

REAL ESTATE AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Calvin R. Musselman

Senate Sponsor: _____

LONG TITLE

General Description:

This bill addresses provisions related to real estate.

Highlighted Provisions:

This bill:

- ▶ creates and modifies definitions;
- ▶ provides that certain residential property service agreements are void;
- ▶ prohibits recording of a void residential property service agreement or related documents;
- ▶ allows a person to recover damages caused by the recording of a void residential property service agreement;
- ▶ requires an appraisal management company to file a form with the Division of Real Estate (division);
- ▶ allows the division to suspend or revoke an appraisal management company's registration under certain circumstances;
- ▶ allows the division to take disciplinary action against a person licensed or required to be licensed by the division who enters into or records a void residential property service agreement; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

None



28 **Other Special Clauses:**

29 None

30 **Utah Code Sections Affected:**

31 AMENDS:

32 **61-2e-102**, as last amended by Laws of Utah 2021, Chapter 259

33 **61-2e-205**, as last amended by Laws of Utah 2021, Chapter 259

34 **61-2f-401**, as last amended by Laws of Utah 2022, Chapter 204

35 ENACTS:

36 **57-30-101**, Utah Code Annotated 1953

37 **57-30-201**, Utah Code Annotated 1953



39 *Be it enacted by the Legislature of the state of Utah:*

40 Section 1. Section **57-30-101** is enacted to read:

41 **CHAPTER 30. RESIDENTIAL PROPERTY SERVICE AGREEMENTS**

42 **Part 1. General Provisions**

43 **57-30-101. Definitions.**

44 As used in this chapter:

45 (1) "Common interest community" means the same as that term is defined in Section
46 57-25-102.

47 (2) "Home warranty service contract" means the same as that term is defined in Section
48 31A-6a-101.

49 (3) "Record" means to submit a document to a county recorder for official placement in
50 a public land record.

51 (4) (a) "Residential property service agreement" means, except as provided in
52 Subsection (4)(b), a contract under which a person agrees to provide services in connection
53 with:

54 (i) the purchase or sale of residential real estate; or

55 (ii) the maintenance of residential real estate in preparation for purchase or sale.

56 (b) "Residential property service agreement" does not include:

57 (i) a home warranty service agreement;

58 (ii) an insurance contract;

- 59 (iii) an option to purchase or right of refusal; or
- 60 (iv) a maintenance or repair agreement between an owner of real property within a
- 61 common interest community and a homeowners' association or other similar organization.

62 (5) "Residential real estate" means real property located in the state that is:

- 63 (a) used primarily for a personal, family, or household purpose; and
- 64 (b) contains fewer than five dwelling units.

65 Section 2. Section **57-30-201** is enacted to read:

66 **Part 2. Residential Property Service Agreements**

67 **57-30-201. Prohibited residential property service agreements -- Recording --**
68 **Damages -- Actual or constructive notice.**

69 (1) (a) A residential property service agreement may not:

70 (i) allow the services to be provided under the agreement to begin more than one year
71 after the day on which the residential property service agreement is signed by all parties;

72 (ii) indicate that the residential property service agreement:

73 (A) runs with the land;

74 (B) is binding on a future owner of an interest in the residential real estate that is the
75 subject of the residential property service agreement; or

76 (C) creates a lien, encumbrance, or other real property security interest; or

77 (iii) allow for the assignment of the right to provide the services without notice to and
78 agreement by the owner of the residential real estate that is the subject of the residential
79 property service agreement.

80 (b) A residential property service agreement that violates Subsection (1)(a) is void.

81 (2) (a) A person may not record or cause to be recorded:

82 (i) a void residential property service agreement; or

83 (ii) a notice or memorandum concerning a void residential property service agreement.

84 (b) A county recorder may refuse to accept a document described in Subsection (2)(a)
85 for recording.

86 (c) If a document is recorded in violation of this Subsection (2), a party with an interest
87 in the residential real estate that is the subject of the void residential property service agreement
88 may file a petition with a court of competent jurisdiction to recover actual damages from the
89 person who violated this Subsection (2).

90 (d) A document recorded in violation of this Subsection (2):
91 (i) does not provide actual or constructive notice to a bona fide purchaser or creditor;

92 and

93 (ii) may be a violation of Title 38, Chapter 9, Wrongful Lien Act.

94 Section 3. Section **61-2e-102** is amended to read:

95 **61-2e-102. Definitions.**

96 As used in this chapter:

97 (1) "Applicable appraisal standards" means:

98 (a) the Uniform Standards for Professional Appraisal Practice:

99 (i) published by the Appraisal Foundation; and

100 (ii) as adopted under Section [61-2g-403](#);

101 (b) Chapter 2g, Real Estate Appraiser Licensing and Certification Act; and

102 (c) rules made by the board under Chapter 2g, Real Estate Appraiser Licensing and
103 Certification Act.

104 (2) "Appraisal" means the same as that term is defined in Section [61-2g-102](#).

105 (3) "Appraisal foundation" means the same as that term is defined in Section
106 [61-2g-102](#).

107 (4) "Appraisal management company" or "AMC" means a third party authorized by
108 one of the following persons to broker an appraisal of a dwelling that is collateral for a
109 residential mortgage loan:

110 (a) a creditor; or

111 (b) an underwriter of, or other principal in, a secondary mortgage market.

112 (5) "Appraisal management service" means:

113 (a) recruiting, selecting, or retaining an appraiser;

114 (b) contracting with an appraiser to perform a real estate appraisal activity for a client;

115 (c) managing the appraisal process, including one or more of the following
116 administrative services:

117 (i) receiving an appraisal order or an appraisal report;

118 (ii) submitting a completed appraisal report to a client;

119 (iii) collecting a fee from a client for a service provided; or

120 (iv) paying an appraiser for a real estate appraisal activity; or

- 121 (d) reviewing or verifying the work of an appraiser.
- 122 (6) "Appraisal report" means the same as that term is defined in Section [61-2g-102](#).
- 123 (7) "Appraisal Subcommittee" means the Appraisal Subcommittee of the Federal
124 Financial Institutions Examination Council.
- 125 (8) "Appraiser" means an individual who engages in a real estate appraisal activity.
- 126 (9) (a) "Appraiser panel" means a network, list, or roster of appraisers who are:
 - 127 (i) licensed or certified in a state, territory, or the District of Columbia; and
 - 128 (ii) approved by an appraisal management company to perform appraisals as
129 independent contractors for the appraisal management company.
- 130 (b) "Appraiser panel" includes an appraiser whom the appraisal management company
131 has:
 - 132 (i) accepted for consideration for a future appraisal assignment:
 - 133 (A) in a residential mortgage loan transaction; or
 - 134 (B) for a secondary mortgage market participant in connection with a residential
135 mortgage loan transaction; or
 - 136 (ii) engaged to perform an appraisal:
 - 137 (A) in a residential mortgage loan transaction; or
 - 138 (B) for a secondary mortgage market participant in connection with a residential
139 mortgage loan transaction.
- 140 (10) "Board" means the Real Estate Appraiser Licensing and Certification Board that is
141 created in Section [61-2g-204](#).
- 142 (11) "Client" means a person that enters into an agreement with an appraisal
143 management company for the performance of a real estate appraisal activity.
- 144 (12) "Concurrence" means that the entities that are given a concurring role must jointly
145 agree before an action may be taken.
- 146 (13) "Controlling person" means:
 - 147 (a) an owner, officer, or director of an entity seeking to offer appraisal management
148 services;
 - 149 (b) an individual employed, appointed, or authorized by an appraisal management
150 company who has the authority to:
 - 151 (i) enter into a contractual relationship with a client for the performance of an appraisal

152 management service; and

153 (ii) enter into an agreement with an appraiser for the performance of a real estate
154 appraisal activity; or

155 (c) a person who possesses, directly or indirectly, the power to direct or cause the
156 direction of the management or policies of an appraisal management company.

157 (14) "Creditor" means:

158 (a) a person who regularly extends credit that, under a written agreement, is subject to a
159 finance charge or is payable in more than four installments, not including any down payment;
160 and

161 (b) a person to whom the obligation described in Subsection (14)(a) is initially payable,
162 either on the face of the note or contract, or by agreement when there is no note or contract.

163 (15) "Director" means the director of the division.

164 (16) "Division" means the Division of Real Estate, created in Section [61-2-201](#), of the
165 Department of Commerce.

