional Appraisers, reviews their submitted appraisal logs and appraisals, the list goes on. But with the diligent work of the Commissioners, many who have been on the Commission for years and have the historic knowledge to make sure we continue to move forward and maintain compliance with regulations, we have been able to move from the disaster in the past to a GOOD rating by the ASC. This took MONEY and TIME – to fund staff, rewrite regulations, train appraisers and the public in the changes. If we back track, who will handle this now? Who will pay for it? How much will it cost??

I'm not on the commission any more, but since I teach USPAP (Appraiser Ethics) and the Mandatory Connecticut Appraisal Law Module – I have kept up to date on many of the Regulations.

At the very least, Regulations for Agents and Brokers will need to be rewritten, somehow there will be a need for them to be regulated. Will a Broker be the only one allowed to do a BPO – can a Sales Agent

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assist? Isn't this confusing to the Public Consumer when the product is clearly defined as a Broker's Price Opinion? A complaint process will need to be developed, some recourse for the Public Consumer who may feel he/she has been harmed by the actions of the Sales Agent or Broker.

Current laws for Appraisers in the state will have to be changed as we would no longer be Mandatory, except for Federally Related Transactions. Even the regulations regarding AMC's will have to be rewritten as they currently include the fact that we are a Mandatory State and an AMC can not legally hire a Sales Agent or Broker for a BPO. The Public will have to be notified of the changes, and the potential consequences. Additional staff will have to be hired. One examiner will not be sufficient to handle the complaints, and the current Real Estate Commission and staff may not have the qualifications to investigate the complaint and see if the value in question is supported. The number of appraisers in the State are approximately 1500, less than 10% of the number of Agents and Brokers. Through regulations and education, the number of complaints to the Appraisal Commission have decreased over the past years, but if even half the agents and brokers decide to engage in additional valuations, without the education Appraisers have had to go through, how many more complaints will there be? 100, 200, 300? How many more staff people will be needed to handle this overload? And at a time where we have achieved a GOOD rating from the ASC - will the additional workload prevent the department from maintaining that rating - or will we be audited constantly, at more cost to the State or worse - face another chance of being shut down?

At a time when budgets are being cut throughout the State do we have the right to add additional costs to allow Sales Agents and Brokers to change tactics? Why?

Sales Agents and Brokers have a very specific role in the real property marketplace. This is an important role, it is the role of Advocacy, to assist buyers and sellers in finding properties. Each advocates for their client to get the best deal possible. This is critical to the marketplace. An Appraiser working for any client, can not be an advocate, it is not our task. In fact to be an advocate is a violation of Appraisal Regulations.

Tell me then, how an agent or broker who has been asked to value a property for a divorce or probate can be unbiased? Are they willing to do the CMA or BPO for the small fee and pass up the potential for the listing and much larger commission? If they are working for the client that wants to sell the house - wouldn't the purpose be to get the listing? An Agent or Broker can have a conversation with a client that starts with the client saying - "I really want to sell this house - if you think you can get the value to \$XXXX dollars, then the listing is yours." Appraisers get put in jail if they agree to that same statement.

We have made so much improvement in protecting the Public Consumer with the current Appraisal and Real Estate Laws. What possible value could there be to those we stand to protect with this proposed Bill 6677. I urge you to VOTE NO on this proposed Bill.



Linda M Sepson, SRA RCR.0000478