

# House Bill 1148 Explanation Sheet

(Sen. Rosino, Rep. Osburn)

## What Does HB1148 Do?

HB1148 prohibits publicly marketing an equitable interest in a contract for the purchase of real property without holding an active Oklahoma Real Estate License.

## What is Real Estate Wholesaling?

The practice of "real estate wholesaling" occurs when an individual enters into a contract to purchase real estate and immediately attempts to resell, for a profit, their interest in that real estate contract to a different purchaser before closing on the property. The wholesaler often has no intention of actually purchasing the property and never takes title to the property. If the wholesaler cannot find another buyer to sell the contract to, the wholesaler will typically back out of the contract without closing. Wholesalers will publicly market the property as if they actually own the property when they only have a contract to purchase the property. This practice is often indistinguishable from the activities an Oklahoma real estate licensee engages in when marketing a property for a seller, yet the wholesaler is currently not required to hold an Oklahoma real estate license.

## Why Is HB1148 Necessary?

A real estate transaction is a significant financial undertaking. The practice is often indistinguishable from the activities an Oklahoma real estate licensee engages in when marketing a property for a seller. However, the wholesaler is not currently required to hold an Oklahoma real estate license.

When real estate wholesaling is a licensable activity, both the buyer and seller will have accountability under the Oklahoma Real Estate Commission's (OREC) authority. Currently, state regulators have no recourse for taking action in cases of abuse. Disputes often have to be settled in small claims court, costing time and significant funds.

OREC will have the ability to investigate and take action, enforcing statutory, administrative rules, and industry standards without financial burden to either party.

## How did HB1148 Come About?

HB1148 results from a three-year work product between the Oklahoma Association of REALTORS® and the Oklahoma Real Estate Commission spurred on by state legislators. Multiple taskforces formed to approach the issues legislators have heard about from constituencies for many years.

The taskforces looked into Illinois, Arkansas, and Texas for other state's approaches to regulatory changes regarding real estate wholesaling. Illinois prohibits wholesaling altogether. Arkansas has attempted to limit unlicensed real estate wholesaling by defining unlicensed activity and disqualifying wholesalers from utilizing the ownership exception to licensing. Texas allows unlicensed wholesaling activity as long as disclosure is provided to all parties involved.

HB1148 provides the same public protection and accountability for both traditional real estate transactions and wholesaling real estate transactions, instead of prohibiting the practice or requiring a burdensome disclosure process to the buyer and seller.

## Support for HB1148:

