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Chairman Crisco, Chairman Megna and esteemed members of the Insurance and Real Estate Committee:

My name is Rey Archambault and I have been appraising real estate in Connecticut since 1986 and have held the Certified General Appraiser license since the inception of state licensing in 1991. In addition, I am a member of the Appraisal Institute, having earned the SRA designation in 2008 and currently serve as the President of the Connecticut Chapter of the Appraisal Institute. I stand before you today to speak in opposition to House Bill 6677 – An Act Concerning Broker Price Opinions (BPOs).

I must admit, I am surprised this bill has been proposed again for this legislative session, not because the real estate lobby is any less eager to gain its passage, but because circumstances do not warrant a change any more today than a year ago, or two years ago, etc. The logic behind its backing escapes me. With the nation (and Connecticut) still recovering from the housing debacle and recession a little more than five years ago, leaving taxpayers holding the bag for the cost of record bailouts, now is not the time to be cutting corners with respect to providing decision makers with the proper tools to help make sound decisions regarding real property matters.

My appraisal practice is almost exclusively residential, providing informed opinions of value for a wide range of purposes, including loan generation, foreclosures, estates, conservatorships, Title 19 (Medicaid), divorce and bankruptcy matters. I am often asked by homeowners or prospective buyers to provide an unbiased opinion of value prior to sale or purchase of what is likely the most significant tangible asset they will ever own. Interestingly, I have also received many appraisal assignments over the years from real estate agents requesting an estimate of market value for a listing which has stalled or where a seller and agent are at odds over the list price.

Let's be clear, there is a distinct level of difference in the amount of thought, preparation and detailed analysis which goes into the process of producing a credible appraisal vs. a BPO. By its very nature, a BPO is a more generalized product which does not meet the standards of scrutiny of a well developed appraisal. Granted, an appraisal costs the consumer more at point of sale than a BPO, but, to quote a time tested adage, "you get what you pay for". Is such a critical decision making tool really the area one should be willing to compromise quality for cost? One of the positive aspects of appraisal reform in the early 1990s was the adoption of Uniform Standards of Professional Appraisal Practice (USPAP) and an appraisal licensing law which structured minimum criteria for individuals engaged in the valuation of real property. 200 (residential) or 300 (general) hours of appraisal education are required for appraisal licensure, in addition to completion of 2500 or 3000 hours of appraisal experience respectively over a 30 month period and passage of a comprehensive licensing exam. A real estate salesperson or broker license requires just 30 hours of appraisal education. The difference speaks for itself.

In addition to establishing minimum licensing criteria, Connecticut's real estate appraiser licensing law saw fit to create a body (the Real Estate Appraisal Commission) to oversee the actions of appraisers in order to protect the consumer. This body, comprised of certified appraisers and general public members, oversees the quality and standards of appraisals performed within the state and handles complaints and metes out discipline when required. This structure allows for accountability and transparency in how the public views our profession. I question what steps the State is prepared to take in light of this proposed BPO bill to ensure the public trust and guaranty the same level of safeguards for faulty BPOs or inappropriate actions by the practitioners of same, as the Appraisal Commission has done. As a taxpayer, I also question what cost this added level of infrastructure, assuming one is planned, will add to the General Fund within a State already having a reputation of being one of the most taxing to its citizenry. Is there fine print in the proposed bill regarding these issues which has not been made public? Also, allowing brokers and agents to prepare BPOs will only serve to blur the distinction in the eyes of the consumer between the two products, with many consumers unwittingly opting to rely on a less credible opinion to make such important, often life altering decisions.

It has become evident that BPOs are being used within Connecticut by lenders to value real property backed loan portfolios. As Federally regulated institutions, I consider this a fiscally irresponsible practice, in addition to being in violation of Connecticut's Mandatory Appraisal Law status. Appraisals involve a very detailed process of development, from the initial determination of the purpose of the assignment, degree of inspection required, collection of data, analysis and reconciliation. Due diligence is required of appraisers to ensure the end product meets the rigorous standards set by government overseers as well as by our own canon of ethics.

There is a place in the market for BPOs. They should be restricted to the very use they suggest – to provide a prospective seller with a suggested list price to be used as part of a marketing strategy for selling a property, residential or commercial. It should be a starting point. How often do we see MLS listing prices reduced one or more times before a property is ultimately sold, or the listing is allowed to expire? Frequently. As an appraiser, I do not have the luxury of rendering an opinion of value and changing it after the fact. I need to get it right the first time. My client, whether it be a lender, attorney, business or private party, expects and demands that of me. Decisions regarding asset splits made based upon equitable distribution of real property valued by a professional wrest in the balance.

In summary, I would add that I have the utmost respect for the real estate profession and consider the many highly regarded brokers and agents in New Haven and Hartford Counties I have been in contact with over the years to be a trusted reference source. Many of these individuals are dually licensed to sell and appraise real property. The appraisal and real estate sales disciplines rely on one another to function properly. Brokers desiring to be compensated (beyond being granted a listing with the opportunity to earn a commission) have the option of obtaining an appraiser's license and perform compliant real property appraisals for a fee. Connecticut has a good real estate appraisal law on the books. Let's not tinker with success.

I thank you for the opportunity to be heard on this matter.

Respectfully submitted this 19th day of February, 2015,

Reynold J. Archambault III, SRA
CT Certified General Real Estate Appraiser #RCG.0000032