

Congratulations on beginning your new career in real estate!



© 2020 ABA Enterprises, LLC | All Rights Reserved

1

The PSI State Licensing Exam

In order for you to make the most of your valuable study time, let's take a quick look at exactly what topics will be on the state licensing exam given by **PSI** after you complete the course.

PSI is the company selected by the **Alabama Real Estate Commission** to administer the state licensing exam.



© 2020 ABA Enterprises, LLC | All Rights Reserved

2

How many questions are on the state licensing exam?

The state licensing exam consists of 145 questions total.



There are one **100 questions on national topics, 40 questions on Alabama real estate license law and 5 pretest questions.**

The five pretest questions don't count against you if you get them wrong.
(They are just new questions that PSI is testing out.)

| Topic | Number of Questions |
|---------------------------------|---------------------|
| National Content | 100 |
| Alabama Real Estate License Law | 40 |
| Pretest questions | 5* |
| Total | 145 |

Breakdown of Alabama License Law Questions

- I. Purpose of License Law/Rules and Regulation and Role of Commission – 1 question
- II. Licensing Requirements – 7 questions
 - A. Activities which require a license
 - B. Cobrokering
 - C. Qualifications for a license
 - D. Renewal of License
 - E. Continuing Education
 - F. Post License Education
 - G. Temporary and Original Salesperson Licenses
- III. License Status – 2 questions
 - A. Transferring a license
 - B. Inactive Status
 - C. Reactivation of license
- IV. Broker Licenses, Company Licenses and Place of Business – 5 questions
 - A. Issuance of company and branch office licenses
 - B. Issuance of broker licenses
 - C. Who may serve as qualifying broker
 - D. Responsibilities of qualifying broker
 - E. Termination of qualifying broker status
 - F. Serving as QB for more than one company
 - G. Temporary qualifying broker
 - H. Associate broker status
 - I. Operating from home
- V. Recovery Fund – 2 questions
 - A. Payment into fund
 - B. Payment from fund
- VI. Disciplinary Actions and Process – 2 questions
 - A. Complaints
 - B. Hearings
 - C. Disciplinary Actions
 - D. Rehearing
 - E. Appeals
- VII. Estimated Closing Statement – 1 question
- VIII. Trust Funds – 2 questions
- IX. RECAD – 3 questions
- X. 31 Violations – 15 questions
 - A. Misrepresentation and dishonest dealings
 - B. Inducing a party to break a contract
 - C. Advertising
 - D. Listing Agreements
 - E. Failure to give proper disclosure
 - F. Keeping appropriate records
 - G. Rebates
 - H. Paying or receiving commissions
 - I. Bad Checks
 - J. Failure to inform
 - K. Lotteries
 - L. Handling of documents
 - M. Rule or order of Commission
 - N. Offers

How can I learn all of these numbers and dates?

There are A LOT of important numbers that you need to learn in the Alabama License Law portion of the course.

One of the best strategies for learning all of the numbers and dates is using **index cards**.

Here's how it works! Get a stack of index cards. Write a question on one side and the answer on the other.

Ask your best friend, spouse, partner, girlfriend, boyfriend, child, parent, pastor... anyone that can read to quiz you as well.

This technique is "old school," but it works!

**What Alabama law topics have the most questions?**

Section X "Violations Which May Result in Disciplinary Actions" contains fifteen questions, which are covered in Chapter 7: Real Estate Violations. Make sure you know all thirty-one possible violations!

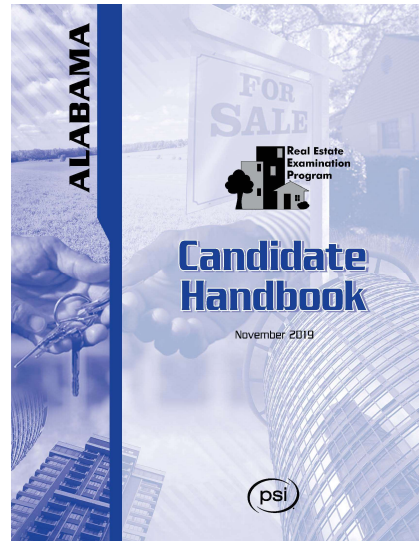
| Alabama License Law Topic | Course Chapter | Number of Questions |
|---------------------------|----------------|---------------------|
| Violations | 7 | 15 |
| Licensing Requirements | 2 | 7 |
| Broker & Company Licenses | 3 & 4 | 5 |

Where can I find more information about the state licensing exam given by PSI?

