

Brokerage Structure

A real estate business is called a **brokerage**.

In Alabama, each brokerage must be under the supervision of a **qualifying broker**.

All Individuals that work at the brokerage are referred to as licensees or, more commonly, “real estate agents,” but there are three different kinds of licensees at a brokerage: **salespersons**, **associate brokers** and one **qualifying broker**.

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Types of Licensees

- **Salesperson:** A licensee that has passed the 60-hour Sales Pre-license course and the state licensing exam, plus other requirements.

For an individual beginning their real estate career, earning a salesperson license is the first step!



Types of Licensees

After a required amount of time, a salesperson may take the 60-hour Broker Pre-License course and become a broker.

There are two types of broker licensees:

- **Associate Broker:** Has passed the state broker licensing exam but is not responsible for any aspect of the brokerage or its licensees.
- **Qualifying Broker:** Has passed the state broker exam AND is responsible for every aspect of the brokerage and its licensees.

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Company Licenses

Just like salespersons and brokers, real estate companies and branches are also required to have a license issued by the Commission.

In this course, we will explore in detail the different types of licenses and the requirements for each.



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**Head Honcho!
Big Cheese!
Queen Bee!**



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Qualifying Broker



Worker Bees!



Associate Broker



Associate Broker



Associate Broker



Associate Broker



Salesperson



Salesperson



Salesperson



**This is the end of the current unit.
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Salespersons Licenses

An individual wishing to practice real estate in the state of Alabama must first procure a license before engaging in any real estate activities.

If the individual does not already have a license in another state and wishes for his first license to be issued in Alabama, there are certain qualifications that must be met and a specific licensing process that must be followed.



Qualifications for a Salesperson or Broker License

Any individual seeking an Alabama real estate license must at the time of application:

- Be trustworthy and competent as to safeguard the interests of the public
- Cannot have had a real estate license rejected or revoked in any state during the previous 2 years for any reason except failure to pass the state exam
- Be 19 years old or older



Qualifications for a Salesperson or Broker License

- Be a United States citizen OR an individual legally present with appropriate documentation OR an alien with permanent resident status
- Must be a high school graduate or equivalent
- Not been convicted of a felony or a crime involving moral turpitude (such as shoplifting or writing bad checks)

**Licensing Process for Original Licenses**

The following steps must be taken to earn an Alabama real estate license:

Step:	Deadline:	Fee:
1. Attend and pass real estate school within one year	One year	Varies
2. Pass the Alabama salesperson state licensing exam within 6 months	Six months	\$77
3. Complete a nationwide background check	30 days	\$47
4. Apply for a temporary salesperson license within 90 days of passing the state exam	90 days	Active: \$210 Inactive: \$180

Licensing Process for Original Licenses

The following steps must be taken to earn an Alabama real estate license:

Step:	Deadline:	Fee:
5. Complete the 30-hour Alabama Sales Post-License course from a licensed school AND...		Varies
6. Apply for an original license		
a. If ACTIVE , complete the course AND apply for the original license within six months	Six months	\$170
b. If INACTIVE , complete the course AND apply for the original license within one year	One year	\$170

Active vs. Inactive Temporary License

After passing the state exam, the candidate must decide whether to apply for an active or inactive temporary license.

ACTIVE:



INACTIVE:



Active vs. Inactive Temporary License

After passing the state exam, the candidate must decide whether to apply for an active or inactive temporary license.

- If an individual wishes to begin working in real estate directly after passing the state licensing exam, he should apply for an **ACTIVE** temporary license.
- If an individual is not ready to begin his real estate career after passing the state exam, he may apply for an **INACTIVE** temporary license.
- The individual has **90 days** to apply for the temporary license after passing the state licensing exam.



Choosing a Qualifying Broker

After passing the state licensing exam but before applying for the temporary license, the future licensee has some important decisions to make.

Since a salesperson cannot practice real estate on his own and his license must be held by a qualifying broker, the future licensee must interview brokerages and decide where he would like to work as a real estate agent before applying for the active temporary license.





Choosing a Qualifying Broker

Selecting a brokerage is an important step and there are specific criteria involved.

First, the brokerage and qualifying broker must be licensed in Alabama. The qualifying broker is the leader of the brokerage and is responsible for all the licensees in the brokerage.

The broker and potential agent must interview each other to determine if they are a good fit.

If they agree to work together, the qualifying broker is considered the “sponsoring broker” and completes his part of the temporary license application to vouch for the applicant.



Choosing a Qualifying Broker

For more “real world” advice on selecting a qualifying broker, talk to your pre-license instructor and those already licensed and practicing real estate.

