

Date of Hearing: April 14, 2026

ASSEMBLY COMMITTEE ON BUSINESS AND PROFESSIONS

Marc Berman, Chair

AB 1850 (Irwin) – As Introduced February 11, 2026

**NOTE:** This bill is double referred and if passed by this Committee will be re-referred to the Assembly Committee on Judiciary.

**SUBJECT:** Real estate: wholesaling.

**SUMMARY:** Expands the definition of a real estate broker to include real estate wholesaling, as specified; prohibits real estate wholesaling without a broker license, and requires certain disclosures in the procurement process and advertisement of real estate wholesale transactions.

**EXISTING LAW:**

- 1) Establishes the Real Estate Law to provide for regulation of real estate salespersons, real estate brokers, transactions associated with the purchase or lease new homes or subdivided interests, and the sales of timeshare interests to consumers in California. (Business and Professions Code (BPC) §§ 10000 *et seq.*)
- 2) Establishes the Department of Real Estate (DRE) to administer the Real Estate Law. (BPC § 10004)
- 3) Prohibits a person from engaging in acting in the capacity of, advertising themselves as, or assuming to act as a real estate broker or a real estate salesperson without first obtaining a real estate license from the DRE. (BPC § 10130)
- 4) Defines a real estate broker as a person who, for a compensation or in expectation of a compensation, regardless of the form or time of payment, does or negotiates to do one or more of the following acts for another or others:
  - a) Sells or offers to sell, buys or offers to buy, solicits prospective sellers or buyers of, solicits or obtains listings of, or negotiates the purchase, sale, or exchange of real property or a business opportunity,
  - b) Leases or rents or offers to lease or rent, or places for rent, or solicits listings of places for rent, or solicits for prospective tenants, or negotiates the sale, purchase, or exchanges of leases on real property, or on a business opportunity, or collects rents from real property, or improvements thereon, or from business opportunities,
  - c) Assists or offers to assist in filing an application for the purchase or lease of, or in locating or entering upon, lands owned by the state or federal government,
  - d) Solicits borrowers or lenders for or negotiates loans or collects payments or performs services for borrowers or lenders or note owners in connection with loans secured directly or collaterally by liens on real property or on a business opportunity, and

- e) Sells or offers to sell, buys or offers to buy, or exchanges or offers to exchange a real property sales contract, or a promissory note secured directly or collaterally by a lien on real property or on a business opportunity, and performs services for the holders thereof.

(BPC § 10131)

- 5) Requires that a licensed broker shall, within one month after the closing of a transaction in which title to real property or in the sale of a business when real or personal property is conveyed from a seller to a purchaser through that licensed real estate broker, inform the seller and purchaser in writing of the selling price thereof and that, in the event an exchange of real property or a business opportunity is involved, such information shall include a description of said property and amount of added money consideration, if any; if the transaction is closed through escrow and the escrow holder renders a closing statement which reveals such information, the statement shall be deemed compliance with this section on the part of the broker. (BPC § 10141)
- 6) Authorizes the Real Estate Commissioner to, upon their own motion, investigate the actions of any person engaged in the business or acting in the capacity of a real estate licensee, and requires that they do so upon the verified complaint in writing of any person; authorizes the Commissioner to temporarily suspend or permanently revoke a real estate license at any time where the licensee, in performing or attempting to perform any of the acts within their scope, has been guilty of specified acts, including, among others:
  - a) Making any substantial misrepresentation,
  - b) Making any false promises of a character likely to influence, persuade, or induce,
  - c) A continued and flagrant course of misrepresentation or making of false promises through licensees, and
  - d) Acting for more than one party in a transaction without the knowledge or consent of all parties thereto.

(BPC § 10176)

**THIS BILL:**

- 1) Adds entering into, or offering to enter into, a contract or option to purchase real property with the intent to sell, assign, or market that contract or option to another person for compensation or profit to the acts that constitute a real estate broker.
- 2) Defines “wholesaling” as entering into, or offering to enter into, a contract or option to purchase real property with the intent to sell, assign, or market that contract or option to another person for compensation or profit.
- 3) Prohibits a person from engaging in wholesaling, as defined, unless they hold a valid real estate license issued by the DRE.
- 4) Requires a wholesaler to clearly disclose in writing to any property owner with whom they contract that the wholesaler does not intend to take title to the property, but that they are

instead seeking to assign or sell their contract rights, and that they may market or resell the contract for a profit before closing.

- 5) Requires that any advertisement or offer to sell or assign a contract or option pursuant to wholesaling to clearly disclose in writing that the person making the offer does not hold legal title to the property.

