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STATE

'They were being deceitful': Homeowners, Ohio AG say firm tricked consumers



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When Leslie Adams was offered \$800 in exchange for agreeing to let a company founded by a former reality TV star sell her house if she ever sold in the next 40 years, she took the offer.

“Honestly, the reason I agreed to it is because I’m not selling my house. So basically for me, it was just free money,” said the 52-year-old Barberton woman.

She and her husband had built their dream home in 2009. Adams said she understood that her daughter, who wants her parents' house after they die, would also be tied to the contract she signed.

But Adams and other consumers contacted by the Akron Beacon Journal didn’t know there were other strings attached to the agreement. Florida-based MV Realty also takes out a lien on the homeowner’s property, issuing an additional memorandum asserting MV Realty’s exclusive right to list the house and binding the property owner to the terms of the agreement.

For homeowners, these provisions could hamper their ability to refinance their home or get a home equity line of credit. In fact, a lawsuit filed by the Pennsylvania attorney general said consumers have been turned down by banks because of MV’s liens.

Four states, including Ohio, sue MV Realty

MV Realty has been coming under fire as Ohio and three other states have sued, calling its practices deceitful and questioning whether a real estate company can bind a consumer to such a long contract. Ohio filed its lawsuit last month, calling the company's practices

"shameful." Pennsylvania, Florida and Massachusetts filed their lawsuits earlier. All the suits are still pending.

"We find this to be alarming; it's deceptive and designed to mislead consumers," said Beth Wanless, government relations and public affairs manager for the Midwest region at Zillow Group.

"Deceptive, unfair, or predatory practices have no place in real estate," added Wanless, who until the end of the year served as director of government affairs with Ohio Realtors.

"Locking in homeowners with unnecessarily long and costly agreements ultimately locks out the same homeowners and their families from a fair transaction and tapping into the full value of their home."

In Philadelphia, advocates have alleged MV targeted mostly low-income neighborhoods with high minority populations.

MV Realty denied it targets Black populations in comments in an article in Forbes.

The company has said it has contracts with at least 35,000 consumers across the country.

More: Ohio accuses real-estate firm of deceiving homeowners with listing agreements

The Ohio attorney general lawsuit alleges MV Realty founder Amanda Zachman — who was on Season 15 of the TV reality show "Big Brother" as Amanda Zuckerman — and broker Diana Remar confuse and mislead homeowners with "Homeowner Benefits Agreements," contracts that omit crucial information and language required by state law.

Attorney General Dave Yost is seeking preliminary and permanent injunctions against MV, saying the company is negotiating real estate contracts that violate Ohio law and practicing real estate without proper licensing. The suit seeks to put the company out of business.

Additionally, the company is coming under national scrutiny. In December, U.S. Sen. Sherrod Brown of Ohio, chair of the Senate Committee on Banking, Housing and Urban Affairs, along with two other senators, sent a letter to the Federal Trade Commission and the Consumer Financial Protection Bureau requesting a review of MV's use of exclusive listing agreements.

What is the deal that MV gives?

MV gives between \$300 and \$5,000 in cash as a “loan alternative” in exchange for people using MV Realty as their exclusive real estate listing broker for a given period, usually 40 years.

During that time, if the homeowner wants to cancel the deal or lists the property for sale without using MV Realty as its broker, MV must be paid 3% of the property value — with both the percentage and the property’s value determined by MV Realty. The same penalties apply if the home goes into foreclosure or if the homeowner’s heirs try to sell the home.

MV Realty says that is the industry standard for real estate transactions.

The price goes up to 6% of the total sale price of the house if MV Realty is not used and no other broker is used in the sale. In some cases, MV has sued homeowners who sold their homes without using the firm.

“Deliberately tricking people to make money off their homeownership is a shameful business model,” Yost said in a news release when his office filed suit. “If it’s truly a good deal, all the details will be clearly explained in writing. Ohio doesn’t need to tolerate the defendants’ deceitful practices.”

Local, state officials took notice of MV Realty last fall

Last fall, the Ohio Recorders' Association and the Ohio Prosecuting Attorneys Association began fielding questions from local officials around the state about the memos or liens that MV Realty was filing with local county auditors.

"The Ohio Recorders' Association has been very concerned about this," Licking County Recorder Bryan Long told The Dispatch. "It puts a cloud, an encumbrance, on the property and land, and will transfer to the next owner."