Don’t forget that you may always call the Alabama Real Estate Commission to ask if a broker that you are interested in working with is in good standing.

Active Temporary License Process In Detail

If an individual wishes to begin practicing real estate directly after passing the state exam, he will apply for a **temporary active license**.

There are important steps in this process:

1. After passing the state exam, he receives an application for a temporary license from the PSI testing center. **The temporary license application must be filed with the Commission along with the appropriate fees within ninety (90) days of passing the state exam.**



Active Temporary License Process In Detail

2. **The applicant completes the background check process.**

Before you apply for your temporary license, you must agree to national background check that is facilitated by digital fingerprint scans through a company called **Gemalto, Inc.**

The current cost of the background check is \$47.

More information is available on the Gemalto website, <https://www.aps.gemalto.com/al/indexNew.htm>.



Active Temporary License Process In Detail

3. The applicant files the completed and signed application with the Commission along with the appropriate fees.

The total fee for a temporary ACTIVE license is currently \$210.

The Commission will issue the applicant's temporary license directly to their *qualifying broker*, not the applicant.

An applicant is not considered licensed until their qualifying broker receives the applicant's temporary license.

Additionally, the applicant cannot practice real estate or begin the post-license course until their qualifying broker receives the applicant's temporary license.



Active Temporary License Process In Detail

As soon as the qualifying broker ("sponsoring broker") of the brokerage receives the license, the new applicant can begin practicing real estate.

At this point he is referred to as a licensee.

For more information about the application process, visit the Commission's website,
https://arec.alabama.gov/arec/pages/professionals/licensing/app_instructions.aspx.



Active Temporary License Process In Detail

4. The licensee must complete the 30-Hour Alabama Salesperson Post-license course and convert the active temporary license into an active original license within six months.

The post-license course is required of ALL new licensees, whether active or inactive.

If the individual does not complete the post-license course AND apply for an original license within the first six months period, the active temporary license is **automatically placed on inactive status by the Commission.**



Active Temporary License Process In Detail

The licensee cannot practice real estate while his license is inactive.

The licensee has the remainder of the first year of temporary licensure to complete the post-license course.

If the licensee does not complete the post-license course and apply for an original license within one year, the license will expire, and they will have to restart the entire licensing process from the very beginning.



Inactive Temporary License Process in Detail

If an individual is not ready to begin their real estate career as soon as they pass the state exam, they may apply for a **temporary inactive license**.

This means that they have not selected a brokerage and the Commission will hold their license (instead of a qualifying broker holding their license).

The individual will complete the same steps as an individual applying for an active temporary license.

The total fee for a temporary INACTIVE license is currently \$180.



Inactive Temporary License Process in Detail

When a license is inactive, the holder cannot conduct any real estate brokerage transactions.

However, whenever the licensee is ready to practice real estate actively, the license can easily be converted to an active license.



Inactive Temporary License Process in Detail

- Individuals holding a temporary inactive license must also complete the 30-Hour Salesperson Post-license Course.
- An inactive temporary salesperson license is only valid for 1 year and cannot be renewed. The individual must complete the required 30-Hour Post-license Course and apply for an original license within a one-year timeframe.
- If the individual does not complete these two steps in one year's time, the temporary license will expire, and the individual must repeat the licensing process beginning with the salesperson pre-license course.



Can an individual that holds a timeshare license and a salesperson license work in different locations?

790-X-2-.19.

Yes. While the business of dealing with timeshares requires a separate license from the business of dealing with real estate, an individual can, however, hold a timeshare license and a salesperson license under separate brokers at separate locations as long as specific criteria are met.



Criteria For a Salesperson to Work in Two Different Locations

- The licensee obtains written consent to hold both licenses on a form prescribed by the Commission; and
- The form is signed by both of the salesperson's qualifying brokers.
- Qualifying brokers, however, are NOT allowed to work from two different locations.



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

**What happens after you pass the final course exam?**

After you pass your course final exam, the real estate school is responsible for electronically reporting your credit to the Alabama Real Estate Commission.

According to Alabama real estate license law, schools have three business days to report your credit to the Commission.

Once the Commission has received your credit, they will electronically report your credit to **PSI**, the company selected by the **Alabama Real Estate Commission** to administer the state licensing exam.

**What happens after you pass the final course exam?**

Once PSI receives it, they will send an email **DIRECTLY to you** with a link to register for the state exam. The email may be in your junk/spam folder.

If you don't receive the email after three business days, contact your real estate school to check on the status of your credit.



Taking a Closer Look...



What happens after you pass the final course exam?