PSI provides detailed information about scheduling and taking the state licensing exam in the **Alabama Candidate Handbook**.

A PDF of the handbook is available at www.goamp.com.

PSI will also mail a paper copy to you upon request.



**This is the end of the current unit.
Please proceed to the next unit.**

Licensee Vs REALTOR®

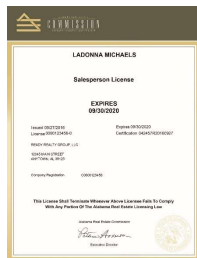
What is the difference between a **real estate agent** and a **REALTOR®**?

Before we begin exploring the law, let's clear up a common misconception about real estate agents.

While the terms **real estate agent** and **REALTOR®** are often used interchangeably, the two are not the same.



What is a real estate agent?



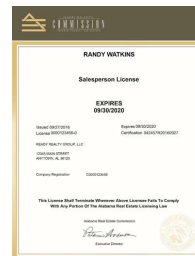
A “real estate agent” is technically a **licensee**, an individual that has earned a license to practice real estate after meeting the state requirements.

A real estate license is issued from the **Alabama Real Estate Commission**.

What is a REALTOR®?

On the other hand, **REALTOR®** is a trademarked term that refers to a licensee who is an active member of the **National Association of REALTORS® (NAR)**, the largest trade association in the United States.

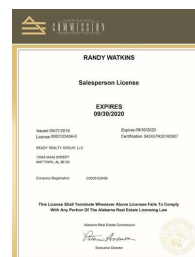
The Alabama Real Estate Commission and the National Association of REALTORS® are not connected.



What is a REALTOR®?

Since REALTORS® typically focus on home ownership and the majority of real estate transactions are residential sales, over the years the term REALTOR® slowly became synonymous with the term “real estate agent” by the public.

While this is understandable, real estate students must be careful to realize that they are working towards earning a real estate license to become a salesperson licensee, not to become a REALTOR®.



Licensee Vs REALTOR®

According to Alabama real estate license law, an individual **MUST** possess a real estate license in order to help consumers with any type of real estate transaction.

However, this licensed individual is not required to become a REALTOR®.



© 2020 ABA Enterprises, LLC | All Rights Reserved

5

5

Licensee Vs REALTOR®

Think of it this way... if practicing real estate was like having a car, a real estate license would be the engine and a REALTOR® designation would be an optional sunroof.

Every car needs an engine to run, but every car doesn't need a sunroof to run.

Again, every individual wishing to practice real estate needs a license, but every licensed individual doesn't need to have a REALTOR® designation to practice real estate.



© 2020 ABA Enterprises, LLC | All Rights Reserved

6

6

More about REALTORS®

While every licensee must adhere to the Alabama real estate license law, REALTORS® must additionally obey NAR's **Code of Ethics & Professional Standards**, which outlines duties to clients and customers, the public and other REALTORS®.

According to NAR's website, "is what separates REALTORS® from non-member real estate agents."



More about REALTORS®

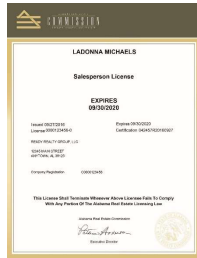
Also, have you noticed that every time the word **REALTOR®** has been used in the written form, it has been typed in ALL CAPS with the registered trademark symbol, ®, behind it?

That is the proper way to use the term in a printed format. Keep that in mind when you order your first set of business cards if you become a REALTOR®!



REALTOR®

But, first things first...!



