

The Sunset Bill Works Through Committee

[Speaker 2]

Usually, when you think about real estate, your mind goes straight to the visible, polished end product.

[Speaker 1]

Yeah, the fun part.

[Speaker 2]

Right. You picture the keys changing hands, the freshly painted front door, the solid thud of a sold sign being planted in the front lawn. I mean, there is a baseline expectation that the transaction is just this clean, straightforward exchange.

Right.

[Speaker 1]

You find the house, you sign the mountain of paperwork, and the property is yours.

[Speaker 2]

Exactly. It projects this illusion of a highly linear, surface-level process.

[Speaker 1]

It definitely does. But, you know, the reality is quite different.

[Speaker 2]

Oh, absolutely. Because the moment you step out of the open house and into the realm of property law and industry regulation, you just run face-first into the sheer volume of invisible machinery operating behind the walls.

[Speaker 1]

And that machinery is exactly what we're getting into today.

[Speaker 2]

Yes, we are diving straight into it. The topic today focuses on the turning gears of Colorado legislation that directly impact your property rights and the real estate professionals who operate within the state.

[Speaker 1]

Yeah, it's a lot to unpack.

[Speaker 2]

It is. We are looking at a stack of sources that includes legislative bill summaries straight from the Colorado General Assembly, alongside some very sharp industry analysis from Apex Real Estate School.

[Speaker 1]

Which is great, because the mission for our discussion today is to really cut through the heavy legislative jargon. We're going to look under the hood to understand exactly how

these proposed laws could change the landscape of real estate regulation and fundamentally protect your property ownership. But I do need to state very clearly right up front, the bills we are examining today are actively working through the legislature.

[Speaker 2]

Yeah, that's an important caveat.

[Speaker 1]

It is. I mean, they may yet be amended. They could be killed in committee or voted down on the floor of one of the chambers in the statehouse.

So nothing we are discussing is codified law just yet.

[Speaker 2]

It's all still in motion.

[Speaker 1]

Exactly. But I assure you, we will return with a discussion on the bills that actually become law later on.

[Speaker 2]

Absolutely. Because the landscape is shifting in real time. In fact, Senate Bill 26144 was just introduced, so we are going to give a quick overview of it before it heads to committee.

[Speaker 1]

Yeah. It's fresh off the press.

[Speaker 2]

It is. And you know, if you think about the legislative process, it's remarkably similar to a major home renovation.

[Speaker 1]

Oh, that's a good way to put it.

[Speaker 2]

Right. Like, you have this massive stack of blueprints being drawn up, load-bearing walls being torn down, and intense, sometimes highly contested debates over the structural framing long before a final walkthrough can ever happen.

[Speaker 1]

Yeah. Lots of arguing over where the plumbing goes.

[Speaker 2]

Exactly. And the very first blueprint we are unrolling today deals with the most structural element of all, which is your right to the equity built up in your property.

[Speaker 1]

And that brings us directly to Senate Bill 26144. It was introduced on March 20, 2026 by Senators Frizzell and Lindstedt.

[Speaker 2]

Okay.

[Speaker 1]

And it's currently sitting with the Senate Finance Committee, and they have a hearing scheduled for March 31.

[Speaker 2]

Got it. So what's the main focus here?

[Speaker 1]

Well, the core issue this bill addresses sits in a somewhat unsettling corner of property law. Specifically, it looks at the mechanics of what happens when property taxes go unpaid.

[Speaker 2]

Oof. Tax lien sales.

[Speaker 1]

Yeah.

[Speaker 2]

Just hearing the phrase usually makes property owners tense up, and for good reason. So let me ask you, is this essentially saying that if someone owes a relatively small amount in back taxes, the government or a buyer can't just seize the entire value of the home and keep the change?

[Speaker 1]

That is precisely what it targets, yes.

[Speaker 2]

Oh, wow. Okay.

[Speaker 1]

Yeah. The foundational why behind this legislation is to protect the taxpayer against an unconstitutional taking of their property, or more specifically, taking property value that vastly exceeds their actual tax debt.

[Speaker 2]

Right. Because that equity is theirs.

[Speaker 1]

Exactly. It's a safeguard on the equity of the taxpayer.

[Speaker 2]

Right.

[Speaker 1]

Let's look at the mechanics of how that imbalance historically occurred. If you fell behind on your property taxes, a tax lien could be sold.

[Speaker 2]
Right.

[Speaker 1]
And if those taxes remained unpaid over time, the process culminated in the issuance of a treasurer's deed, which effectively transfers ownership.

[Speaker 2]
Which is terrifying.