If you go to the PSI website and try to schedule your state exam before PSI receives the credit from the Commission, you will receive an error message like this...

"course completion information must be received electronically from your school to complete the examination registration process."

PSI cannot schedule your exam until they receive your credit from the Commission (who must receive it from your school).

Taking a Closer Look...



What happens after you pass the final course exam?

Once PSI has received your credit, you may schedule your state licensing exam on-line at www.goamp.com or over the phone.

Each exam attempt costs \$77 and must be paid in advance.

For more information, be sure to download the Alabama Candidate Handbook available on the PSI website at www.goamp.com.

Taking a Closer Look...



What happens after you pass the final course exam?

If you pass your state exam, you will receive your multipage temporary salesperson license application at the PSI testing center.

If you do not pass the state exam, you will receive a one-page summary of the number of questions you missed organized by topics at the PSI testing center.



**This is the end of the current unit.
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The Post-License Course

§ 34-27-33

In a nutshell, the Alabama Sales Post-License course is real estate “boot camp.”

The course covers the practical skills needed in the real estate profession and covers topics such as working with buyers, listing with sellers, real estate financing, marketing and other related areas.



The Post-License Course

Each licensee must pass the post-license course with a grade of 70% or better on the final exam. The final exam is given by the real estate school.

There is no state licensing exam for the post-license course like there is for the salesperson pre-license class... YAY!



Important Details About the Post-License Requirement:

- If the temporary license is active, the post-license course must be completed within the 6 months of the first (and only) year of the temporary license.
- If the temporary license is inactive, the post-license course must be completed within 12 months of the first (and only) year of the temporary license.
- All individuals holding a temporary license (whether active or inactive) must take the 30-Hour Salesperson Post-license Course.

**Important Details About the Post-License Requirement:**

- An individual holding a temporary license (whether active or inactive) **cannot take the post-license course** until his qualifying broker receives his temporary license.
- While schools should verify that a licensee has a temporary license, it is **ultimately the licensee's responsibility** to apply for the temporary license.



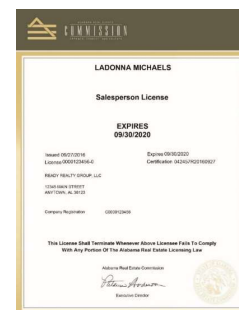
Important Details About the Post-License Requirement:

- **If the licensee completes a post-license without having a temporary license**, he will not receive credit for the course and will have to repeat the course after receiving the temporary license. Post-license course credit cannot be retroactively given by the school.
- **The 30-hour post-license class counts as CE credit** for the first license renewal period, meaning new salesperson licensees are not required to complete the required 15 hours of CE like other licensees.

**What happens after completion of the post-license class?**

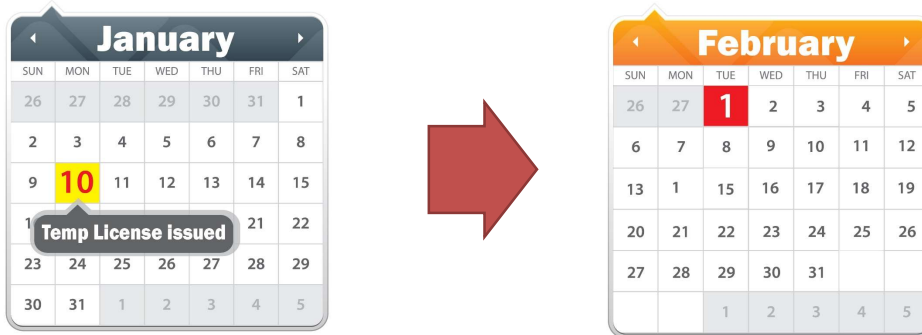
After the post-license class has been completed and the course credit has been reported by the school to the Commission, the licensee must submit an application and the appropriate fees for an original (permanent) license.

- The salesperson's qualifying broker will "return" the salesperson's temporary license to the Commission and then the Commission will "issue" an original license.
- The licensee will continue to use the same license number.
- The fee for an original salesperson license is prorated based on the application date and ranges from \$85 to \$170.



How are the 6-month and 12-month time limits calculated?

- The 6-month and 12-month deadlines do not start the day the licensee applies for the temporary license.
- The countdown begins on the first day of the month after the issuance of the temporary license.



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Broker Licenses

§ 34-27-32

In Alabama, after holding an ACTIVE salesperson's license for **twenty-four months out of the past thirty-six months**, the licensee is eligible to begin the process to obtain a broker license.