**FISCAL EFFECT:** Unknown; this bill is keyed fiscal by the Legislative Counsel.

**COMMENTS:**

**Purpose.** This bill is sponsored by the *California Association of Realtors*. According to the author:

Real estate wholesalers, individuals who place homes under contract and assign those contracts to third-party buyers, are increasingly operating in a regulatory gray area, despite performing functions similar to licensed brokers. This lack of oversight leaves homeowners, often distressed or vulnerable, and buyers at risk of entering transactions without full transparency, sometimes costing them tens of thousands of dollars. AB 1850 clarifies that real estate wholesaling constitutes licensed activity under the California Department of Real Estate and requires clear, upfront disclosure of the wholesaler's role, including that they do not hold title and may profit from the assignment. By aligning these transactions with existing real estate safeguards, this bill strengthens consumer protections and ensures more informed, transparent decision-making.

**Background.**

*Department of Real Estate.* In 1917, the Legislature passed the Real Estate Law and created the California Real Estate Commission. Following a lengthy constitutional challenge in the courts, the 1919 Realty Act created the State Real Estate Department, which became operational in November of 1919. The current DRE, the successor entity of that earlier department, is empowered to enforce the Real Estate Law (Business and Professions Code (BPC) § 10000 *et seq.*), the Subdivided Lands Act (BPC § 11000 *et seq.*), and the Vacation Ownership and Timeshare Act of 2004 (BPC § 11240 *et seq.*).

The Real Estate Law requires licensure of persons who: 1) represent sellers and buyers of real property or business opportunities; 2) represent tenants and landlords in the rental or leasing of real property or business opportunities; 3) assist persons involved in land transactions with the federal or state government; 4) solicit for, negotiate, or service mortgage loans; and 5) represent buyers and sellers in exchanges of real property sales contracts and provides services to those who are contract holders. The DRE issues licensure in two categories: an entry-level "real estate salesperson" license, and a more comprehensive "broker" license. While salespersons can represent buyers, sellers, lenders, and landlords in transactions, they must do so under the supervision of broker. Brokers can do all of these activities independently, and can also operate their own firm and hire salespeople. Moreover, only real estate brokers can post listings of homes for sale on behalf of the seller.

*Licensed Transactions.* Crucially, real estate licensees act as intermediaries in transactions between a buyer and a seller of real estate. In fact, statutes describing the specific activities of a "real estate broker" are limited to those done "for a compensation or in expectation of a

compensation [...] for another or others.”<sup>1</sup> This means that many, but not all, real estate transactions in California involve the use of a licensed real estate professional. For example, an individual can list and sell property they own the title to so long as they handle the entirety of the sales process, including all contracts, inspections, mandatory disclosures, legal documents, and other associated activities.

While California indeed has established laws<sup>2</sup> governing such transactions, colloquially called “For Sale By Owner” (FSBO), these sales do not necessarily require a broker license so long as the transaction process remains entirely between the buyer and seller. Similarly, many prospective purchasers choose to forgo utilizing a broker or salesperson to find real estate and instead pursue the buying process on their own, particularly with the rise of online listings. Nonetheless, according to a report by the National Association of Realtors, recent data demonstrates that over 80% of buyers purchased their home through an agent or broker in between July 2024 and June 2025, while FSBO transactions in the same time period fell to an all-time low of 5%.

*DRE Enforcement Proceedings.* To achieve its mission of safeguarding the public interest in real estate matters, the DRE maintains a robust enforcement program designed to ensure compliance with the Real Estate Law and related statutes. Because the DRE is impacted by the cyclical nature of the real estate market, its Enforcement Division must adapt to varying demands, ranging from background reviews during market “booms” to investigating foreclosure rescue and loan modification fraud during “busts”. To manage these demands effectively, the DRE prioritizes its caseload into three categories: “Urgent” cases involving predatory criminal actions, lending issues, and elder abuse; “Priority” cases involving unlicensed activity, fraud, and trust fund handling; and “Routine” cases focused on standards of practice and advertising violations.

The enforcement process typically begins with a complaint filed by a member of the public, a licensee, or a government agency. Upon receipt, Special Investigators perform a preliminary review to determine if there is sufficient information to warrant a formal investigation. The Department's internal goal is to complete standard investigations within 180 days, while complex fraud cases involving multiple victims may take up to a year.

When investigations confirm violations, the DRE has several avenues for enforcement. For minor compliance issues or confirmed unlicensed activity, the DRE may issue citations and administrative fines. In more serious instances, the DRE files a formal accusation, which notifies the licensee of the intent to pursue disciplinary action such as license suspension or revocation. Unlike many other state agencies, the DRE handles its own enforcement cases rather than relying on the Attorney General, often resolving investigations through stipulated settlements (agreed-upon discipline) prior to an administrative hearing.