[Speaker 1]
It is. Because without strict guardrails, a property owner could lose hundreds of thousands of dollars in accumulated equity over a tax debt of just a few thousand dollars.

[Speaker 2]
Which is just a devastating disproportion. I mean, so how does this new bill actually engineer those guardrails? What is the physical mechanism it uses to stop that kind of equity wipeout?

[Speaker 1]
The mechanism in SB 26144 recreates a public auction process that has to take place prior to the issuance of a treasurer's deed.

[Speaker 2]
Okay. An auction.

[Speaker 1]
Right. Now, this public auction concept was initially established in 2024, but this new bill refines it. It models the auction process directly on the existing public trustee foreclosure process.

[Speaker 2]
Oh, gotcha.

[Speaker 1]
Yeah, which is already a highly structured, heavily scrutinized system in Colorado.

[Speaker 2]
Right. So they're using a framework that already works. Yes.

[Speaker 1]
And it also updates the financial logistics for the counties handling this. It modifies the fees that county treasurers can charge.

[Speaker 2]
Because running an auction isn't free.

[Speaker 1]
Right. And it implements an automatic upward adjustment on those fees every five years, which begins on December 31st, 2026.

[Speaker 2]

Okay, so that ensures the administrative costs keep pace with economic realities without requiring constant new legislation every few years.

[Speaker 1]

You got it. And if the bill moves forward, this new equitable process applies to deeds issued on or after June 1st, 2026.

[Speaker 2]

I see the logic there.

[Speaker 1]

Right.

[Speaker 2]

You stabilize the county's ability to fund the administration of the process while strictly protecting the homeowner's financial surplus.

[Speaker 1]

Exactly. It balances out.

[Speaker 2]

So if Senate Bill 262044 acts as the structural shield for the property owner's equity, the second piece of legislation we are looking at pivots entirely to the human element.

[Speaker 1]

Yes, it does.

[Speaker 2]

It focuses heavily on regulating the professionals who facilitate these high-stakes transactions. And this is House Bill 261287.

[Speaker 1]

Right. House Bill 261287 is sponsored by Representatives Boesnicker and Brooks, along with Senators Kolker and Jonah.

[Speaker 2]

Okay.

[Speaker 1]

And this is what is known as a sunset bill.

[Speaker 2]

A sunset bill. Right.

[Speaker 1]

Yeah. Based on the 2025 Sunset Report recommendations, this specific bill is designed to continue the existence of the Division of Real Estate, or the DRE, for another 11 years.

[Speaker 2]
Wow. 11 years.

[Speaker 1]
Yep. Pushing its next sunset review out to 2037.

[Speaker 2]
I find the sunset review process so fascinating. So a sunset bill is basically a mandatory lease renewal for the regulatory agency itself.

[Speaker 1]
Yep. Yeah. That's a great analogy.

[Speaker 2]
Like they have to prove they're still needed, or the lights literally go out.

[Speaker 1]
That is an incredibly accurate way to look at it. I mean, the agency does not simply exist on autopilot forever.

[Speaker 2]
Right.

[Speaker 1]
The legislature forces a comprehensive review to justify the agency's continued existence and to modernize its operational rule book. Because sunset bills are massive opportunities to clean house and update the rules of the game.

[Speaker 2]
And looking at the original features of HB 261287, you really see that massive effort to modernize the Division of Real Estate.

[Speaker 1]
Oh, absolutely.

[Speaker 2]
For instance, it goes through the statutes to update outdated gendered language to gender neutral language.

[Speaker 1]
Yep. Much needed.

[Speaker 2]
And it also explicitly grants the commission the authority to communicate with licensees via electronic mail.

[Speaker 1]
Hmm. Yeah.

[Speaker 2]

Wait, I have to pause you there because that sounds almost absurd to a modern listener. The regulatory body for an entire industry needed a legislative bill passed just to use email.

[Speaker 1]

I know. I know. But in the realm of statutory authority, yes.

Regulatory bodies are confined strictly to the powers granted to them by law.

[Speaker 2]

Wow.

[Speaker 1]

But the bill doesn't just say, hey, you can use email. It couples that authority with a strict mandate requiring the division to establish robust security protocols for that electronic correspondence.

[Speaker 2]

Ah, okay. That makes more sense.

[Speaker 1]

Right. When you consider the amount of sensitive financial data, social security numbers, and banking details involved in real estate licensing and investigations.

[Speaker 2]

Yeah, it's a gold mine for hackers.

[Speaker 1]

Exactly. So securing that communication channel at a statutory level is critical.

[Speaker 2]

That context makes it much more than just an IT update. Right. And the bill also touches on professional identity, right?

