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C.A.R.A.

The Connecticut Association of Real Estate Appraisers

Uniting and Advocating for every Real Estate Appraiser in
Connecticut

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Chairman Crisco, Chairman Megna and members of the Insurance and Real Estate Committee, my name is Nora King representing CARA and I am here to speak in opposition to House Bill 6677. I am a member of the Appraisal Institute as well.

It seems like in the past few years appraisers have had to really fight hard for consumer transparency laws and support the very important role of market valuation in the housing market.

As appraisers we spend years of training and now are required to be college educated to perform valuations on real estate. I have a Masters in Business as well as over 400 hours in real estate appraisal courses. I am a State Certified Appraiser. We also have very strict standards known as the Uniform Standards of Professional Practice (USPAP).

No surprise here but in the past few years the housing market has seen amazing turmoil. Many of this turmoil was at the hands of large banks that were not regulated that created many questionable lending practices and loan packages.

It is really important to understand why Brokers Price Opinions (BPOs) are dangerous and shouldn't be expanded. They should actually be reduced. A BPO should only be allowed for a homeowner getting ready to list their house for possibility of sale.

Many of my good friends are Realtors and they are amazing and are top selling agents. They are great at their profession - which is to sell real estate. They have never or would never consider doing a BPO. As with any profession there are the good and the not so good. The realtors that I currently seeing do the BPOs are not the most qualified Realtors. Realtors are not trained and they are not regulated to perform "valuations" for Real Estate. I am not saying they aren't trained to sell or be great sales agents. Realtors have little or no training in "valuations" of real estate. I am not licensed to go sell a house so why would a Realtor who is not licensed to be an appraiser be allowed to determine market value.

The new Dodd-Frank act recognized the shortcomings of BPOs and restricts their use.

BPOs also bring down property values. Often those who are performing them underbid in order to make the sale and often times appraisers can't believe how undervalued the property sold for. I personally have had many calls from the managers of large real estate offices - brokers themselves, the top realtors and the most respected and they can't believe what is happening with the brokers that under list properties in their communities through this BPO process. They often hire me to come in and provide appraisal services to fight the quality of the BPOs that were performed on the banks behalf. It is detrimental to the other homeowners that are in the market.

I have also had Appraisal Management Companies actually call me for leading lenders like Chase and Wells and want me to reconcile my appraisal to a BPO. This is actually illegal under current state statutes, yet no one stops them. They first attempt to have an appraiser do a desktop review. When the appraiser determines that the market data is not available instead of ordering an appraisal they will order

a BPO. Why they use them is that they can get them cheap and they are unregulated. They can pay an unqualified broker \$50 or \$75 for a BPO and then force the homeowner to settle at this price. This totally undermines lending practices and it is obvious that it is not in the best interest of the homeowner or the general public.

The other concern I have is with allowing attorneys to order BPOs for legal purposes. The appraisal is vital for legal purposes such as divorces, estates, trusts and tax appeals. Do you really want an unqualified and unregulated professional with little to no training determine the value of homes for estates or for a divorce? Who gets hurt here? The consumer once again. Or what about using brokers for tax appeals. They are governed by no laws and now you take the complicated revaluation process and allow brokers to low ball properties in order to make the homeowner happy to scam the town out of tax dollars that go to pay for roads, education etc. Brokers will do this in order to increase their sales business because at the end of the day that is their business - selling! Let's not kid ourselves. Appraisers are governed by standards and laws that do not allow us to do this. When we appraise for tax revaluation we appraise at market value. Not what the town wants to hear or not what the homeowner wants to hear but what the market value is. When Realtors perform this function they state based on trying to make the homeowner happy for future business or referrals.

The consumer has the right to know that the person establishing a value on their home had the training and education to establish an accurate and well documented opinion of value. If real estate brokers or agents want to determine the valuation of real estate they should go back to school and become appraisers. We certainly respect their tough job of selling property. I would never be a great realtor but I am a very good appraiser. Two different professions yet this bill clearly wants to let brokers appraise or perform valuations of real estate.

Laws are becoming stricter to protect the real estate industry and lending practices. Why would Connecticut want to relax standards and let real estate agents be able to determine value for real estate for any other purpose than listing or selling a house?

I also hope that many of you have open minds and listen to the testimony from professionals who are on the front lines in the industry and are not influenced by the powerful lobbyists of the banks and the National Association of Realtors.

Thank you for listening and please do the right thing and insists that appraisers are the one to determine real estate valuations and real estate agents sell property. Let's move in the right direction by saying no once and for all on this issue that will only hurt the consumer and the real estate market once again.

Regards,

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