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## **Restrictions on Residential Real Estate Listing Agreements in 2024**

by Anna G. Kudla

Skyrocketing housing prices amid the pandemic paved the way for real estate investment schemes and predatory real estate practices across the country, sparking investigations by state and federal agencies such as the Federal Trade Commission and Consumer Financial Protection Bureau. Unfortunately, real estate schemes found new ways to target unsuspecting sellers' fears of missing out on increased property values and too-good-to-be-true fast cash offers. Now that high-interest rates have caused the market to slowly recede, predatory schemes are starting to surface.

Recently, California filed a lawsuit against MV Realty after thousands of homeowners reported signing unlawful listing agreements by joining MV Realty's Homeowner Benefit Program. It is reported that MV Realty would pay anywhere from a few hundred to a few thousand dollars in exchange for being a homeowner's exclusive real estate broker for 40 years, should they ever decide to sell their home in the future. This 40-year listing agreement was recorded as a lien on their residential property. According to the complaint filed by the California Attorney General, MV Realty allegedly misrepresented and intentionally failed to inform of the significant downsides of retaining them as listing broker. Specifically, homeowners and their successors were forbidden from transferring ownership, prohibited from obtaining financing, and forced to incur an illegal penalty of three percent of the home's value if they attempted to break the listing.

Typically, the practice for brokers in California is to enter into a listing agreement that lasts for less than a year with no such agreements ever getting recorded or used as a basis for a lien. However, brokerages such as MV Realty allegedly took advantage of the system by recording their listing agreements and holding residential property owners hostage.

To avoid such predatory practices, California enacted Civil Code 1670.12 and Government Code 27280.6, which took effect January 1, 2024, prohibiting an exclusive listing agreement to last longer than 24 months or to renew such a listing for longer than 12 months. Moreover, these new laws made it illegal to record an exclusive listing agreement of any duration or even attempt to enforce an exclusive listing agreement by trying to record or file it with the county recorder.

The 24-month prohibition applies to exclusive listings on residential properties consisting of one to four units, condos, and manufactured homes, and prohibits automatic extensions of exclusive listings on any type of residential property. Any licensed real estate professional who violates these prohibitions will have also violated all applicable licensing laws.

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