

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Vice Chairperson Representative Becky Hutchins at 2:00 p.m. on February 2, 2000 in Room 313-S of the Capitol.

All members were present except: Representative Powell, Excused
Representative Freeborn, excused.

Committee staff present: Theresa Kiernan, Revisor of Statutes
Russell Mills, Legislative Research
Winnie Crapson, Secretary

Conferees appearing before the committee:

Proponents

Karen France, Kansas Association of Realtors
Rob Curtes, Kansas Association of Realtors
Dennis Snodgrass, McGrew Real Estate, Lawrence
Delores Dalke, Real Estate Center, Hillsboro
Jeanette Johnson, Prudential Real Estate, Topeka
Amelia Sumerell, Plaza Real Estate, Wichita

Others attending: See attached list.

Vice Chairman Hutchins opened the hearing on HB 2687, Kansas real estate salespersons' and brokers' license act; inducements; after-the-fact referral fees.

Karen France, Director of Governmental Relations, and Rob Curtis, Immediate Past President, presented testimony in support for the Kansas Association of Realtors (Attachment #1). They testified the bill has been approved by 140 members of KAR Board of Directors who requested this legislation. It addresses two problems: inducements and after-the-fact referral fees.

Inducements Realtors would like to offer are not gifts but customer services directly related which are directly related to and would expedite the real estate transaction, e.g. pre-sale home inspection, pre-sale title search or homebuyer's warranty. Attorney General Opinion 58-3062 considers these to be prohibited under current Kansas law. Problems with after-the-fact referral fees occur when an employee being transferred makes arrangements individually with a broker for selling or buying a residence without realizing this is not acceptable within the relocation package provided by their employer. The agent learns of the agreement when the relocation management company contacts them and demands a referral fee. Refusal to pay the fee may jeopardize the employee's relocation package. Iowa and Tennessee have enacted to prohibit this practice.

Dennis Snodgrass of Coldwell Banker McGrew Real Estate, Lawrence, testified in support of the bill (Attachment #2). He stated and other brokers wholly support the intent the Act to prohibit the giving of prizes but requests clarification that offering customer services directly related to the transaction are not illegal. He described problems relating to requests for after-the-fact referral fees.

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Delores Dalke, owner of Real Estate Center, Inc., Hillsboro, testified in support of the bill (Attachment #3). Under current law packages cannot be offered which include items which are essential to move the transaction from start to finish, such as pre-closing title inspection, home inspection or a Home Warranty.

Jeannette Johnson, Prudential Greater Topeka Realtors, testified in support of the bill (Attachment #4). She described instances where after-the-fact referral fees had been demanded. She stated her company was prohibited from offering some services as a part of their fee because they were considered inducements.

Amelia Sumerell, a real estate associate with Plaza Real Estate, Inc., Wichita, testified in support of the bill (Attachment #5). She described customer services that could be provided to avoid problems that may arise in a real estate transaction. She said over half of her business has been corporation relocation and believes the customer should be able to choose a broker based on past performance. She believes it is extortion when the relocation company threatens loss of the employee's relocation benefits if an after-the-fact referral fee is not paid.

The Revisor presented a technical correction to clarify **HB 2687**, by adding at line 24, page 8, "or anyone on behalf of any such licensee or firm, whether licensed in this state or in another state."

The hearing on **HB 2687** was closed.

The meeting adjourned. The next scheduled meeting is February 7, 2000.