I noticed the section clarifying that brokers can use previously used legal names.

[Speaker 1]

Correct. That is a highly practical update. It allows a broker to have their license issued in a previously used legal name.

[Speaker 2]

Which is huge for branding.

[Speaker 1]

It is. For professionals who have built years of brand equity, client trust, and a localized reputation under a maiden name or who have undergone a name change, this protects their professional identity.

[Speaker 2]

Right. It prevents them from having to rebuild their brand awareness from scratch just due to rigid licensing software.

[Speaker 1]

Exactly. It's a smart housekeeping measure.

[Speaker 2]

But analyzing the Apex Real Estate School source, the modernization efforts are paired with some incredibly sharp teeth when it comes to discipline.

[Speaker 1]

Oh, definitely. The disciplinary updates are arguably the most impactful part of the original bill for the industry.

[Speaker 2]

Really?

[Speaker 1]

Yeah. First, it explicitly authorizes the division to deny licenses entirely for certain offenses.

[Speaker 2]

Wow.

[Speaker 1]

And second, it alters the timeline for revoked licenses. Previously, if a broker had their license revoked for a severe violation, they only had to wait one year before they could reapply. Just one year?

Just one year. But this bill doubles that waiting period to two years.

[Speaker 2]

Which fundamentally changes the calculus for a bad actor. I mean, a one-year revocation might just feel like a forced sabbatical. You could potentially string your network along.

[Speaker 1]

Right. You could ride it out.

[Speaker 2]

Exactly. But a two-year exile from the industry, that completely decimates a client book. Your pipeline dries up, your market knowledge goes stale.

[Speaker 1]

It's a game changer.

[Speaker 2]

It really upgrades the revocation from a severe penalty to an industry-ending event for many.

[Speaker 1]

Exactly. It operates as a true deterrent. And the bill also introduces a highly efficient mechanical enforcement tool.

It allows the DRE to automatically inactivate the license of a broker who fails to comply with continuing education requirements.

[Speaker 2]

That is a fascinating mechanism. Instead of dragging a broker through a lengthy, expensive disciplinary hearing just because they skipped their required classes, the state simply flips the switch and inactivates the license.

[Speaker 1]

Yep. Just turns it off.

[Speaker 2]

You can't legally operate. You can't earn a commission until you prove you know the current law. And APEX also noted that the bill allows the division to charge provider fees for continuing education course submissions, right?

[Speaker 1]

Yes. And as the APEX analysis points out, that specific fee change won't really impact the everyday broker.

[Speaker 2]

Oh, okay.

[Speaker 1]

Education providers are already accustomed to paying fees for regulatory oversight. So that is purely an administrative adjustment to fund the division's review of those courses.

[Speaker 2]

Makes sense. So we have the initial blueprint of HB 26-1287, but as we established with the renovation analogy earlier, the initial blueprint rarely survives contact with the actual framing process.

[Speaker 1]

That is very true.

[Speaker 2]

Once the legislative committees get their hands on it, you know, the structure starts to shift.

[Speaker 1]

Which is exactly what happened here. Once it hit the Transportation, Housing, and Local Government Committee, they passed the bill by an 11-2 vote, sending it onward to the Appropriations Committee.

[Speaker 2]

Okay.

[Speaker 1]

But they attached four major amendments that significantly alter the reality of everyday real estate practice.

[Speaker 2]

Let's group these amendments by the realities they actually impact. Starting with the sheer financial liability and boundaries placed on brokers. This covers Amendment L1 and Amendment L3.

[Speaker 1]

Right.

[Speaker 2]

Starting with L1. The original bill gave the Colorado Real Estate Commission the power to order uncapped restitution for violations before a broker could be reinstated.

[Speaker 1]

Yeah, that was a big deal.

[Speaker 2]

The Colorado Association of Realtors opposed this, and L1 strikes that restitution power from the bill completely. But wait, if the restitution power is struck down, does that mean bad actors don't have to pay consumers back for their losses?

[Speaker 1]

I completely understand why it reads that way, but we have to distinguish between actual restitution and regulatory fines.

[Speaker 2]

Okay.

[Speaker 1]

The primary concern driving this amendment was the risk of uncapped restitution that could vastly exceed the actual quantifiable financial loss a consumer suffered.

[Speaker 2]

Oh, I see.

[Speaker 1]

Right. From a legal standpoint, if a regulatory agency forces a licensee to pay back an amount greater than the actual damages, that excess money is functionally a fine.

[Speaker 2]

And the regulatory body already has the statutory authority to levy fines.

