

(H.B. 1765)

(No. 271)

(Approved October 6, 1998)

AN ACT

To amend clause (9) of Section 31 of Act No. 10 of April 26, 1994, as amended, known as the “Act to Regulate Real Estate Businesses and Real Estate Brokers, Sales Personnel or Companies in Puerto Rico”, in order to provide that automatic renewal clauses in brokerage contracts shall not be permitted.

STATEMENT OF MOTIVES

One of the purposes of Act No. 10 of April 26, 1994 was to regulate real estate businesses as well as real estate brokers, salespersons or companies in Puerto Rico. This Act gathered together all existing legal provisions concerning real estate matters for the benefit of consumers and real estate sales personnel, brokers and companies. At present one of the most important aspects of a real estate transaction is the contractual relationship established with the client. These negotiations are commonly formalized through “brokerage contracts” which must provide for a fixed term during which the broker holds the rights to sell a piece of property. Certain real estate brokers or salespersons include in their brokerage contracts the so-called “automatic renewal clauses” whose purpose is to automatically extend the brokerage contract under the original terms.

This clause may turn out to be deceptive, since the client is almost always conscious of the initial term of the contract which usually lasts three,

four or six months, but seldom becomes aware of the automatic extension to said term, which may turn out to be a substantial extension of the term set forth in the original contract. At present the law provides that every contract executed and signed by the clients and brokers must be clearly and properly explained. The parties must be trustful and sure of one another at the time of executing a brokerage contract, although the above situation is sadly a matter of great concern to a large number of those engaged in the field of real estate as well as to the citizens interested in such important services.

This Legislature deems it meritorious to ensure that the inclusion of automatic renewal clauses not be permitted in brokerage contracts executed between real estate brokers and their clients.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Clause (9) of Section 31 of Act No. 10 of April 26, 1994, as amended, is hereby amended to read as follows:

“Section 31.- Prohibited Acts or Practices.-

- (9) To execute an exclusive or semi-exclusive brokerage contract with any party without explaining the terms and conditions thereof and its expiration date; provided that automatic renewal clauses in brokerage contracts shall not be permitted.”

Section 2.- This Act shall take effect immediately after its approval.

February 14, 2001

Dynorah R. Requena-Gallego, Esq., Acting Director of the Office of Legislative Services of the Legislature of Puerto Rico, hereby certifies to the Secretary of State that she has duly compared the English and Spanish texts of Act No. 271 (H.B. 1765) of the 4th Session of the 13th Legislature of Puerto Rico, entitled:

AN ACT to amend clause (9) of Section 31 of Act No. 10 of April 26, 1994, as amended, known as the “Act to Regulate Real Estate Businesses and Real Estate Brokers, Sales Personnel or Companies in Puerto Rico”, in order to provide that automatic renewal clauses in brokerage contracts shall not be permitted,

and finds the same are complete, true and correct versions of each other.

Dynorah R. Requena-Gallego