So, after you have passed your state licensing exam and acquired your temporary active license, your qualifying broker will help you determine if you should join the REALTORS®.

For the time being, let's focus on the first and most important step... **passing the state exam and becoming a salesperson licensee!**



**This is the end of the current unit.
Please proceed to the next unit.**

Alabama Real Estate License Law

Throughout this course you're going to hear the phrase "Alabama real estate license law" or "license law" for short many times... but what is that? What does that mean?

The phrase "Alabama real estate license law" refers to the laws and rules and regulations that govern real estate activities in the state of Alabama.

Alabama real estate license law is separated into two sections: The **Statutory Law** and The **Administrative Code**.



The Statutory Law

The first half of license law covers the actual **statutory laws** that are written and amended by the Alabama state legislators.

While the law consists of five articles, real estate students only need study topics from **Articles 1, 2, 4 and 5**.

Article 3 covers timeshares which is not part of the state licensing exam and requires a separate timeshare license.



The Statutory Law

Laws are organized by **sections**, such as **§ 34-27-7**. The **§** symbol that appears before the law is called a **section sign**. It is a typographical character for referencing individual numbered sections of a document and is commonly used when referring to legal code.

So, § 34-27-7 refers to the LAW about the creation of the Alabama Real Estate Commission.

The good news is that students **DO NOT** need to memorize the section numbers, just the content of the law.

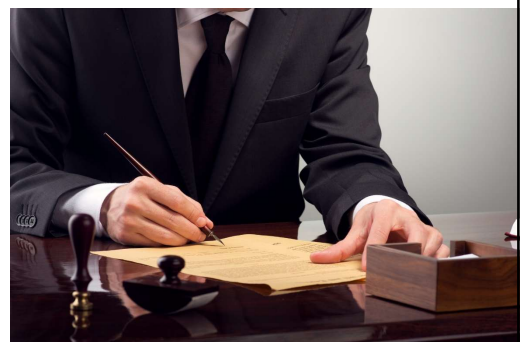


The Administrative Code

The other half of license law contains the **Administrative Code** which are the rules and regulations written by the Alabama Real Estate Commissioners.

Since the actual law can be a little sparse at times, the rules and regulations were written to flesh out the law and add clarity. Also, the rules and regulations are just as powerful as the laws.

The rules and regulations are organized by numbers that begin with **"790-X..."** For example, **790-X-1-.03** refers to the rules and regulations concerning exceptions to license requirements.



Accessing License Law On-line

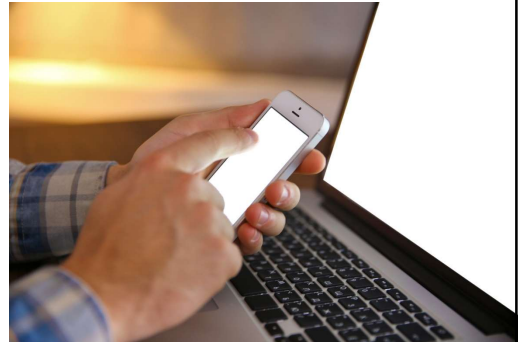
The Alabama real estate license law is available to the public on the Alabama legislature's website, www.legislature.state.al.us.

To view the real estate law, go to:

www.legislature.state.al.us → RESOURCES → LAW
→ Code of Alabama.

Click on **View the Code → Title 34 PROFESSIONS AND BUSINESSES → Chapter 27 REAL ESTATE BROKERS.**

You can then scroll through and view each section of the code.



Accessing License Law On-line

The Alabama real estate license law is also available of the **Alabama Real Estate Commission's** website, www.arec.alabama.gov.

While students are free to search, view and read the law as it is presented on the Commission's website, they should refrain from copying and pasting passages from the Commission's site as its presentation on the site is considered copyrighted material.



The Alabama Real Estate Commission

Simply put, the **Alabama Real Estate Commission (AREC)** is the governing body that enforces the laws and the rules & regulations of all real estate activity in the state of Alabama.

In this course, it will be referred to simply as “the Commission.”

