

# STATE OF NEW YORK

5886--C

2025-2026 Regular Sessions

## IN ASSEMBLY

February 24, 2025

Introduced by M. of A. CRUZ, LEE -- read once and referred to the Committee on Consumer Affairs and Protection -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- again reported from said committee with amendments, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- reported and referred to the Committee on Codes

AN ACT to amend the general business law, in relation to prohibiting unfair residential real estate service agreements

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Short title. This act shall be known and may be cited as  
2 the "prohibition of unfair real estate service agreements act".

3 § 2. Legislative intent. In an effort to protect consumers from fraud  
4 and abuse by unscrupulous actors, this act prohibits the use of real  
5 estate service agreements that are unfair to an owner of residential  
6 real estate or to other persons who may become owners of that real  
7 estate in the future, and further prohibits the recording of such resi-  
8 dential real estate service agreements so that the public records will  
9 not be clouded by them and provides remedies for owners who are incon-  
10 venienced or damaged by the recording of such agreements.

11 § 3. The general business law is amended by adding a new article 36-E  
12 to read as follows:

### ARTICLE 36-E

#### PROHIBITION OF UNFAIR REAL ESTATE SERVICE AGREEMENTS

15 Section 778-aaa. Definitions.

16 778-bbb. Prohibition against unfair service agreements; record-  
17 ing thereof.

18 778-ccc. Deceptive acts and practices.

19 778-ddd. Enforcement; action by the attorney general.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1           778-eee. Severability.

2           § 778-aaa. Definitions. As used in this article, the following terms,  
3 unless the context requires otherwise, shall have the following mean-  
4 ings:

5           1. "Person" means a natural person, partnership, association, cooper-  
6 ative, corporation, trust, or other legal entity.

7           2. "Real estate service agreement" means a written contract under  
8 which a person agrees to provide services in connection with the mainte-  
9 nance of or purchase or sale of residential real estate.

10           3. "Recording" means presenting a document to a recording officer,  
11 whether the county clerk of the county or the register of the county,  
12 consistent with the real property law.

13           4. "Residential real estate" means real property located in this state  
14 which is used primarily for personal, family, or household purposes and  
15 is improved by one to four dwelling units, including condominium units.

16           5. "Service provider" means an individual or entity that provides  
17 services to a person.

18           6. (a) "Unfair real estate service agreement" means any real estate  
19 service agreement that is not to be performed within two years after the  
20 time it is entered into and either:

21           (i) purports to run with the land or to be binding on future owners of  
22 interests in the real property; or

23           (ii) allows for assignment of the right to provide service without  
24 notice to and consent of the owner of residential real estate; or

25           (iii) purports to create a lien, encumbrance, or other real property  
26 security interest, other than a mechanics lien properly issued pursuant  
27 to the provisions of the lien law; or

28           (iv) is a real estate listing agreement as defined in paragraph e of  
29 subdivision one of section four hundred forty-three of the real property  
30 law.

31           (b) Notwithstanding the foregoing, an agreement shall not be consid-  
32 ered an unfair real estate service agreement if it is a valid:

33           (i) home warranty or similar product that covers the cost of mainte-  
34 nance of a major home system for a fixed period;

35           (ii) insurance contract;

36           (iii) option or right of refusal to purchase the residential real  
37 estate;

38           (iv) declaration created in the formation of a common interest commu-  
39 nity or an amendment thereto;

40           (v) maintenance or repair agreement entered by a homeowners' associ-  
41 ation in a common interest community;

42           (vi) mortgage loan or a commitment to make or receive a mortgage loan;

43           (vii) security agreement under the uniform commercial code relating to  
44 the sale or rental of personal property or fixtures; or

45           (viii) contract with a water, sewer, electrical, telephone, cable, or  
46 other regulated utility service provider.

47           § 778-bbb. Prohibition against unfair service agreements; recording  
48 thereof. 1. No unfair real estate service agreement shall be enforceable  
49 in the state.

50           2.(a) No person shall record or cause to be recorded an unfair real  
51 estate service agreement or notice or memorandum thereof.

52           (b) If an unfair real estate service agreement is recorded in this  
53 state, it shall not provide actual or constructive notice against an  
54 otherwise bona fide purchaser or creditor.

55           (c) If an unfair service agreement or a notice or memorandum thereof  
56 is recorded, any person with an interest in the real property that is

1 the subject of that agreement may apply to a court in the county where  
2 the recording exists to record a court order declaring the agreement  
3 unenforceable.

4 § 778-ccc. Deceptive acts and practices. Any person in this state who  
5 enters into or causes a consumer to enter into an unfair real estate  
6 service agreement shall be considered to have violated section three  
7 hundred forty-nine of this chapter.

8 § 778-ddd. Enforcement; action by the attorney general. Where the  
9 attorney general shall have reason to believe that there is an alleged  
10 violation of this article based upon, among other things, a consumer  
11 report of an alleged violation, the attorney general, in the name of the  
12 people of the state of New York, shall dispatch a cease and desist  
13 letter to the entity at issue, specifying the alleged violation or  
14 violations and the remedies to cure such violation or violations  
15 within a designated timeline. Where, after receipt of the cease and  
16 desist letter and the expiration of such designated timeline, the entity  
17 continues to violate the provisions of this article, an application may  
18 be made by the attorney general in the name of the people of the state  
19 of New York to a court or justice having jurisdiction by a special  
20 proceeding to issue an injunction, and upon notice to the respondent of  
21 not less than five days, to enjoin and restrain the continuance of  
22 such violation or violations; and if it shall appear to the satisfaction  
23 of the court or justice that the respondent has, in fact, violated  
24 this article, an injunction may be issued by such court or justice,  
25 enjoining and restraining any further violation, without requiring proof  
26 that any person has, in fact, been injured or damaged thereby. Whenever  
27 the court shall determine that a violation of this article has occurred,  
28 the court may impose a civil penalty of not more than one thousand  
29 dollars for each violation. This section shall not be construed to limit  
30 any other criminal or civil liability such entity may be subject to  
31 under law.

32 § 778-eee. Severability. If any provision of this article is, for any  
33 reason, declared unconstitutional or invalid, in whole or in part, by  
34 any court of competent jurisdiction, such portion shall be deemed sever-  
35 able, and such unconstitutionality or invalidity shall not affect the  
36 validity of the remaining portions of this article, which remaining  
37 portions shall continue in full force and effect.

38 § 4. This act shall take effect on the ninetieth day after it shall  
39 have become a law.