



State Senator Andrew O. Brenner – 19th District
Senate Government Oversight Committee
February 28th, 2024
Senate Bill 192 – Sponsor Testimony

Chair Roegner, Vice Chair Antani, Ranking Member Hicks-Hudson and members of the Senate Government Oversight Committee, thank you for allowing me to provide sponsor testimony on SB 192, which would protect Ohioans from real estate wholesaling, a predatory practice that preys on vulnerable homeowners and robs them from equity in their homes.

Real estate wholesaling is the practice where a wholesaler enters into a contract with a property owner and then assigns their interest in that contract to a 3rd party investor for an assignment fee. While this may not sound threatening, problems arise when wholesalers engage in aggressive tactics to persuade homeowners into entering into the contract. Wholesalers also mislead homeowners into believing that the wholesaler is the one purchasing the property; however, the wholesaler intends to sell the contract for a profit. The homeowner only becomes aware of this at the closing table when they discover that they are selling their home to a 3rd party investor who they have never interacted with. The homeowner also finds that they were offered well below fair market value for their property, benefiting the wholesaler who makes a profit but depriving the homeowner from equity in their home.

Unlike an investor who flips a home after purchasing it, wholesalers have no intention of actually purchasing the property and never takes title. If the wholesaler cannot find an investor to sell the contract to, the wholesaler will back out of the contract without closing, with few consequences.

Wholesalers also publicly market the property as if they actually own it, which is often indistinguishable from the activities a licensed real estate professional engages in when representing a seller. Unlike licensed real estate professionals, which receive training and are beholden to Ohio laws as well as a fiduciary obligation to protect and promote the client's interests, wholesalers operate in the shadows and state regulators have no authority to take actions in cases of abuse.

The Ohio Division of Real Estate and Professional Licensing has received a concerning increase in the amount of wholesaling activity reported, including issues with predatory contracts, misleading sales tactics, clouding title to properties, and targeting some of Ohio's most vulnerable homeowners.

SB 192 will require wholesalers to be licensed with the Division of Real Estate and Professional Licensing, which will increase accountability and protect the public from predatory tactics. This will also ensure that wholesalers meet a minimum level of competency when it comes to the

complexities involving a real estate transaction and will ensure they are knowledgeable of Ohio's laws and regulations designed to protect consumers.

SB 192 will also increase the transparency surrounding the wholesaling process, by requiring wholesalers to disclose to the homeowner and end buyer of their true intentions. This disclosure is vitally important as it informs the homeowner that the wholesaler is not representing them, that the wholesaler intends to assign their rights to the contract for a profit, and that they may be offering below fair market value for their home. By passing SB 192, we will ensure that homeowners are making informed decisions when they enter into a contract to sell their property.

States like Texas, Oklahoma, Illinois, Nebraska, Arizona, and Arkansas have all passed legislation to protect citizens from this predatory practice. Numerous other states are also considering legislation similar to SB 192.

During proponent testimony you will hear from proponents who have been directly impacted by wholesalers and the deceptive practices they use in order to profit from this activity.

Thank you for the opportunity to testify today. I would be happy to answer any questions.