Long, who refused to record MV's agreements, said recorders were also concerned about the length of the agreement.

"It's a 40-year agreement," he said. "What happens if the company goes belly up five years down the road? We were concerned about that. It's still an encumbrance against the property and there's no one there to release it."

Summit County Auditor Kristen Scalise's office in October stopped recording the memos from MV Realty, said Joseph Fantozzi, the office's legal counsel.

In Franklin County, where the agreements were recorded, 187 homeowners signed agreements with MV Realty between Aug. 12, 2021 and Oct. 24, 2022, according to Franklin County Recorder records. Another 13 agreements between homeowners and MV were recorded in Delaware County.

It is unknown how many agreements or liens MV has filed on properties throughout Ohio before many county recorders stopped accepting them. In Florida, a Palm Beach Post story estimated 1,500 Palm Beach County homeowners and more than 9,000 statewide signed contracts with MV. The company has said it has 35,000 contracts with customers.

More: Delray Beach firm says it has 'innovative' plan, state calls it a scam

Until the attorney general's case in Ohio or perhaps other states play out, those homeowners are stuck with liens on their homes.

Homeowner 'terrified' of contract's repercussions

A married father of three in Stow is among the Summit County homeowners who took the MV deal. The man, whose name is not being used because he was the victim of identity theft, said he was desperate for money when he got a phone call from someone representing MV Realty and offering him \$800 in exchange for the 40-year real estate deal.

He had just lost his job and his daughter was in the hospital recovering from surgery. He had been receiving a lot of phone calls offering him loans and other offers because of his identity theft.

"I have had the worst year of my family's life and struggle with depression and anxiety from the guilt of failing my family over and over again this year," said the man, who has since gotten a new job.

But when he was offered what he thought was a no strings-attached \$800, he took it because he also said he had no plans to sell his home.

A notary was sent over to his house with a pile of papers to sign.

"I remember signing a ton of documents and thinking it was totally weird," the man said. "The notary had no idea what I was actually signing for. I just was told I had to contact them

first if I ever wanted to sell my house.”

There was no time to read the paperwork, he said.

Now that he's found out there's a lien on his house, he's “terrified” about a pending application to modify his loan and whether that will result in red tape or cause it to be rejected. He needs the modification because his trial interest rate for his mortgage program is scheduled to potentially double.

MV Realty responds to allegations

In prepared statements emailed to the Beacon Journal, a company spokesperson said MV Realty and its licensed real estate agents “have proudly assisted over 35,000 satisfied homeowners across the country through our innovative Homeowner Benefit Agreement (HBA) program.”

The company called its program “innovative” and said under a traditional real estate transaction model, homeowners enter into an exclusive six-month listing agreement with agents who don't provide homeowners any payment.

MV's locally licensed real estate brokers “serve the same role as any licensed real estate broker and receive a 3% commission for its services pursuant to the HBA. This fee aligns with the standard market rate for virtually all residential real estate transaction commissions.”

The company said it was “confident” that its program “fully complies with the law and benefits consumers who receive a cash incentive to select MV Realty as their listing agent.”

However, the company in the email statement also said, “MV Realty has voluntarily and temporarily paused entering into any new agreements.

“We hope to work with policy makers in Ohio to address concerns and continue this valuable program as an option to homeowners across the state.”

A follow-up question asking if MV Realty would take any action to remove the liens from existing homeowners' property records was not answered.

Homeowner is worried

Adams and her husband have already done many home improvement projects around their house. They remodeled their kitchen and put in a new fireplace mantel in the living room and

repainted the room. They still want to finish their basement. The couple may refinance the house to get some equity out to complete the basement.

Now she wonders if she'll run into problems refinancing. MV Realty on its website says it will work with homeowners to "lift the notice or subordinate our notice's position, and after the refinance is complete, we will put the memorandum or lien back on."

But Adams is upset she even has to worry about whether she will get approved or that she will have to go through extra hurdles to lift the lien.

"If they had let me know they were going to put a lien on my house, I would have not done it. It was \$800. I didn't even need it. I don't even know what we did with it," she said.

"They were being deceitful."

Consumers who have been affected by an MV Realty contract can file a complaint with the Ohio Division of Real Estate and Professional Licensing. Consumers who suspect unfair practices should contact the Ohio Attorney General's Office at OhioProtects.org or 800-282-0515.

Columbus Dispatch reporter Jim Weiker contributed to this report.

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