



## **House Bill 301 – Real Estate Brokers - Brokerage Services - Real Estate Wholesaling**

### **Position: Support with Amendments**

Maryland REALTORS® support HB 301, which would require those who conduct two or more wholesaling transaction in a 12-month period to hold a real estate brokerage license. Maryland REALTORS® supports amendments to narrow the scope of the bill to the specific practices that have targeted some residential real property.

The practice of real estate wholesaling occurs when individuals attempt to sell their interest in a property to another party after they have contracted to purchase it but prior to closing. Wholesalers target properties that can be obtained well below market value that they believe can be sold for a higher price.

After their offer to purchase is accepted, they will then begin marketing the property during the contingency period at a higher price, ideally to a group of investors that the wholesaler has already identified. The wholesaler will sell the property at a higher price to an investor during the contingency period, pocketing a profit without ever having purchased the property.

There are certainly concerns about the potential loss of equity that the property sellers are losing to the wholesaler in these transactions. However, there are other ethical and legal concerns with the practice as well. Those include:

- whether the wholesaler has fully disclosed to the eventual buyer that the transaction is an assignment rather than a traditional sale;
- whether the contingencies negotiated by the wholesaler extend to the new buyer; and.
- whether the wholesaler has properly advertised the property and their financial interests in it

Requiring wholesalers to hold a Maryland real estate brokerage license would make them subject to the same fiduciary and ethical duties as other professionals who are engaged in the business of buying and selling real estate.

Maryland REALTORS® is working with the sponsor on amendments to narrow the scope of the legislation and recommends a favorable report on HB 301.

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