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How to Obtain a Broker License



If **NOT** currently licensed as a broker in another state, an individual must:

- Have held an active salesperson license for **24 months of the last 36 months**;
- Complete a **60-hour broker course** (including passing the course final exam), and
- **Pass the state broker licensing exam** with 70% or better.

How to Obtain a Broker License



After passing the state broker exam, the individual's salesperson license will be returned to the Commission by his qualifying broker and the Commission will issue a broker license to the licensee's qualifying broker.

Despite now having a different type of individual license, the licensee will still use the same license number.

How to Obtain a Broker License:

If **CURRENTLY** licensed in another state, an individual must:

- **Submit proof** of current license in another state to the Commission;
- Complete a **6-hour broker reciprocal course** on Alabama real estate license law; and
- **Pass a reciprocal broker state licensing exam** consisting of 40 questions on Alabama real estate license law **ONLY**. They do not take the part of the exam that includes the 100 questions on national topics.



Qualifying Broker Vs Associate Broker

When a licensee passes the broker exam, his salesperson license will be returned to the Commission.

A broker license will be issued to him under the same number.

At this point the licensee may remain as his current brokerage as an **associate broker** (since there is already a qualifying broker in place) or become the **qualifying broker** at another company.



Qualifying Broker Vs Associate Broker

- **Associate Broker:** A licensee that has completed the 60-hour Alabama broker pre-license course and passed the state broker licensing exam but is not responsible for any aspect of the brokerage or its licensees.
- **Qualifying Broker:** A licensee that has completed the 60-hour Alabama broker pre-license course and passed the state broker exam, plus is responsible for every aspect of the brokerage and its licensees.



Associate Broker



Qualifying Broker

Responsibilities of the Associate Broker

An associate broker is a “glorified salesperson” in a sense.

An associate broker does the same job as a salesperson, but since they have passed the broker exam and holds a broker license, they are eligible to become the qualifying broker if the need arose.

Holding an associate broker license is more about what the individual **COULD** do as opposed to what they are doing in their current position.



Associate Broker

Responsibilities of the Associate Broker

- **An associate broker is not a supervising/managing broker and has neither the authority nor the responsibility that belongs to the qualifying broker.**
- In other words, if the associate broker harms a member of the public, she **AND** her qualifying broker are responsible for her actions.
- If a salesperson in the brokerage where the associate broker is an agent harms a member of the public, the salesperson **AND** his qualifying broker (not the associate broker!) is responsible for the actions of the salesperson.



Associate Broker

Responsibilities of the Qualifying Broker

§ 34-27-34(a)2

The qualifying broker has many responsibilities. He responsible for EVERY aspect of the brokerage and its licensees.

In other words, he (or she) is the Big Cheese, the Head Honcho, the Queen Bee! *(You get the idea!)*

The qualify broker of a company is responsible to and for the following:

- To the Commission and to the public
- For each company he is serving as the qualifying broker
- To an injured party for the damage caused

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Qualifying Broker

What are the qualifications of a qualifying broker?

§ 34-27-34(a)1

In order to serve as a qualifying broker, an individual must:

- Be licensed in Alabama
- Hold no other job or position
- Supervise the activities of each salesperson and associate broker working under him

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Qualifying Broker

What if the qualifying broker dies or becomes disabled?**§ 34-27-32(i)**

When the qualifying broker becomes incapacitated or dies (or just quits!), a company license becomes invalid, halting all real estate activity.

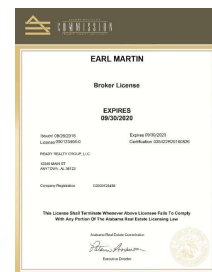
- The brokerage has **30 days to designate** and apply for a temporary qualifying broker license, which, if approved, will allow its company license to become active again.
- The temporary qualifying broker must either be:
 - An associate broker, or
 - A salesperson with at least one year of experience.

**Qualifying Broker****Associate Brokers****Salesperson**

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What if the qualifying broker dies or becomes disabled?

- The brokerage has **6 months** to designate a new permanent qualifying broker for the company.
- If the company fails to install a new permanent qualifying broker within this six-month period, the company license becomes inactive and all real estate activity must stop.



The Broker and Salesperson Relationship

§ 34-27-34 (a)(3)

The relationship between a qualifying broker and a salesperson (or associate broker) is NOT like an employer/employee relationship.

When the licensee joins a brokerage, the broker and the salesperson sign an **Independent Contractor Agreement**.

While the licensee now has a fiduciary obligation to exclusively protect the broker's interest, the broker can only treat the licensee as an **independent contractor**, not an employee, according to the IRS.