[Speaker 1]

Precisely. Existing law already grants the Commission the power to fine bad actors.

[Speaker 2]

Got it.

[Speaker 1]

The industry's argument was that restitution should not be utilized as a backdoor mechanism to impose limitless, unstatutory financial penalties. Removing this provision just

keeps the penalties strictly defined within the existing legal frameworks that hold violators accountable.

[Speaker 2]

That clarifies the legal boundary beautifully. Now Amendment L3 sets a different kind of boundary, specifically regarding trust funds.

[Speaker 1]

Yes.

[Speaker 2]

Given that you are dealing with a highly informed audience, we all know the severe, uncompromising rules governing real estate trust accounts. You do not mix personal funds with client funds. Ever.

[Speaker 1]

Never. That's day one stuff.

[Speaker 2]

Right. But L3 addresses a bizarre gray area.

[Speaker 1]

It enunciates the reality that real estate brokers are, you know, human beings who exist outside of their jobs. The vague language of prior rules created ambiguity around money a broker might handle that has absolutely zero connection to real estate functions.

[Speaker 2]

The Apex Real Estate School analysis provided the perfect illustration of this. They talked about a broker volunteering to handle the money for a child's school fundraiser.

[Speaker 1]

Yeah. Exactly.

[Speaker 2]

Under the old interpretation, there was genuine anxiety that a strict auditor might demand that bake sale cash be deposited into the highly regulated, heavily audited corporate real estate trust account.

[Speaker 1]

Which is just a liability nightmare for the broker and the division.

[Speaker 2]

Oh, for sure.

[Speaker 1]

So Amendment L3 creates a bright line in the statute. It explicitly clarifies that funds completely unrelated to real estate functions do not have to be placed into a broker's trust account. It protects the integrity of the trust account by keeping non-real estate funds far away from it.

[Speaker 2]

So it sounds like L3 and L4 are basically about decluttering the real estate transaction. We're keeping the kid's bake sale money out of the corporate vault and stopping unnecessary, confusing paperwork from flying across the closing table.

[Speaker 1]

That transition perfectly captures the intent of Amendment L4. It deals with affiliated business disclosures or FBAs. Again, assuming a baseline understanding of what an affiliated business arrangement is, the core friction point wasn't the existence of the disclosure, but the timing and the target of the disclosure.

[Speaker 2]

Exactly. When a broker has a financial interest in a title company or a lender they're referring, the consumer absolutely has a right to know.

[Speaker 1]

One hundred percent.

[Speaker 2]

But historically, the execution of this disclosure was just clumsy.

[Speaker 1]

Very clumsy. The prior rules often resulted in a scenario where every single party involved in a transaction was handed FBA disclosures at the very end of the process, during the execution of the contract.

[Speaker 2]

Which defies common sense.

[Speaker 1]

It really does.

[Speaker 2]

If I am the buyer and my broker refers me to a lender they own a stake in on the second day of our house hunt, I need to know about that financial incentive right then when I am deciding whether to use that lender. Having a massive stack of FBA forms dumped on the closing table six weeks later and forcing the sellers who have absolutely nothing to do with my loan to also review them is purely performative compliance. It doesn't actually inform my decision making.

[Speaker 1]

That is the exact friction Amendment L4 removes. It updates the rules to mandate that these disclosures only need to be provided to the party the licensee actually represents.

[Speaker 2]

Which makes so much more sense.

[Speaker 1]

And furthermore, the disclosure must happen at the time the referral is being made. Crucially, this amendment brings Colorado state law into strict compliance with the Federal Real Estate Settlement Procedures Act of 1974.

[Speaker 2]
Oh, nice.

[Speaker 1]
Yeah, it harmonizes the state and federal standards to ensure the consumer receives actionable information exactly when they need it, rather than burying it in a mountain of closing documents.

[Speaker 2]
Which brings us to the final major change, and this is Amendment L5. This one deals with supervising brokers and informed consent. The APEX analysis highlighted that the Division of Real Estate has been attempting to untangle this specific knot since 2019.

[Speaker 1]
Yeah, it's been a long time coming.

[Speaker 2]
Seven years of regulatory wrestling indicates a severe underlying conflict.

[Speaker 1]
It does. The conflict is between two absolute pillars of real estate law. The employing broker's duty to supervise, and the client's right to absolute confidentiality.

[Speaker 2]
Okay, lay that out for us.

[Speaker 1]
When a consumer hires a real estate agent, they disclose highly sensitive strategic information. You know, their absolute ceiling price, their bottom line walkaway number, or perhaps a distressed personal situation forcing the sale.

