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## OLR Bill Analysis

**sHB 5572 (as amended by House "A")\***

### ***AN ACT CONCERNING REAL ESTATE WHOLESALERS AND REAL ESTATE WHOLESALE CONTRACTS.***

#### **SUMMARY**

This bill generally requires a person (i.e. individual or business entity) to have a Department of Consumer Protection (DCP) registration before acting as a real estate wholesaler in Connecticut. It also requires each real estate wholesale contract to include a seller's right to cancel within three business days without penalty. It also generally prohibits these contracts from providing a closing date that is more than 90 days after the contract is executed.

Under the bill, real estate wholesalers must also make certain disclosures and provide a DCP-developed wholesaler disclosure report to a prospective seller.

The bill prohibits (1) anyone from recording on a town's land records any real estate wholesale contract documentation that claims to create any lien or encumbrance on the residential real property that is the subject of the wholesale contract and (2) a real estate wholesaler from filing a purchaser's lie related to a wholesale contract.

The bill allows the DCP commissioner to adopt regulations to implement these provisions. It also makes a violation under the bill a Connecticut Unfair Trade Practices Act (CUTPA) violation (see BACKGROUND).

\*House Amendment "A" (1) delays the bill's effective date from October 1, 2025, to July 1, 2026; (2) requires real estate wholesalers to be registered rather than licensed; (3) makes the \$285 application and renewal fee biennial rather than annual; (4) eliminates certain disclosures and information the underlying bill required for real estate wholesale contracts; (5) increases the maximum time, from 70 to 90 days,

that a contract can have as a closing date; (6) shortens a seller's right to cancel from 10 days to three business days; and (7) adds the provisions on sale or assignment to a third-party, wholesale disclosure report, and recordings.

EFFECTIVE DATE: July 1, 2026

## **§ 2 — REAL ESTATE WHOLESALER REGISTRATION**

The bill generally requires a person to have a DCP registration before acting as a real estate wholesaler in Connecticut. The registration is valid for two years and may be renewed biennially. The person must submit a completed initial or renewal application, as applicable, to DCP in a way the commissioner sets, with a nonrefundable \$285 application or renewal fee.

The bill allows a person to simultaneously hold a real estate broker or real estate salesperson license and a real estate wholesaler registration.

Under the bill, a "real estate wholesaler" is a person who enters into a real estate wholesale contract to facilitate or orchestrate the sale of a seller's residential real property to a third party without assuming title to the property.

A "real estate wholesale contract" means an agreement between a real estate wholesaler and the residential real property seller in which the wholesaler agrees, reasonably expects, or intends to facilitate or orchestrate the property sale to a third party, for compensation and without assuming title of the property,

## **§§ 3 & 4 — REAL ESTATE WHOLESALE CONTRACT**

Under the bill, each real estate wholesale contract must, at a minimum, include a provision providing:

1. the seller with a three-business-day period within which the seller may, in the seller's discretion and expense, review the contract terms with an attorney or other advisor, and

2. that the seller may cancel the contract during this period without giving any reason for the cancellation or incurring any penalty or obligation, except to return any deposit the real estate wholesaler paid to the seller.

### ***Closing Date***

The bill prohibits any real estate wholesale contract from providing for a closing date that is more than 90 days after the date all parties executed the contract. The parties may agree to extend the 90-day period if the extension is made in writing and they all sign it. If there is no extension, the real estate wholesale contract automatically terminates at the end of the 90-day period.

### ***Sale or Assignment to Third Party***

Under the bill, any real estate wholesaler seeking to sell or assign a real estate wholesale contract to a third party must, before the sale or assignment, provide to the third party:

1. a written notice (a) disclosing all of the third party's rights, as required by the real estate wholesale contract with the seller, and (b) identifying the real estate wholesaler as a real estate wholesaler who holds a future interest in the purchase of the residential real property but does not hold title to the property; and
2. the written residential condition report that the residential real property's seller provided to real estate wholesaler as the bill requires (see below).

### ***Seller Disclosures***

The bill requires a seller, before entering into a real estate wholesale contract with a real estate wholesaler, to:

1. provide the wholesaler a written residential condition report concerning such property that satisfies the state requirements for providing the report; and
2. satisfy all relevant federal reporting requirements.

## **§ 5 — WHOLESALE DISCLOSURE REPORT**

The bill requires the DCP commissioner, by September 30, 2026, and within available appropriations, to develop and post on its website a written wholesale disclosure report. The report must:

1. be in a form and manner the DCP commissioner determines;
2. be published (a) on one or more pages, that is numbered, and not larger than eight and one-half inches in width and 11 inches in height, and (b) in at least nine-point type, except checkboxes and section headings may be published in a smaller point type; and
3. include (a) the residential real property address that is the subject of the report on each page; (b) section headings in bold type; and (c) space for the purchaser's and seller's initials on each page, except the report's signature page.