*Real Estate Wholesaling.* In recent years, “wholesaling” has become an increasingly popular sales scheme in the real estate market. According to the sponsor, “wholesaling” generally refers to the practice of entering into a contract to purchase real property with the intent to assign that contract to a subsequent buyer for a fee or profit, rather than completing the purchase. By carefully structuring their contracts to include re-assignment clauses and ambiguous exit terms, wholesalers enter purchase agreements as principal buyers but do not actually intend to take title

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<sup>1</sup> Business and Professions Code § 10131

<sup>2</sup> Civil Code § 1091 *et. seq.*

to the property. In this way, a wholesaler can potentially sell a property at a far lower cost-of-entry than traditional “house flipping”, where individuals take title to distressed property and resell it at a higher price. For example, under a wholesaling sales model, an individual could enter into a purchase contract for a home with small down payment relative to the overall cost of the home, then resell their contract rights for an even higher purchase price, without ever assuming the risk of taking on a mortgage loan or the wider purchase cost of the home itself.

The author and sponsor contend that in many instances, the initial property seller is unaware that the buyer intends to re-sell the contract rights for a higher price, which creates opportunities for predatory behavior. Particularly, the sponsor notes that homeowners in vulnerable or distressed situations are often targets of property acquisition by wholesalers. In a letter addressed to the Committee, the sponsor argues that “in some cases, [our members] have witnessed properties that are resold within days for substantially higher amounts, with the original seller unaware of the true value of their property or the role the wholesaler played.” Recently, other states have passed legislation to more directly regulate real estate wholesale transactions. Pennsylvania requires people engaged in real estate wholesaling to be licensed as a “Residential Property Wholesaler” according to that state’s Real Estate Licensing and Registration Act, similar to this bill. Illinois requires licensure for individuals who make more than a single wholesale transaction in a 12-month period.

As such, the author and sponsor have put forward this bill to explicitly establish real estate wholesaling as a licensed activity under the Real Estate Law. Specifically, this bill establishes that, among existing activities under BPC Section 10131 that require licensure as a real estate broker, a real estate broker is any person who, for another or others, “enters into, or offers to enter into, a contract or option to purchase real property with the intent to sell, assign, or market that contract or option to another person for compensation or profit.” The bill further establishes a new section of the Real Estate Law specific to wholesaling, and specifies that “wholesaling” has the same definition as that added to Section 10131. The bill specifically prohibits a person from engaging in wholesaling unless they hold a valid real state license, and further requires that a wholesaler shall clearly disclose in writing to any property owner with whom they contract that they do not intend to take title to the property and that they plan to market and sell it for a profit. Finally, the bill requires that any advertisement or offer to sell or assign a contract or option shall clearly disclose in writing that the person making the offer does not hold legal title to the property.

**Prior Related Legislation.** SB 774 (Ashby), Chapter 786, Statutes of 2025, extended the sunset dates for the DRE and the Bureau of Real Estate Appraisers, respectively, and enacted revisions based on the sunset review of those entities.

AB 723 (Pellerin), Chapter 497, Statutes of 2025, required that a digitally-altered image used in an advertisement or other promotional material for the sale of real estate include a reasonably conspicuous statement located on or near the image stating that the image has been digitally altered and language indicating that the unaltered images can be accessed on a linked internet website, URL, or QR code.

#### **ARGUMENTS IN SUPPORT:**

This bill is sponsored by the *California Association of Realtors*, who write: “AB 1850 [provides] the clarity necessary to protect consumers and support effective enforcement in California. By

removing ambiguity, the bill gives regulators a workable standard and closes the loophole that allows bad actors to evade oversight through form over substance.”

### **ARGUMENTS IN OPPOSITION:**

There is no opposition on file.

### **POLICY ISSUE(S) FOR CONSIDERATION:**

*Legitimate Activity under Existing Law.* While the author and sponsor contend that people engaged in wholesaling “functionally [act] as intermediaries” in a transaction, and thus should be licensed as brokers, is it unclear to Committee staff whether all instances of wholesaling warrant what would otherwise be considered licensed activity under the DRE. For instance, the DRE has taken enforcement action against individuals and/or entities purported to be engaged in “wholesaling” for violations of the Real Estate Law, such as deliberate misrepresentation or for conducting certain unlicensed activities. These cases involve individuals or entities performing many of the same activities licensed real estate brokers currently do for clients: preparing the contract, arranging for inspections, and closing negotiations all on behalf of another individual or entity who will ultimately purchase and own the property, while structuring contracts in a way that makes ultimate liability for the purchase unclear.

Conversely, if an individual legitimately enters into a real estate contract as a principal buyer, and clearly assumes all of the risk and contractual obligations that would culminate in a transfer of title, then subsequently sells the rights to that contract to another buyer for a premium, this is functionally the same as a FSBO transaction or “house flipping,” activities that California specifically does not license. While there is a strong argument that such activity should still be regulated, and that laws should still specify certain disclosure guarantees and consumer protections, this does not mean such activity should necessarily require licensure as a broker under the DRE.

