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To: House Commerce, Labor and Economic Development Committee  
From: Mark Tomb, VP of Governmental Affairs  
Date: January 31, 2024

Re: Testimony in Support of HB 2598

On behalf of the Kansas Association of REALTORS® (KAR), thank you for the opportunity to provide testimony in support of HB 2598, which would prohibit a specific predatory practice and give reasonable investigative powers to the Kansas Real Estate Commission (KREC) in order to better protect consumers.

The primary situation addressed by this legislation is the practice of wholesaling. In these types of transactions, someone will typically approach a homeowner with a quick offer that includes an assignable contract. That assignable contract is then marketed and typically sold. Homeowners that do not have a clear picture of their home's value are often targeted. The middleman marketing the assignable contract ends up taking an assignment fee for connecting buyer and seller for anything beyond the amount in the original contract. If they are unable to make a deal happen, contracts often include a ridiculously low earnest money requirement that makes it easy to walk away and provide nothing but false promises to the property owner. These types of transactions also generally fail to provide any sort of disclosures that consumers have come to expect.

This legislation makes it clear that these types of transactions would be a prohibited practice in Kansas. This type of fraudulent practice has been addressed by numerous states recently including the Oklahoma Legislature that passed the Predatory Real Estate Wholesaler Act in 2021 with votes of 91-1 and 46-0 in their House and Senate respectively.

KAR represents over 11,000 members involved in residential, commercial, and agricultural real estate and has advocated on behalf of the state's property owners for over 100 years. REALTORS® serve an important role in the state's economy and are dedicated to working with our elected officials to create better communities by supporting economic development, a high quality of life and providing affordable housing opportunities while protecting the rights of private property owners.

This legislation would also provide the Kansas Real Estate Commission with the ability to issue Cease and Desist orders. Increasingly, unlicensed individuals are performing services that resemble, or are identical, to those holding a real estate license. Kansas real estate licensing and regulation serve to protect consumers by providing a framework for competently handling real estate transactions. These unlicensed individuals escape oversight and have the potential to erode consumer trust in the real estate transaction process. The ability to fully investigate and when necessary, halt certain activities of unlicensed individuals should be granted to the Kansas Real Estate Commission.

First and foremost, KAR is supportive of this legislation because this change would benefit consumers. This bill allows for strengthened oversight and provides for a more productive way for the public to resolve disputes and claims that otherwise could only be addressed by litigation which is costly to the public and potentially difficult to resolve.

Thank you for the opportunity to provide testimony in support of HB 2598. KAR requests that the House Commerce, Labor and Economic Development Committee act on HB 2598 favorably.