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Residential Real Estate

Regulations on wholesale real estate set to take effect on July 1



A home in Northeast Portland is photographed on Aug. 24, 2020.

JONATHAN BACH / PORTLAND BUSINESS JOURNAL



By [Sara Edwards](#) – Commercial Real Estate reporter, Portland Business Journal

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A new law regulating property wholesaling is set to take effect on July 1.

House Bill 4058, signed by Gov. Tina Kotek in December, will require residential property wholesalers to register with the Oregon Real Estate Agency, pay an annual fee of \$300 and pass a background check.

Residential property wholesaling is when a “wholesaler” enters a purchasing contract with a homebuyer for an initial purchase price, according to the Oregon Realtors Association. The wholesaler then seeks out potential buyers to purchase the contract before the property closes and flips or assigns the contract to a buyer willing to pay more for the property as is.

The wholesaler can only have equitable interest in the property or an option to purchase. The marketer can also only hold an interest and option for fewer than 90 days and have invested less than \$10,000 in land development and improvement costs associated with the property.

A wholesaler will rarely actually take the title for the property.

The wholesaler’s compensation is the difference between the original purchase price and what the selected buyer purchases the contract for.

The law also restricts “right-to-sell” contracts, or a contract in which a potential seller enters a contract with a real estate firm or practice promising to use them if they decide to sell the property.

Jeremy Rogers, head of legal affairs for the Oregon Realtors Association said wholesale real estate has largely been unregulated until now.



Image: Courtesy of Oregon Realtors Association

Jeremy Rogers is the head of legal affairs for the Oregon Realtors Association.

COURTESY OF OREGON REALTORS ASSOCIATION

“We’re trying to get a basic level of regulation to have some consumer protections,” he said.

Licensed brokers or principal brokers are not required to register with the state as a wholesaler but will still have to provide written disclosures to both the

potential buyers and home sellers.

The properties are usually homes that a homeowner is looking to offload quickly, such as an inherited house or one that needs expensive renovations.

Rogers said wholesalers typically reach out to potential sellers with a distressed property or home sellers looking to sell quickly for cash.

Scott Dalinger, owner of Portland residential real estate investment company Better off Home Buyers, got his start with wholesaling real estate in 2019.

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looking to make a quick p

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Scott Dalinger owns residential real estate investment company Better Off Home Buyers.

COURTESY OF SCOTT DALINGER

“Someone inexperienced will put a house under contract from a seller at a price that’s too high, tie up that house for 30 to 60 days,” Dalinger said. “Meanwhile they don’t have the money to perform, they’re shopping the deal around to bring in a new buyer and when they can’t find one, they just cancel, and it goes back to the seller. That leaves the seller high and dry and puts them in a lurch.”

Several states like Illinois, Nebraska, Oklahoma, Arizona and Texas have passed legislation regulating this practice along with a handful of local government bodies. Philadelphia [has also passed similar regulation](#).