

# SENATE BILL REPORT

## SB 5676

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As Reported By Senate Committee On:  
Commerce & Labor, February 25, 1997

**Title:** An act relating to real estate appraisers.

**Brief Description:** Regulating real estate appraisers.

**Sponsors:** Senators Newhouse, Schow and Anderson.

**Brief History:**

**Committee Activity:** Commerce & Labor: 2/17/97, 2/25/97 [DPS].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** That Substitute Senate Bill No. 5676 be substituted therefor, and the substitute bill do pass.

Signed by Senators Schow, Chair; Horn, Vice Chair; Anderson, Franklin, Fraser, Heavey and Newhouse.

**Staff:** Aurora Almeda (786-7488)

**Background:** A brokers price opinion— is defined as an oral or written report of property value that is prepared by a licensed real estate broker or salesperson for listing, sale, purchase, or rental purposes.

According to the new real estate appraiser's law that goes into effect July 1, 1997, a real estate broker or real estate salesperson may issue a brokers price opinion as a service to a prospective seller, buyer, lessor, or lessee. The brokers price opinion may not be disseminated to a third party. The brokers price opinion must be intended solely for use by a prospective seller, buyer, lessor or lessee.

There is a lack of clarity whether a real estate broker or real estate salesperson may issue a brokers price opinion for other purposes without being a state certified or state licensed appraiser.

**Summary of Substitute Bill:** The definition of brokers price opinion is changed by removing the requirement that a brokers price opinion serve as a listing, sale, purchase, or rental purpose.

The requirement of limiting issuance of a brokers price opinion only to, and for the sole benefit of a seller, buyer, lessor, or lessee is removed.

Federally related transaction— and real estate related transaction,— as defined in the Washington Administrative Code pertaining to the Department of Licensing's rules, are added to the chapter on real estate appraisers. Real estate brokers may receive compensation

for broker's price opinions. If a broker's price opinion is written and issued to a person who is not a prospective seller, buyer, lessor, or lessee, then the written broker's price opinion must state that the broker's price opinion is not an appraisal. The broker's price opinion may not be used as an appraisal in conjunction with a federally related transaction.

**Substitute Bill Compared to Original Bill:** Federally related transaction— and real estate related transaction,— as defined in the Washington Administrative Code pertaining to the Department of Licensing's rules, are added to the chapter on real estate appraisers. Real estate brokers may receive compensation for broker's price opinions. If a broker's price opinion is written and issued to a person who is not a prospective seller, buyer, lessor, or lessee, then the written broker's price opinion must state that the broker's price opinion is not an appraisal. The broker's price opinion may not be used as an appraisal in conjunction with a federally related transaction.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect July 1, 1997.

**Testimony For:** Permitting real estate brokers and salespersons to issue broker's price opinions (BPOs) to third parties will clarify and confirm existing real estate practices regarding the issuance of BPOs. The new real estate law which goes into effect July 1, 1997, is too restrictive and contrary to long-standing practices in real estate. Real estate brokers currently issue BPOs for a variety of transactions, such as estate planning, insurance claims and settlements. Consumers should have the option to choose a BPO for simple inquiries, when an appraisal is unnecessary and parties have agreed that a BPO is sufficient. Unlike an appraisal, a BPO is a computerized market analysis, simpler, and less expensive.

**Testimony Against:** If real estate brokers are permitted to issue BPOs to third parties, consumers would only be confused about the difference between a BPO and an appraisal. An appraisal is a detailed analysis of the value of a piece of real estate. Unlike real estate brokers, real estate appraisers have to go through an extensive licensing and certification process which assures the consumer that the requested appraisal adheres to uniform standards for analysis of real estate values, and that the appraiser does not have a vested interest in the real estate transaction. Because real estate brokers typically participate in the real estate transaction as an agent of the buyer or seller, the reliability of a BPO is questionable.

**Testified:** PRO: Glen Hudson, WA Association of Realtors; Karen Landley; Kary Buckley; Ken Nelson; CON: Jim Irish, WA Appraisal Institute, WA State Appraisers; John S. Murphy, Tardiff & Associates Real Estate Appraisers; Donna Lee Jordin, real estate appraiser; Michael A. Metcalf, real estate appraiser; Gary G. Walken, Appraisers Coalition of WA.