



Rhode Island Association of REALTORS® & State-Wide MLS

April 27, 2026

The Honorable Carol McEntee, Chair
House Judiciary Committee
82 Smith Street
Providence, Rhode Island 02903

RE: H7840- AN ACT RELATING TO WHOLESALING OF REAL PROPERTY

Dear Chairperson and Committee Members:

On behalf of the Rhode Island Association of REALTORS® (RIAR), we respectfully submit this testimony in opposition to H7840. RIAR represents more than 5,900 licensed real estate professionals who work every day in the listing, sale, leasing, management, and appraisal of residential and commercial real estate and who are committed to stable housing markets to make Rhode Island a better place to call home.

H7840 establishes a clear regulatory framework for real estate wholesaling in Rhode Island by requiring individuals who repeatedly engage in the assignment or transfer of equitable interests in real property to obtain a real estate license. It also imposes disclosure requirements, creates a three-business-day right of rescission for both sellers and buyers, and establishes enforceable penalties for noncompliance.

Overview of Real Estate Wholesaling

Real estate wholesaling is an investment strategy in which an individual, commonly referred to as a wholesaler, enters into a purchase and sales agreement with a homeowner and obtains an equitable interest in the property, without taking title.

The wholesaler transfers that contractual interest to another buyer at a higher price. This typically occurs through:

- *Assignment of Contract*: Where the wholesaler assigns the purchase agreement and collects a fee.
- *Double Closing*: Where the wholesaler briefly takes title and immediately resells the property.

For example, a wholesaler may contract to purchase a property for \$250,000, assign the contract to an end buyer for \$250,000, and collect a \$10,000 assignment fee without ever taking title.

When structured transparently, wholesaling can move distressed properties and create investment opportunities. However, the practice has raised increasing concern.

Consumer Protection Concerns

Wholesaling is not inherently unlawful in Rhode Island. The concern arises from how it is often conducted.

In many instances:

- Sellers are not fully aware their contract may be assigned or that the buyer is marketing or even showing the property.
- Assignment fees are not clearly disclosed or accounted for
- Financially distressed homeowners are specifically targeted to sell at below market value
- The identity of the ultimate buyer is unclear

- Transaction delays or collapse due to financing or title complications or the inability of the original buyer to find a replacement buyer who will pay a large enough assignment fee.

Unlike licensed real estate professionals, wholesalers are not necessarily subject to:

- Licensing requirements.
- Ethical standards.
- Ongoing regulatory oversight.

This creates a gap in accountability. The result can be confusion for sellers and buyers, instability in transactions, and increased risk of failed closing. As the practice grows, these risks have become more visible in Rhode Island's housing environment.

H7840 Strengthens Consumer Protections

H7840 addresses these concerns in a measured and targeted way.

First, it strengthens consumer protection and transparency by:

- Requiring written disclosure of a wholesaler's intent to assign.
- Providing a three-business day rescission period.
- Guaranteeing the right to cancel without penalty.

Second, it promotes professional accountability by recognizing that repeated wholesaling activity functions as brokerage activity and should be regulated accordingly.

By requiring licensing for repeat wholesalers, H7840:

- Promote professional standards.
- Ensures regulatory oversight.
- Subjects participants to ethical obligations.
- Creates accountability through DBR enforcement.

Third, it creates a fair and level playing field for licensed professionals who already operate under significant regulatory requirements.

Finally, H7840 includes meaningful enforcement mechanisms, including monetary penalties tied to profits, ensuring that violations carry real consequences.

Conclusion

Wholesaling has expanded in Rhode Island and evolved in complexity. While it can be conducted lawfully, gaps in disclosure and oversight have created measurable risk for homeowners and buyers. H7840 does not prohibit legitimate investment activity. Instead, it promotes transparency, accountability, and market stability.

For these reasons, the Rhode Island Association of REALTORS® respectfully urges favorable consideration of H7840. Thank you for your time and your commitment to protecting Rhode Island consumers and communities.

Respectfully submitted,

Trevor J. Chasse
Advocacy Manager
Rhode Island Association of REALTORS®