Don’t forget that the real estate license that you are working hard to earn will be issued from the **Alabama Real Estate Commission**.



Photo courtesy of Amanda Adams.

What is the “Mission of the Commission”?

The “Mission of the Commission” is to serve the public through the licensing and regulating of real estate licensees and to ensure excellence in the real estate profession.

Its values are excellence in stewardship, service, innovation, and integrity according to the AREC website.



Photo courtesy of Amanda Adams.

What is the “Mission of the Commission”?

The Commission was established in 1928 to safeguard the public’s interest in real estate activities. It employs over thirty-three individuals working in areas of accounting, investigation, public relations, information technology, licensing, and education.

The **AREC** is located at 1201 Carmichael Way, Montgomery, Alabama 36106.



Photo courtesy of Amanda Adams.

How does the Commission work?**Alabama Real Estate Commissioners**

The Commission is governed by **nine commissioners** from different parts of the state:

- One from each of the seven congressional districts
- One Black member
- One consumer member





Current Alabama Real Estate Commissioners

For more information, visit the Commission's website: www.arec.alabama.gov



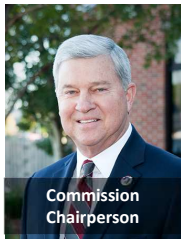
Mrs. May
Consumer
at Large



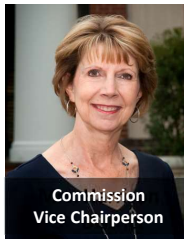
Mr. Harris
Black Member/
Member at Large



Mr. Cummings
1st District



Mr. Sharp
2nd District
Commission
Chairperson



Mrs. Harrison
3rd District
Commission
Vice Chairperson



Mrs. Smith
4th District



Mr. Barran
5th District



Mr. Watts
6th District



Mrs. Davis
7th District

© 2020 ABA Enterprises, LLC | All Rights Reserved

5

5

More Information About the Member-at-Large

On the Commission's website, the title of "Black commissioner" has been replaced by the term "Member-at-large." However, the term "Black" is used in the written law.

The purpose of the Black/African American member is to ensure that the Black/African American community always has a voice on the Alabama Real Estate Commission. This position was added to the law in 1988.

However, this does not mean that the commissioners are limited to one Black/African American member. On the contrary, it means that there will always be a minimum of one Black/African American member serving as a commissioner.



Mr. Clifton Miller
Past Black Member/
Member-at-Large
(Used with permission)

© 2020 ABA Enterprises, LLC | All Rights Reserved

6

6

Becoming an Alabama Real Estate Commissioner

The Alabama Real Estate Commissioners are **appointed** by the governor of Alabama and **confirmed** by the state senate.

STEPS:

1. List provided to the Governor of Alabama
2. If no appointment made, second list provided
3. Governor makes appointment within 30 days
4. Confirmation by the Alabama Senate



Becoming an Alabama Real Estate Commissioner

While this selection process is taking place, the outgoing commissioner that is to be replaced keeps his seat until the new commissioner is appointed even if his term expires in the process.

It is ok for his time in office to extend past his scheduled last day in office while the selection process is in progress.



Qualifications for the Congressional District members and the Black member:

- Alabama resident for at least ten years
- Employed as real estate salesperson or broker for a minimum of ten years
- Individuals are considered ineligible if he has been convicted of any federal or state real estate license law violations.

**Qualifications for Consumer Member:**

- Minimum of 21 years old
- Resident of Alabama for a minimum of ten years
- Registered voter in Alabama
- No felony convictions
- Must be owner of real property
- Has NOT been a licensed salesperson/broker during previous ten years
- Is NOT related to or employed by a real estate licensee

