

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1850 (Irwin) – As Amended April 15, 2026

Policy Committee: Business and Professions Vote: 19 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill expands the definition of a real estate broker under the Real Estate Law to include a person engaging in real estate wholesaling, as defined by the bill, prohibits real estate wholesaling without a real estate license, and requires certain disclosures in the procurement process and advertisement of real estate wholesale transactions.

Specifically, this bill:

- 1) Defines “wholesaling” as entering into, or offering to enter into, a contract or option to purchase real property on behalf of another person and selling, assigning, or marketing that contract or option to them for compensation or profit.
- 2) Prohibits a person from engaging in wholesaling unless they hold a valid real estate license issued by the DRE.
- 3) Requires a wholesaler to clearly disclose in writing to any property owner with whom they contract that the wholesaler will not take title to the property and is a person seeking to assign or sell their contract rights for a profit before closing.
- 4) Requires 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 and deems failure to provide this disclosure a substantial misrepresentation and subject to disciplinary action under the Real Estate Law.

FISCAL EFFECT:

DRE estimates special fund costs of \$335,000 in the first year, and \$323,000 ongoing, for one part-time limited-term staff to provide industry and consumer education on wholesaling, as well as provide internal staff training, and four part-time permanent staff to conduct the rule-making process and to review and investigate consumer complaints alleging wholesaling violations by licensees and conduct prosecutions as warranted.

COMMENTS:

- 1) **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. [This bill] clarifies that real estate wholesaling constitutes licensed activity under DRE 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.

- 2) **Background. DRE.** The DRE enforces the Real Estate Law, which provides for the licensure and regulation of real estate brokers and salespersons. Existing law makes it unlawful for any person to engage in the business of a real estate broker or a real estate salesperson within this state without first obtaining a real estate license from the Department of Real Estate.

The DRE provides two categories of licensure: an entry-level "real estate salesperson" license, and a more comprehensive "broker" license. While salespersons may represent buyers, sellers, lenders, and landlords in transactions, they must do so under the supervision of broker. Brokers may do these activities independently and may also operate their own firm and hire salespeople. Only real estate brokers may post listings of homes for sale on behalf of the seller.

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 to the property. In this way, a wholesaler might 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.

The author and sponsor assert that in many instances, the initial property seller is unaware 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.

This bill prohibits a person from engaging in wholesaling unless they hold a valid real estate license and disclose in writing to any property owner with whom they contract that they do not intend to take title to the property and plan to market and sell it for profit. The bill also requires any advertisement or offer to sell or assign a contract or option to clearly disclose in writing the person making the offer does not hold legal title to the property. Failure to provide this disclosure is subject to disciplinary action by DRE.