To the degree that wholesaling activity truly constitutes that which would otherwise require licensure (that is, serving as a true intermediary in a real estate transaction between a predetermined buyer and seller), the author and sponsor should consider ways to strengthen existing statute in the Real Estate Law to more explicitly delineate when wholesaling activity crosses the threshold into real estate activity, and clarify what specific acts constitute a violation of Real Estate Law. Additionally, to the degree that wholesaling activity remains a transaction solely between a principal buyer and a seller, further specificity in law regarding disclosures, contract rights, and consumer remedies is certainly warranted. For example, should this bill continue through the legislative process, the author and sponsor could explore additions to language contained in Section 1102 of the Civil Code, which establishes specific disclosures that are required in transfers of property.

### **IMPLEMENTATION ISSUES:**

*Unenforceable Terminology.* In describing what activities constitute a “real estate broker” under the Real Estate Law, Section 1 of this bill includes, among other activities, entering into a contract to purchase real estate “with the intent” to then sell or market that contract for profit. Section 2 of the bill further specifies that “wholesaling” includes this same language regarding “intent” to sell. The author and sponsor contend that this is to more clearly define activities that

the DRE should take enforcement action against. However, the use of the word “intent” may instead further complicate enforcement actions against potential unlicensed actors.

The purpose of this section overall is to give enforcement staff clear, objective actions that constitute an enforcement proceeding. “Intent” is a more subjective term that is much more difficult to enforce in complaint investigations. As such, the author should remove the current references to “intent” in this bill to more clearly define when DRE should take action against alleged unlicensed activity.

*Transactions for Another or Others.* Section 1 of this bill establishes that activities related to wholesaling shall constitute activities of a “real estate broker” under Section 10131 of the BPC. This section of law specifies that all actions brokers undertake are “for another or others”. However, Section 2 of the bill defines these same activities as “wholesaling”, but does not specify that they are “for another or others”. This not only creates incongruity in the bill language, but may unintentionally force DRE to regulate activities beyond their mandate. As such, the author should amend the bill to specify that “wholesaling” in Section 2 of the bill is specific to actions taken for or on behalf of others.

#### **AMENDMENTS:**

To address the policy and implementation concerns noted above, the author has agreed to amend the bill as follows:

On page 2 after line 2:

**10131.** A real estate broker within the meaning of this part is a person who, for a compensation or in expectation of a compensation, regardless of the form or time of payment, does or negotiates to do one or more of the following acts for another or others:

(a) Sells or offers to sell, buys or offers to buy, solicits prospective sellers or buyers of, solicits or obtains listings of, or negotiates the purchase, sale, *sales contract* or exchange of real property or a business opportunity.

(b) Leases or rents or offers to lease or rent, or places for rent, or solicits listings of places for rent, or solicits for prospective tenants, or negotiates the sale, purchase, or exchanges of leases on real property, or on a business opportunity, or collects rents from real property, or improvements thereon, or from business opportunities.

(c) Assists or offers to assist in filing an application for the purchase or lease of, or in locating or entering upon, lands owned by the state or federal government.

(d) Solicits borrowers or lenders for or negotiates loans or collects payments or performs services for borrowers or lenders or note owners in connection with loans secured directly or collaterally by liens on real property or on a business opportunity.

(e) Sells or offers to sell, buys or offers to buy, or exchanges or offers to exchange a real property sales contract, or a promissory note secured directly or collaterally by a lien on real property or on a business opportunity, and performs services for the holders thereof.

~~(f) Enters into, or offers to enter into, a contract or option to purchase real property with the intent to sell, assign, or market that contract or option to another person for compensation or profit.~~

**SEC. 2.**

Section 10140.9 is added to the Business and Professions Code, to read:

**10140.9.** (a) For purposes of this section, “wholesaling” means entering into, or offering to enter into, a contract or option to purchase real property *on behalf of another person* ~~with the intent to~~ *and* ~~selling,~~ *assigning,* or ~~marketing~~ *that contract or option to them for another person for* compensation or profit.

(b) A person shall not engage in wholesaling unless they hold a valid real estate license issued under this division.

(c) A wholesaler shall clearly disclose in writing to any property owner with whom they contract that the wholesaler *will not* ~~does not intend to~~ take title to the property ~~but~~ *and* is a person seeking to assign or sell their contract rights ~~and may market or resell the contract~~ for a profit before closing.

(d)(1) Any advertisement or offer to sell or assign a contract or option under this section shall clearly disclose in writing that the person making the offer does not hold legal title to the property.

*(2) Failure to provide this disclosure shall be deemed substantial misrepresentation and subject to disciplinary action pursuant to Section 10176.*

**REGISTERED SUPPORT:**

California Association of Realtors

**REGISTERED OPPOSITION:**

None on file

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