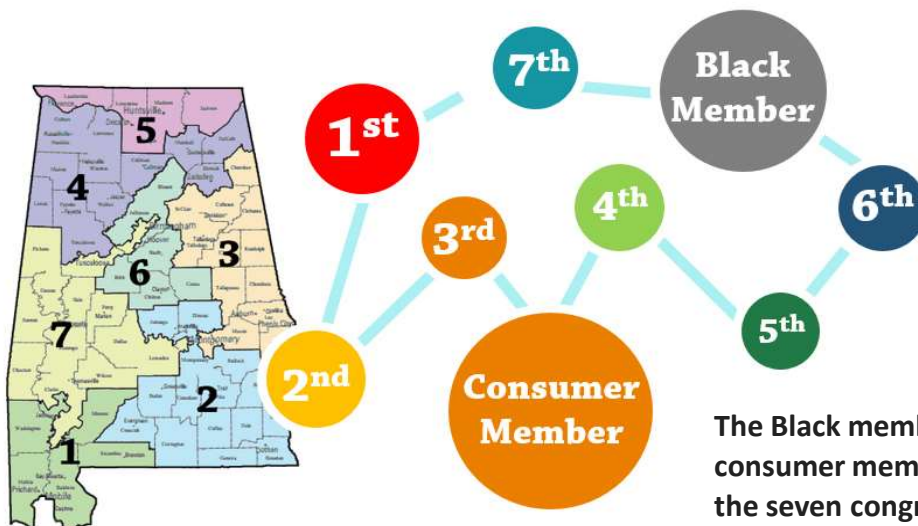


Real Estate Commissioner Terms

- Commissioners serve **five-year terms**.
- Commissioners cannot serve more than **two consecutive terms**.
- A commissioner who is appointed to complete an incomplete term is still eligible to serve two full terms.
- An outgoing commissioner can serve until his successor is appointed and confirmed.



How the Black and Consumer Members Rotate Among Districts



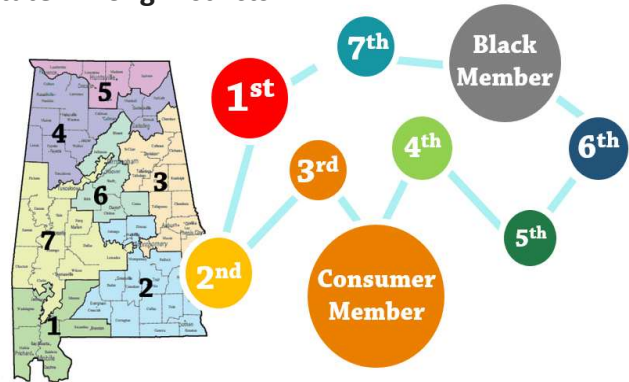
The Black member and the consumer member alternate among the seven congressional districts.

How the Black and Consumer Members Rotate Among Districts

For example, the consumer member will be initially selected from the first congressional district.

The consumer member is not replacing the congressional district member; there are simply two commissioners from the same district at the same time.

After that term expires, the next consumer member will be selected from the second congressional district, and then the third congressional district and so forth. The Black member is selected the same way.



More Details About the Commission

Organization

The Commission is headed by a chairperson. When a new commissioner is appointed, the Commissioners must select a new chairperson from among its members.



More Details About the Commission

Responsibilities of the Commissioners

Although the commissioners do not actually oversee the daily business and educational activities of the Commission, they do have very important responsibilities:

- To adopt a seal by which the Commission uses to authenticate its records and documents.
- To select and employ an executive director, an assistant executive director and other staff as needed.
- Determine the duties and fix the compensation of the executive director, assistant executive director, and other staff members.



More Details About the Commission

Duties & Staff

The executive director and staff are employed by the Commission and work at the offices located in Montgomery, Alabama.

To learn more about the current staff, visit the Commission's website: www.arec.alabama.gov



More Details About the Commission

Monthly Compensation

Real estate commissioners are paid \$300 per month compensation, plus a per diem and travel expenses.

Liability

According to Alabama real estate license law, no commissioner is liable for damages resulting from any act performed in carrying out his or her duties as a commissioner.



More Details About the Commission

Commission Records

All records maintained by the Commission are open to public inspection, except for investigative files for which no probable cause is determined and for personal identifying information that may be used for identity theft.

Commission Seal

The Alabama Real Estate Commission has a seal to authenticate its records and documents.

