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Senate Bill 602 (as introduced 10-24-23)

Sponsor: Senator Kevin Hertel

Committee: Regulatory Affairs

Date Completed: 1-30-24

CONTENT

The bill would amend the Occupational Code to specify conditions under which a right-to-list home sale agreement between an owner of residential real estate and a real estate broker would be void and unenforceable. It also would subject a real estate licensee who entered into a void and unenforceable agreement to certain penalties.

Under the bill, "right-to-list home sale agreement" would mean an agreement between an owner of residential real estate and a real estate broker that obligates the owner to list residential real estate with the real estate broker at a future date in exchange for consideration. "Residential real estate" would mean the type of real estate that consists of not less than one or not more than four residential dwelling units or that consists of a building site for a residential unit on a lot or a condominium unit.

The bill specifies that a right-to-list home sale agreement would be void and unenforceable if any of the following applied to the agreement:

- It was not in writing.
- It was not signed by all persons that had an ownership interest in the residential real estate considered in the agreement.
- It was for a period of more than two years.

Additionally, a right-to-list agreement would have to include an option for the owner to terminate the agreement before its expiration date for an amount of consideration payable to the real estate broker that was not more than the initial consideration the broker paid to the owner with interest of 6% per annum that started from the date the broker provided the initial consideration through the date that the owner terminated the agreement. The right-to-list agreement also would have to include the period of time that the agreement was effective and an explanation of the early termination option on the first page of the agreement in a conspicuous manner.

The requirements set forth by the bill would apply only to a right-to-list home sale agreement that was entered, extended, or renewed on or after the bill's effective date.

A real estate licensee that entered into a void and unenforceable right-to-list home sale agreement would be subject to penalties prescribed by the Code, including one or more of the following:

- Suspension of a license or certificate of registration.
- Denial of a license, certificate of registration, or renewal of a license or certificate of registration.
- Revocation of a license or certificate of registration.

- In the case of a person licensed or registered under the Code and except as otherwise provided in the Code, an administrative fine to be paid to the Department of Licensing and Regulatory Affairs of not more than \$10,000.
- Censure.
- Probation.
- A requirement that restitution be made, based on proofs submitted to and findings made by the hearing examiner after a contested case.

MCL 339.2501 et al.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Nathan Leaman

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