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March 16, 2024

**To:** Chair Stephenson and Members of the Commerce Finance and Policy Committee

**From:** Cathy Mcleer, AARP State Director

**Re:** AARP Support of Provisions in HF 4034 Regarding Predatory Real Estate Agreements

AARP is writing in strong support of provisions HF 4034, which will protect homeowners in Minnesota from predatory real estate agreements and allow the Attorney General to enforce these agreements and seek restitution for homeowners. We first learned about these unscrupulous agreements last year which can unwittingly trap homeowners in long-term contracts, lasting up to 40 years, with a certain real estate brokerage firm.

This firm offers homeowners upfront payments as low as \$300 in exchange for entering into a long-term real estate listing agreement. If a homeowner chooses not to use the brokerage firm when selling their home, they typically must pay a penalty for cancellation or non-compliance of a staggering 3% of the property value, which is significantly more than any upfront payment received.

The problem with these agreements is that consumers, who likely do not have the benefit of legal counsel given the nominal upfront payments, may not fully understand the long-term implications of these agreements.

To secure these long-term brokerage rights, the company files the agreement in the local land records and claims the obligation runs with the land. This attempt to create a lien or encumbrance on property titles adds costs and complications to real estate transfer or financing, including access to home equity. Another devastating aspect of these agreements is that they attempt to bind not only the signers but also their heirs, who may or may not know about the agreement. To date, we understand that 500 of these agreements have already been recorded in the seven-county metro area.

Legislation restricting or limiting these agreements has passed in 17 states. We appreciate your attention to this matter and urge you to take action to protect homeowners in Minnesota from these predatory agreements. If you have any questions, please contact Mary Jo George at [mgeorge@aarp.org](mailto:mgeorge@aarp.org) or 651-271-6586.

Sincerely,

A handwritten signature in cursive script that reads "Cathy Mcleer".

Cathy Mcleer  
State Director, AARP Minnesota





## HF4034/SF4138 (CHA/SEEBERGER) COMMERCE CONSUMER PROTECTION BILL

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### WHAT DOES THIS BILL DO?

HF4034/SF4138 has 3 provisions.

The first provision coordinates the benefits for loss assessment coverage under condominium and townhome insurance policies.

The second provision prevents long-term abusive real estate service agreements.

The final provision removes the current licensing exemption for nonresident debt collection companies and replaces it with language allows for exemptions by Commissioner order for nonresident debt collectors in good standing in states where reciprocity has been determined by the department.

### WHY IS THIS BILL IMPORTANT?

HF4034/SF4138 will help the department better protect Minnesota families by ensuring that Commerce Department will have the regulatory requirements and statutory tools necessary to protect their interest, set out clear regulatory requirements, and ensure a strong marketplace in the mortgage, real estate and debt collection industries.

### HOW WILL MINNESOTANS BE BETTER OFF IF WE PASS THIS BILL?

Ordinary Minnesotans deserve debt collection, real estate, and insurance services that are easily understandable, efficient, affordable, and non-predatory. This bill allows the department to better ensure that across a number of its regulated areas.

### CONTACT US

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Legal Services Advocacy Project

March 16, 2024  
The Honorable Zach Stephenson  
Chair, Commerce Finance and Policy Committee  
Minnesota House of Representatives  
449 State Office Building  
St. Paul, MN 55155

The Honorable Tim O'Driscoll  
Republican Lead, Commerce Finance and Policy Committee  
Minnesota House of Representatives  
237 State Office Building  
St. Paul, MN 55155

Dear Chair Stephenson, Lead O'Driscoll, and Members of the Commerce Finance and Policy Committee:

Legal Aid writes in strong support of the provisions in HF 4034 that address the unconscionable practices of certain unscrupulous companies that entrap elderly and other homeowners into entering into unfair service agreements. Legal Aid provides civil legal services to low-income Minnesotans, Minnesotans with disabilities, and elder Minnesotans, statewide, to help them meet their basic needs.

According to the American Land Title Association, Indiana recently became the 17<sup>th</sup> state to ban what the North Carolina Department of Justice describes as a "predatory business model." This dubious model includes such practices as cold calling elder and other homeowners, offering small upfront cash payments (typically mere hundreds of dollars) in exchange for agreements for 40 year exclusive listing agreements and contracts to exclusively provide maintenance and repairs. In addition, these agreements contain punitive termination fees. The company then encumbers the property by filing these agreements with the county recorder or registrar of titles as liens.

Legal Aid applauds the Minnesota Department of Commerce and Representative Cha for coming forward with this bill to curb these dubious practices and, like the other 17 states, protect elder and vulnerable homeowners from exploitation. Thank you for allowing Legal Aid to share its views on this important legislation. We urge passage of HF 4034.

Sincerely,

Ron Elwood  
Supervising Attorney

This document has been formatted for accessibility.



Building homes, community, and hope.

March 18, 2024

To: Members of the Commerce Finance and Policy Committee

Re: House File 4034 - Provisions protecting homeowners from deceptive listing agreements

Dear Chair Stephenson, Vice Chair Kotyza-Witthuhn, Lead O'Driscoll, and Members of the Commerce Finance and Policy Committee,

Thank you for the opportunity to share Habitat for Humanity of Minnesota's support of provisions in HF 4034 that would better protect Minnesota homeowners from deceptive real estate fee agreements.

Habitat for Humanity of Minnesota (Habitat Minnesota) is a statewide support organization for 24 local Habitat affiliates in Minnesota. We are deeply invested in removing barriers to and advancing long-term affordable ownership and closing the racial homeownership and wealth gap.

These misleading real estate listing agreements were brought to Habitat Minnesota's attention last year when we first learned that one of these agreements had been signed by a Habitat homeowner in Minnesota. In exchange for a cash payment that often amounts to a few hundred dollars, homeowners were being asked to sign agreements ensuring that if they decide to sell their home in the next 40 years, they would do so through this specific real estate agency. Unfortunately, not all terms are disclosed to homeowners, who may be surprised to learn that the agreement has been filed in the public record, applies in the case of foreclosure, and may be seen by lenders as a disqualifying lien. Since then, Habitat Minnesota has learned how prevalent these predatory agreements are, not just in Minnesota, but across the country, with 17 states having already banned them.

Thank you for the opportunity to share our support of this provision in HF4034 and to Representative Cha and the Minnesota Department of Commerce for their leadership on this effort to protect homeowners in Minnesota. Please reach out to myself or Jeru Gobeze, Advocacy Director ([jeru.gobeze@habitatminnesota.org](mailto:jeru.gobeze@habitatminnesota.org)), with any questions.

Sincerely,

A handwritten signature in blue ink that reads "Cristen Incitti".

Cristen Incitti, President & CEO

Habitat for Humanity of Minnesota

[cristen.incitti@habitatminnesota.org](mailto:cristen.incitti@habitatminnesota.org)