



**CONNECTICUT REAL ESTATE COMMISSION POLICY ON
(I) REFERRAL FEES
AND
(II) INTERFERING WITH AGENCY RELATIONSHIPS**

History.

There has been real estate brokerage industry concern in Connecticut that real estate relocation companies (and affinity groups) are charging brokers referral fees for business that the broker already has (either because an agent generated it or another broker referred it). In this situation, there is no referral of business and no agreement between the broker and relocation company that the broker will pay a fee. Therefore, the broker is under no legal obligation to pay the relocation company a referral fee. However, brokers have stated that they feel pressured to pay the fee because otherwise (1) benefits will be withheld from the broker's client, and (2) a broker may not be sent future referrals. In order to provide guidance to licensees on the issues of (I) referral fees and (II) interfering with agency relationships, the Connecticut Real Estate Commission establishes the following policy:

I.

Section 20-328-8a(e) of the Connecticut real estate regulations prohibits a broker from paying a referral fee to an unlicensed person engaging in the real estate business. In order to meet this license requirement, the person receiving the referral fee can be licensed in either Connecticut or another state.

II.

Section 20-328-8a(a) of the Connecticut real estate regulations prohibits a licensee from demanding a referral fee, unless a reasonable cause for payment of the referral fee exists. A reasonable cause for payment (which would allow a licensee to demand a referral fee, but not necessarily mean that the licensee has a legal right to a referral fee) means that (1) an actual introduction of business has been made, (2) a subagency relationship exists, (3) a contractual referral fee relationship exists, or (4) a contractual cooperative brokerage relationship exists.

III.

Section 20-328-9a(a) of the Connecticut real estate regulations prohibits a licensee from interfering with the agency relationship of another licensee (and further, section 20-328-9a(c) prohibits a licensee from attempting to induce a seller or landlord to break a listing contract with another licensee for the purpose of substituting it for a new listing contract). For purposes of this section, an agency relationship is not established until a written agency agreement (either a listing or buyer representation agreement) is entered into. Interfering with the agency relationship of another licensee includes (1) demanding a referral fee from another licensee without reasonable cause, (2) threatening to take harmful action against a client of another licensee because of the agency relationship, and (3) counseling a client of another licensee on how to terminate or amend an existing agency contract. Any activities that involve the communication of corporate relocation policies or benefits to a transferring employee, as long as that communication does not involve advice or encouragement on how to terminate or amend an existing agency contract, shall not be considered interference. Concerns that a company or individual may not be complying with any regulations or statutes contained in this policy statement should be addressed to: Connecticut Real Estate Commission, 165 Capital Avenue, Hartford, Connecticut 06106.

