

## HB 3092 -1 STAFF MEASURE SUMMARY

### House Committee On Housing and Homelessness

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**Prepared By:** Claire Adamsick, LPRO Analyst

**Meeting Dates:** 2/21, 3/9

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#### WHAT THE MEASURE DOES:

Prohibits residential property wholesaling without registration, subject to specific conditions. Defines “residential property wholesaling” as marketing for sale the purchase of residential property for which the wholesaler has only equitable interest or an option to purchase. Directs Real Estate Agency to establish standards for disclosure requirements of real estate licensees who engage in residential property wholesaling. Directs Real Estate Commissioner to establish in rule a registration system for residential property wholesalers. Requires residential property wholesaler to provide written disclosure to potential buyers or sellers before entering into contract for residential property wholesale transaction; provides grounds under which seller may terminate contract. Allows Real Estate Commissioner to suspend, revoke, or deny issuance or renewal of registration to residential property wholesaler for misrepresentation, fraud, or acting in bad faith. Applies provisions of Act to contracts entered into on or after effective date.

*FISCAL: Fiscal impact issued; subsequent referral to Joint Committee on Ways and Means*

*REVENUE: Indeterminate revenue impact*

#### ISSUES DISCUSSED:

- Practice of wholesaling and potential consumer impacts
- Distinction between wholesaler and buyer's agent with regard to disclosure
- Length of contract as partial remedy to concerns regarding wholesaling and disclosure

#### EFFECT OF AMENDMENT:

-1 Modifies definition of “residential property wholesaling” as the marketing of residential property in which the marketer has held an equitable interest or option for fewer than 90 days and has invested less than \$10,000 in land development or improvement costs. Clarifies registration requirement does not apply to a person acting under power of attorney and who is not engaging in residential property wholesaling. Clarifies disclosure requirements for residential property wholesalers and real estate licensees engaging in residential property wholesaling. Allows Real Estate Agency to charge a fee of no more than \$300 for residential property wholesaler registration and no more than \$300 for renewal of registration. Allows seller or buyer to cancel contract without penalty within three days of receipt of residential property wholesaler written disclosure; clarifies wholesaler is liable for damages incurred by seller or buyer upon wholesaler’s failure to provide written disclosure. Describes criminal or civil penalties Real Estate Commissioner may impose for violation of registration or disclosure requirements. Allows commissioner to issue cease and desist order to an unregistered person engaging in residential property wholesaling.

#### BACKGROUND:

Real estate wholesaling typically involves the temporary purchase of a seller’s property by a wholesaler who agrees by contract to sell a property for a minimum amount by a certain date. In a wholesaling transaction, the wholesaler does not assume ownership of the property in question. Distressed properties in disrepair are often desirable to wholesalers due to a seller’s desire to sell quickly. Residential property wholesaling in Oregon is legal, and there is limited data on the impacts of residential property wholesaling on the overall real estate market.

**HB 3092 -1 STAFF MEASURE SUMMARY**

House Bill 3092 prohibits residential property wholesaling in Oregon without registration, subject to specific conditions. It directs the Real Estate Commissioner to establish a residential property wholesaler registration system, under specified terms.

PRELIMINARY