166 (17) "Dwelling" means a residential structure that contains up to four units, regardless
167 of whether the structure is attached to real property, including:

168 (a) an individual condominium unit;

169 (b) a cooperative unit;

170 (c) a mobile home; or

171 (d) a trailer, if the trailer is used as a residence.

172 (18) "Entity" means:

173 (a) a corporation;

174 (b) a partnership;

175 (c) a sole proprietorship;

176 (d) a limited liability company;

177 (e) another business entity; or

178 (f) a subsidiary or unit of an entity described in Subsections (18)(a) through (e).

179 (19) "Federally regulated appraisal management company" means an appraisal
180 management company that is:

181 (a) owned and controlled by an insured depository institution, as defined in 12 U.S.C.
182 Sec. 1813; and

- 183 (b) regulated by:
- 184 (i) the Office of the Comptroller of the Currency;
- 185 (ii) the Board of Governors of the Federal Reserve System; or
- 186 (iii) the Federal Deposit Insurance Corporation.
- 187 (20) "Independent contractor" means an appraiser whom an appraisal management
- 188 company treats as an independent contractor for purposes of federal income taxation.
- 189 (21) "Person" means an individual or an entity.
- 190 (22) "Person who regularly extends credit" means a person who:
- 191 (a) extends credit, other than credit subject to the requirements of 12 C.F.R. Sec.
- 192 1026.32, to a person who has been extended credit for transactions secured by a dwelling more
- 193 than five times in:
- 194 (i) the preceding calendar year; or
- 195 (ii) the current calendar year;
- 196 (b) originates two or more credit extensions that are subject to the requirements of 12
- 197 C.F.R. Sec. 1026.32; or
- 198 (c) originates through a mortgage broker a credit extension that is subject to the
- 199 requirements of 12 C.F.R. Sec. 1026.32.
- 200 (23) "Real estate appraisal activity" means the same as that term is defined in Section
- 201 [61-2g-102](#).
- 202 (24) "Residential mortgage loan" means the same as that term is defined in Section
- 203 [61-2c-102](#).
- 204 (25) (a) "Secondary mortgage market participant" means:
- 205 (i) a guarantor or insurer of a mortgage-backed security; or
- 206 (ii) an underwriter or insurer of a mortgage-backed security.
- 207 (b) "Secondary mortgage market participant" includes an individual investor in a
- 208 mortgage-backed security, if the investor is also the guarantor, insurer, underwriter, or issuer of
- 209 the mortgage-backed security.
- 210 (26) "Territory" means any of the following United States territories:
- 211 (a) Guam;
- 212 (b) Northern Mariana Islands;
- 213 (c) Puerto Rico; or

214 (d) United States Virgin Islands.

215 Section 4. Section 61-2e-205 is amended to read:

216 **61-2e-205. Division service fees -- National registry form and fees -- Suspension**
217 **and revocation of registration -- Removal from national registry.**

218 (1) The division, with the concurrence of the board, shall establish and collect fees, in
219 accordance with Section 63J-1-504, for services the division renders to carry out this chapter.

220 (2) An appraisal management company registered under this chapter shall, on or before
221 May 31 of each year, file with the division a national registry reporting form in the manner
222 prescribed by the division.

223 [~~2~~] (3) [~~a~~] The division shall:

224 [~~i~~] (a) collect the annual national registry fee established by the Appraisal
225 Subcommittee from:

226 [~~A~~] (i) each appraisal management company registered under this chapter; and

227 [~~B~~] (ii) each federally regulated appraisal management company; and

228 [~~ii~~] (b) transfer the fees collected under Subsection [~~2~~](a) (3)(a) to the Appraisal
229 Subcommittee on a monthly basis.

230 [~~b~~] (4) If an appraisal management company registered under this chapter fails to pay
231 the annual national registry fee [~~established by the Appraisal Subcommittee~~] described in
232 Subsection (3) or file the national registry reporting form in accordance with Subsection (2),
233 the division may suspend or revoke the appraisal management company's registration.

234 [~~3~~] (5) If an appraisal management company pays a fee or cost to the division with a
235 negotiable instrument or any other payment method that is not honored, the division:

236 (a) may void the transaction for which the payment is submitted;

237 (b) may reverse the transaction, if the division does not receive full payment of the
238 applicable fee or cost; and

239 (c) shall suspend the appraisal management company's registration:

240 (i) beginning the day on which the payment is due; and

241 (ii) ending the day on which payment is made in full.

