

House Republican Press Release

March 13, 2007
Press Office: 860-240-8700

Harkins Bill Banning Kickbacks for Mortgage Referrals Passes Banks Committee



HARTFORD-Legislation introduced by State Representative John Harkins (R-Stratford) further strengthens the law prohibiting mortgage brokers from giving real estate agents kickbacks or compensation for referring business to them was voted favorably out of the legislature's Banks Committee this week. The bill will now move on to the full House of Representatives for action there.

"The purpose of this bill is to prevent the unprincipled practice of a real estate agent referring one of their clients to a mortgage lender and receiving some kind of monetary compensation for the referral from a mortgage broker" said Harkins, who serves on the Banks Committee. "Such practices are illegal, unfair, not in good faith, and certainly not in the interest of the homebuyer."

Harkins noted that the bill not only prohibits the practice of financial compensation between real estate agents and lenders, but requires a disclosure be provided by those parties that neither received any such compensation or thing of value from the other based on the transaction.

The disclosure is provided by both the mortgage broker and real estate agent. It would state that the mortgage broker is not paying a fee for the referral from a real estate agent and the agent would declare that a fee is not being accepted for the mortgage referral.

The bill authorizes the state's Department of Consumer Protection to investigate complaints in connection with alleged violations. Furthermore, the Department of Banking will also be looking into those mortgage companies that re engaging in such practices. Those found in violation of Connecticut's law can have their licenses suspended or revoked, and could be fined up to \$1,000. Violations of federal law may also carry a fine.

"This measure is all about protecting the consumer and maintaining integrity in the practice of mortgage lending," said Harkins. "The purchase of a new home is one of the most important purchases a person makes in their life. We need to make sure that this process is as above-board as it can be, and that individuals looking to buy a new home are not manipulated or taken advantage of by those who work in the field of real estate or lending."

This session of the General Assembly concludes at midnight on June 6th, 2007.