[Speaker 2]
Right. And under a strict interpretation of confidentiality, the agent cannot share that information with anyone.

[Speaker 1]
Right. Not even with their own employing broker. And remember, that is the person whose legal responsibility is to oversee the transaction and ensure the agent doesn't make a critical error.

So you have a supervisor legally bound to oversee a high stakes financial negotiation, but strictly prohibited from knowing the actual details of the negotiation.

[Speaker 2]
That is wild.

[Speaker 1]

It's a massive contradiction. The DRE previously attempted to patch this through commission positions, specifically CP 31 and CP 22, which tried to establish guidelines for how employing brokers could supervise without breaching confidentiality.

[Speaker 2]

But I'm guessing it wasn't enough.

[Speaker 1]

No, it remained legally ambiguous.

[Speaker 2]

So how does Amendment L5 actually dismantle that catch 22?

[Speaker 1]

It engineers a statutory carve out. It formally permits an agent to share confidential client information with their employing or supervising broker for the express purpose of proper supervision.

[Speaker 2]

Okay.

[Speaker 1]

However, to maintain consumer protection, it requires express written consent from the client to do so.

[Speaker 2]

Got it.

[Speaker 1]

And fundamentally, it legally prohibits the supervising broker from ever using that shared confidential information to the detriment of the client.

[Speaker 2]

It bridges the gap. The boss can actually do their job and the client's leverage remains protected.

[Speaker 1]

Exactly.

[Speaker 2]

So taking a step back, what does this all mean for you, the listener? Why does a sunset review of a state agency actually matter to your life?

[Speaker 1]

Well, it matters because L4 and L5 collectively make real estate transactions smoother and significantly more transparent for the consumer. When you buy or sell a home, your broker can now seek experienced counsel from their supervisor without violating your trust, thanks to L5. You will only receive conflict of interest disclosures that actually pertain to you precisely when you need to make a decision, thanks to L4.

The overarching theme of these amendments is removing unnecessary friction while elevating consumer protection.

[Speaker 2]

And observing how the educational infrastructure reacts to this is incredibly telling. The analysis from Apex Real Estate School makes it clear that they are actively tracking these amendments right now.

[Speaker 1]

Oh yeah, they're on top of it.

[Speaker 2]

They aren't waiting for the just to settle. They are actively preparing to integrate these exact legislative updates into their 2026 legal update course and their brokerage administration course the moment the governor signs the bill.

[Speaker 1]

It is the sign of a highly responsive industry ecosystem. The legislation drafted in Denver doesn't just sit in a filing cabinet. It is immediately translated into mandatory education for every licensed broker in the state.

When the structural rules shift, the training adapts in real time to ensure the public is protected by professionals who actually understand the modern mechanics of the law.

[Speaker 2]

It truly is a massive interconnected machine. So to recap the journey of our discussion today, we began with the bedrock protection of the property owner.

[Speaker 1]

Yep. SB 26144.

[Speaker 2]

Exactly. Senate Bill 26144 is actively working to ensure that if a property owner falls behind on their taxes, their accumulated equity cannot be unconstitutionally stripped away through a tax lien sale without a highly regulated public auction process.

[Speaker 1]

Right. And from the protection of the property, we move to the heavy regulation of the professionals. House Bill 1287, the sunset bill for the Division of Real Estate, seeks to extend the agency's authority to 2037 while drastically updating its operations.

[Speaker 2]

A lot of updates.

[Speaker 1]

A ton. It introduces severe two-year waiting periods for revoked licenses, cleanly separates personal funds from trust accounts, streamlines federal disclosures, and finally resolves the seven-year conflict between broker supervision and client confidentiality.

[Speaker 2]

It has been an incredibly revealing look at the blueprints governing Colorado real estate. But before we finish, I know you always look past the immediate horizon of the current legislation.

[Speaker 1]

I do, yeah. I have one final thought for you to ponder regarding this entire sunset process.

[Speaker 2]

Let's hear it.

[Speaker 1]

When a regulatory agency's existence is guaranteed for the next 11 years, as proposed for the Division of Real Estate, does that long runway encourage them to innovate boldly to protect consumers, or does it risk making them complacent until the next sunset approaches in 2037?

[Speaker 2]

Wow. That is a phenomenal question to leave hanging in the air, the tension between institutional design and human nature. Thank you so much for joining us for our discussion today.

It is always a privilege to take these dense, complicated blueprints and trace how the structure is actually built. Keep asking questions, stay curious, and the next time you see a sold sign planted in a front lawn, just remember all the invisible machinery turning quietly behind the walls to make it happen.

Colorado Broker Podcast by Apex Real Estate School