242 Section 5. Section 61-2f-401 is amended to read:

243 **61-2f-401. Grounds for disciplinary action.**

244 The following acts are unlawful and grounds for disciplinary action for a person

- 245 licensed or required to be licensed under this chapter:
- 246 (1) (a) making a substantial misrepresentation, including in a licensure statement;
- 247 (b) making an intentional misrepresentation;
- 248 (c) pursuing a continued and flagrant course of misrepresentation;
- 249 (d) making a false representation or promise through an agent, sales agent, advertising,
- 250 or otherwise; or
- 251 (e) making a false representation or promise of a character likely to influence,
- 252 persuade, or induce;
- 253 (2) acting for more than one party in a transaction without the informed written consent
- 254 of the parties;
- 255 (3) (a) acting as an associate broker or sales agent while not affiliated with a principal
- 256 broker;
- 257 (b) representing or attempting to represent a principal broker other than the principal
- 258 broker with whom the person is affiliated; or
- 259 (c) representing as sales agent or having a contractual relationship similar to that of
- 260 sales agent with a person other than a principal broker;
- 261 (4) (a) failing, within a reasonable time, to account for or to remit money that belongs
- 262 to another and comes into the person's possession;
- 263 (b) commingling money described in Subsection (4)(a) with the person's own money;
- 264 or
- 265 (c) diverting money described in Subsection (4)(a) from the purpose for which the
- 266 money is received;
- 267 (5) paying or offering to pay valuable consideration to a person not licensed under this
- 268 chapter, except that valuable consideration may be shared:
- 269 (a) with a principal broker of another jurisdiction; or
- 270 (b) as provided under:
- 271 (i) Title 16, Chapter 10a, Utah Revised Business Corporation Act;
- 272 (ii) Title 16, Chapter 11, Professional Corporation Act; or
- 273 (iii) Title 48, Chapter 3a, Utah Revised Uniform Limited Liability Company Act, as
- 274 appropriate pursuant to Section [48-3a-1405](#);
- 275 (6) for a principal broker, paying or offering to pay a sales agent or associate broker

276 who is not affiliated with the principal broker at the time the sales agent or associate broker
277 earned the compensation;

278 (7) being incompetent to act as a principal broker, associate broker, or sales agent in
279 such manner as to safeguard the interests of the public;

280 (8) failing to voluntarily furnish a copy of a document to the parties before and after the
281 execution of a document;

282 (9) failing to keep and make available for inspection by the division a record of each
283 transaction, including:

284 (a) the names of buyers and sellers or lessees and lessors;

285 (b) the identification of real estate;

286 (c) the sale or rental price;

287 (d) money received in trust;

288 (e) agreements or instructions from buyers and sellers or lessees and lessors; and

289 (f) any other information required by rule;

290 (10) failing to disclose, in writing, in the purchase, sale, or rental of real estate, whether
291 the purchase, sale, or rental is made for that person or for an undisclosed principal;

292 (11) regardless of whether the crime is related to the business of real estate:

293 (a) be convicted of:

294 (i) a felony; or

295 (ii) any of the following involving fraud, misrepresentation, theft, or dishonesty:

296 (A) a class A misdemeanor;

297 (B) a class B misdemeanor; or

298 (C) a criminal offense comparable to a class A or class B misdemeanor;

299 (b) plead guilty or nolo contendere to:

300 (i) a felony; or

301 (ii) any of the following involving fraud, misrepresentation, theft, or dishonesty:

302 (A) a class A misdemeanor;

303 (B) a class B misdemeanor; or

304 (C) a criminal offense comparable to a class A or class B misdemeanor;

305 (c) enter into a plea in abeyance agreement in relation to:

306 (i) a felony; or

- 307 (ii) any of the following involving fraud, misrepresentation, theft, or dishonesty:
- 308 (A) a class A misdemeanor;
- 309 (B) a class B misdemeanor; or
- 310 (C) a criminal offense comparable to a class A or class B misdemeanor;
- 311 (12) advertising the availability of real estate or the services of a licensee in a false,
- 312 misleading, or deceptive manner;
- 313 (13) in the case of a principal broker or a branch broker, failing to exercise active and
- 314 reasonable supervision, as the commission may define by rule made in accordance with Title
- 315 63G, Chapter 3, Utah Administrative Rulemaking Act, over the activities of the principal
- 316 broker's or branch broker's licensed or unlicensed staff;
- 317 (14) violating or disregarding:
- 318 (a) this chapter;
- 319 (b) an order of the commission; or
- 320 (c) the rules adopted by the commission and the division;
- 321 (15) breaching a fiduciary duty owed by a licensee to the licensee's principal in a real
- 322 estate transaction;
- 323 (16) any other conduct which constitutes dishonest dealing;
- 324 (17) having one of the following suspended, revoked, surrendered, or cancelled on the
- 325 basis of misconduct in a professional capacity that relates to character, honesty, integrity, or
- 326 truthfulness:
- 327 (a) a real estate license, registration, or certificate issued by another jurisdiction; or
- 328 (b) another license, registration, or certificate to engage in an occupation or profession
- 329 issued by this state or another jurisdiction;
- 330 (18) failing to respond to a request by the division in an investigation authorized under
- 331 this chapter within 10 days after the day on which the request is served, including:
- 332 (a) failing to respond to a subpoena;
- 333 (b) withholding evidence; or
- 334 (c) failing to produce documents or records;
- 335 (19) in the case of a dual licensed title licensee as defined in Section [31A-2-402](#):
- 336 (a) providing a title insurance product or service without the approval required by
- 337 Section [31A-2-405](#); or

338 (b) knowingly providing false or misleading information in the statement required by
339 Subsection [31A-2-405\(2\)](#);

340 (20) violating an independent contractor agreement between a principal broker and a
341 sales agent or associate broker as evidenced by a final judgment of a court;

342 (21) violating Title 57, Chapter 30, Residential Property Service Agreements;

343 ~~[(21)]~~ (22) (a) engaging in an act of loan modification assistance that requires licensure
344 as a mortgage officer under Chapter 2c, Utah Residential Mortgage Practices and Licensing
345 Act, without being licensed under that chapter;

346 (b) engaging in an act of foreclosure rescue without entering into a written agreement
347 specifying what one or more acts of foreclosure rescue will be completed;

348 (c) inducing a person who is at risk of foreclosure to hire the licensee to engage in an
349 act of foreclosure rescue by:

350 (i) suggesting to the person that the licensee has a special relationship with the person's
351 lender or loan servicer; or

352 (ii) falsely representing or advertising that the licensee is acting on behalf of:

353 (A) a government agency;

354 (B) the person's lender or loan servicer; or

355 (C) a nonprofit or charitable institution; or

356 (d) recommending or participating in a foreclosure rescue that requires a person to:

357 (i) transfer title to real estate to the licensee or to a third-party with whom the licensee
358 has a business relationship or financial interest;

359 (ii) make a mortgage payment to a person other than the person's loan servicer; or

360 (iii) refrain from contacting the person's:

361 (A) lender;

362 (B) loan servicer;

363 (C) attorney;

364 (D) credit counselor; or

365 (E) housing counselor;

366 ~~[(22)]~~ (23) taking or removing from the premises of a main office or a branch office, or
367 otherwise limiting a real estate brokerage's access to or control over, a record that:

368 (a) (i) the real estate brokerage's licensed staff, unlicensed staff, or affiliated

369 independent contractor prepared; and
370 (ii) is related to the business of:
371 (A) the real estate brokerage; or
372 (B) an associate broker, a branch broker, or a sales agent of the real estate brokerage; or
373 (b) is related to the business administration of the real estate brokerage;
374 [~~23~~] (24) as a principal broker, placing a lien on real property, unless authorized by
375 law;
376 [~~24~~] (25) as a sales agent or associate broker, placing a lien on real property for an
377 unpaid commission or other compensation related to real estate brokerage services; or
378 [~~25~~] (26) failing to timely disclose to a buyer or seller an affiliated business
379 arrangement, as defined in Section [31A-23a-1001](#), in accordance with the federal Real Estate
380 Settlement Procedures Act, 12 U.S.C. Sec. 2601 et seq. and any rules made thereunder.