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

Cooperating with a Nonresident Broker (Out-of-State Broker)**§34-27-3(a)(b), 790-X-1-.05**

Alabama real estate license law allows an Alabama BROKER to enter into a co-brokerage agreement with a broker from another state.

Salespersons are not permitted to enter into co-brokerage agreements, only brokers.

**Cooperating with a Nonresident Broker (Out-of-State Broker)**

The following criteria **MUST** be met for a co-brokerage agreement:

- **Alabama broker must verify that the cooperating non-resident broker is licensed as a broker in another state.**

It is the responsibility of the Alabama broker to check this fact very carefully and he should confirm this detail with the appropriate real estate commission.

If requested, the Alabama broker must be able to submit proof to the Commission of the non-resident's licensure.



Cooperating with a Nonresident Broker (Out-of-State Broker)

- A written working agreement must be in place between Alabama broker and non-resident broker specifying each parcel of property.

A written working agreement stipulates the terms of the working arrangement between the two brokers.

The agreement must include all terms of the agreement including the financial terms and a template is available on the Commission's website.

**Cooperating with a Nonresident Broker (Out-of-State Broker)**

- The Alabama broker must file a copy of the written working agreement with the Commission **within 10 days** of creation and signing the written working agreement.
- The Alabama broker must also require a **listing or joint listing contract** of the property involved.



This is a **listing contract** is a separate document from the written working agreement. The Alabama broker does not need to file the listing contract with the Commission.

Cooperating with a Nonresident Broker (Out-of-State Broker)

- The state in which nonresident broker is licensed must offer same privileges to Alabama licensees, meaning it must reciprocate with Alabama.
- The nonresident broker must agree to abide by Alabama real estate license laws.
- The nonresident broker must understand that civil actions may be taken against him in Alabama court if a claim arises.

**Cooperating with a Nonresident Broker (Out-of-State Broker)**

- The Alabama broker must supervise all showings and all negotiations related to the property.
- The Alabama broker's name must appear in all advertising for the property. Hence, any ads placed outside of Alabama must still include the Alabama's broker's name.
- The Alabama broker is liable for his own actions as well as the actions of the out-of- state broker.



Cooperating with a Nonresident Broker (Out-of-State Broker)

- All **earnest money** pertaining to a co-brokerage agreement must be held in escrow by the Alabama brokerage unless all parties agree **in writing** to have the earnest money held elsewhere.



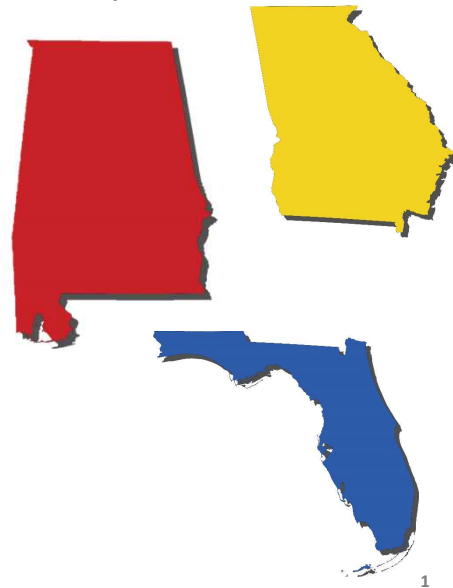
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Licensing Process for Reciprocal Licenses (Out-of-State License)

In the business of real estate, each state has its own licensing requirements and issues its own licenses.

Therefore, if an individual wishes to practice real estate in different states, he will need a real estate license for each individual state.

The act of one state cooperating with its neighboring states in the licensing process is called “**reciprocating**.”



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Licensing Process for Reciprocal Licenses (Out-of-State License)

In Alabama, the state accepts that the licensee has passed the national portion of the real estate exam and only requires that he learns the Alabama real estate license law to earn a license.

So, an individual that acquired his **original license** (first license) in another state, Georgia for example, can earn an Alabama real estate license after passing the state portion of the real estate exam.

The second license is referred to as a **reciprocal license**.

The reciprocal license can be issued as a salesperson or a broker license depending on which license the person holds at the time of application.



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Licensing Process for Reciprocal Licenses (Out-of-State License)

If an individual that is currently licensed in another state wishes to receive an Alabama real estate license, he must:

- **Complete a 6-hour Alabama real estate license law Reciprocal Salesperson course** or the **6-hour Alabama real estate license law Reciprocal Broker course** from a licensed school. Unlike pre-license, there is no course final exam requirement.
- **Pass the state licensing exam with a 70% or higher**, testing only on the Alabama real estate license law portion (40 questions).



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