The bill requires the report to also include the following, in a form and manner set by the commissioner, in the order indicated, with the following language:

### **"Notice to Sellers: What to Know About Wholesale Transactions**

If you are considering selling your property through a wholesale transaction, please be aware of the following:

1. The real estate wholesaler may not be the person or entity purchasing your property, and you may be granting them the right to sell your property to another person or entity.
2. During the contract period, the real estate wholesaler may market your property for sale.
3. A real estate wholesaler may reasonably expect or intend to make a profit, or receive compensation through an assignment fee, from selling, assigning or transferring their interest in the real estate wholesale contract.
4. As the seller, the terms of your agreement with a real estate

wholesaler may provide the real estate wholesaler with the ability to make decisions to reject or accept an offer to purchase your property without your knowledge or consent during the term of the real estate wholesale contract.

5. The assessed value of a property, as assessed by a town, is not the same as the fair market value of the property, and may be significantly less than the fair market value of the property.

6. You are advised and have the right to investigate the fair market value of your property before signing a real estate wholesale contract. The sale price of your property is negotiable.

7. You may, in your discretion and at your expense, have an attorney or other advisor review the terms of a real estate wholesale contract, or have an appraiser assess the value of your property.

8. You may cancel a real estate wholesale contract during the three-business-day period beginning when you enter into the contract without providing any reason or incurring any penalty or obligation, except to return any deposit the real estate wholesaler paid to you.

9. If the real estate wholesaler is a real estate broker or a real estate salesperson, the real estate wholesaler must disclose to you who he or she represents and what fiduciary duties, if any, are owed to you in the wholesale transaction.

10. As the seller, you are required to provide certain property condition and lead paint disclosures under state and federal law. These disclosures must be completed as part of the transaction.

11. A real estate wholesale contract may not have a closing date that is more than ninety days after all parties sign the contract. However, you may agree to extend the ninety-day period, provided the extension is in writing and signed by you and the real estate wholesaler. If you do not extend the contract, the contract will automatically terminate at the end of the ninety-day period.

Please read the terms in the real estate wholesale contract to

understand all of your rights and obligations thereunder, including:

(A) How prospective purchasers of your property may have access to your property for showings, inspections or for other transactional details;

(B) What additional costs you may be charged at the time of closing, such as a seller's conveyance tax or other closing-related fees; and

(C) If you have any right to cancel the contract prior to closing in addition to your right to cancel the contract during the three-business-day period beginning when you enter into the contract.

All sellers in real estate transactions should consult with appropriate professionals to understand their rights and obligations and the various implications of a real estate transaction.”.

The bill also requires, an acknowledgment in the following form:

“I acknowledge that I have received and understand this disclosure notice.

Signature of Seller

Seller's street address, municipality, zip code

Date:

Signature of Wholesaler

Date:”.

On and after October 1, 2026, the bill requires a real estate wholesaler, before executing a real estate wholesale contract with a prospective residential real property seller, to provide the prospective seller the written wholesale disclosure report that the DCP commissioner developed. The bill specifies the real estate wholesaler may deliver the written wholesale disclosure report to the prospective seller by electronic means.

**§ 6 — CERTAIN LAND RECORDINGS PROHIBITED**

The bill prohibits anyone from recording, or causing to be recorded, on any town's land records (1) any real estate wholesale contract or (2) any notice or record or any documentation that claims to create any lien or encumbrance on, or other security interest in, the residential real property that is the subject of the real estate wholesale contract. The bill also prohibits a real estate wholesaler from filing a purchaser's lien related to a real estate wholesale contract.

If any contract, notice, record, documentation, or lien is recorded on the land records of any town related to the residential real property that is the subject of the contract, the contract, notice, record, documentation, or lien is not deemed to provide actual or constructive notice to an otherwise bona fide purchaser or creditor of the property.

Regardless of the law on recording instruments, a town clerk may refuse to receive for recording any real estate wholesale contract, notice, record, or documentation described above.

Under the bill, if a real estate wholesale contract, or any notice or record, is recorded related to any residential real property, the property's owner, or any person having knowledge of facts affecting the property, may effectuate a release of any rights claimed to be created by recording the contract, notice, or record by recording an affidavit of facts setting the facts related to the recording of the contract, notice, or record. Upon recording the affidavit, any filing providing notice of the real estate wholesale contract is void and unenforceable.

**BACKGROUND*****CUTPA***

By law, CUTPA prohibits businesses from engaging in unfair and deceptive acts or practices. It allows the DCP commissioner, under specified procedures, to issue regulations defining an unfair trade practice, investigate complaints, issue cease and desist orders, order restitution in cases involving less than \$10,000, impose civil penalties of up to \$5,000, enter into consent agreements, ask the attorney general to seek injunctive relief, and accept voluntary statements of compliance. It

also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorney's fees; and impose civil penalties of up to \$5,000 for willful violations and up to \$25,000 for a restraining order violation.

**COMMITTEE ACTION**

## General Law Committee

Joint Favorable

Yea 22 Nay 0 (03/24/2025)

## Judiciary Committee

Joint Favorable

Yea 37 Nay 0 (04/25/2025)

## Appropriations Committee

Joint Favorable

Yea 38 Nay 12 (05/05/2025)