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February 13, 2024

To: Chair Latz and Members of the Senate Judiciary Committee

From: Cathy Mcleer, AARP State Director

Re: AARP Support for Senator Xiong's Delete-All to SF 3334

AARP is writing to urge you to pass SF 3334, a bill that will protect homeowners in Minnesota from predatory real estate agreements. We first learned about these agreements last year which can unwittingly trap homeowners in long-term contracts, lasting up to 40 years, with real estate brokerage firms. AARP worked with the Land Title Association to draft model legislation that is before you in the delete-all amendment. This includes allowing the Attorney General to enforce these agreements and seek restitution for consumers.

These firms often offer 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 16 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 mjgeorge@aarp.org or 651-271-6586.

Sincerely,

A handwritten signature in black ink that reads "Cathy Mcleer".

Cathy Mcleer
State Director, AARP Minnesota



