

26 Alabama Licensing Regulation

Licensing Requirements License Status

LICENSING REQUIREMENTS

Activities requiring a license
Qualifications for a salesperson's license
Application and documentation
Temporary licensure
Original licensure
License renewal
Reciprocal license
Co-brokering

To protect the general public, Alabama law created the Alabama Real Estate Commission to license and regulate real estate professionals. For AREC to accomplish this goal, Alabama license law specifies which activities require a license and how to obtain a license.

Activities requiring a license

Alabama law requires any person, sole proprietorship, partnership, corporation, branch office, or legal business organization engaging in the practice of real estate for compensation to be licensed as a real estate broker or salesperson. The license must also be on active status to perform such activity.

Compensation includes fees, commissions, or other valuable consideration received from another person in exchange for performing certain activities. Performing licensed activities with the intention or expectation of receiving compensation is considered the same as actually receiving compensation for purposes of defining whether a license is required.

Engaging in the practice of real estate includes:

- ▶ offering or selling, exchanging, purchasing, renting, or leasing real estate located in Alabama
- ▶ negotiating the listing, sale, exchange, purchase, rental, or leasing of real estate located in Alabama
- ▶ listing for sale, rental, lease, exchange, or trade any real estate located in Alabama
- ▶ auctioning any real estate located in Alabama
- ▶ optioning real estate located in Alabama
- ▶ locating for purchase, rent, or lease any real estate located in Alabama

Qualifications for a salesperson's license

- ▶ procuring prospects for the purpose of selling, exchanging, leasing, or renting of any real estate located in Alabama
- ▶ presenting oneself as being able to perform any act for which a license is required

Again, engaging in any of these activities for compensation within the State of Alabama requires an active Alabama real estate license.

Alabama requires that the license for a broker or salesperson be registered to a specific real estate office. The license will be issued and held only by a person who meets all of the following requirements.

Personal requirements. All license applicants must be trustworthy and competent to transact real estate business in a way that safeguards public interest. The applicant must also meet the following requirements:

- ▶ at least 19 years old
- ▶ U.S. citizen or legally present in the U.S. with the appropriate documentation from the U.S. government or an alien with permanent U.S. resident status
- ▶ resident of any state in the U.S.
- ▶ no rejection or revocation of an application or license in any state within 2 years prior to the Alabama application date on any grounds other than failure to pass the written examination; applicants whose license has been revoked must meet all requirements for an original license and must be approved by the AREC

Nonresident applicants. If the applicant is a nonresident of Alabama and does not hold a current license in another state but wishes to practice real estate in Alabama, he or she must apply for a salesperson's license.

This nonresident applicant must show proof of all of the following:

- ▶ high school graduate or the equivalent
- ▶ successful completion of 60 hours of AREC approved real estate coursework
- ▶ any other information the Commission requires

If the applicant is a nonresident and holds a current license in another state, even if he or she becomes an Alabama resident, the individual must apply for a reciprocal salesperson license in Alabama. (Reciprocal license requirements and application procedures are covered in detail later in this chapter.)

Any nonresident applicant for an Alabama original license or for a reciprocal license must also sign an affidavit agreeing that

- ▶ AREC has jurisdiction over the applicant and his or her activities
- ▶ he or she will be subject to the same investigations and disciplinary actions as Alabama resident licensees
- ▶ civil actions may be taken against him or her in any Alabama court of competent jurisdiction
- ▶ the applicant appoints the AREC Executive Director or Assistant Executive Director as his or her agent who will be served with any disciplinary, judicial, or other legal notices
- ▶ any service upon his or her agent will be the same as service upon him or herself
- ▶ certified copies of the appointment of agent will be sufficient evidence just the same as the original appointment
- ▶ the appointment will be effective for as long as the applicant has any liability remaining in Alabama
- ▶ the applicant is bound by all of the Alabama Real Estate License Law just as if he or she were an Alabama resident

Criminal backgrounds and fingerprints. The AREC may reject the application of anyone who has been convicted of or pleaded guilty or nolo contendere to a felony or to a crime involving moral turpitude. If an applicant has such a conviction or guilty plea, he or she may file an "Application for Determination of Licensing Eligibility" form with the Commission. The Commission will review the conviction and determine if the applicant is eligible for licensure in Alabama.

The AREC requires both state and national criminal history checks to be performed on any applicant for licensure. The applicant must submit any required information and fingerprints to the Commission, to the Federal Bureau of Investigation, to the Alabama State Law Enforcement Agency or its successor, or to a fingerprint processing service approved by the Commission.

Fingerprints are to be submitted on the approved fingerprint card. To avoid having the application denied based on faulty fingerprints, the following steps should be taken:

- ▶ fingerprints taken by an authorized official at a law enforcement agency
- ▶ fingerprint card completely filled out at the top and signed by the person being fingerprinted and the official who takes the fingerprints
- ▶ fingerprint card containing only quality fingerprint impressions that follow the examples given on the back of the card
- ▶ a properly executed application to review criminal history record information submitted with the fingerprint card
- ▶ card examined by the official taking the fingerprints to ensure it is filled out correctly and that the fingerprint impressions are adequate

Application and documentation

The AREC may then use the criminal history to determine the qualifications and fitness of the applicant to hold a real estate license. The applicant is responsible for the cost of the criminal history check which must be current to the date of license issuance.

These requirements are the same for both salesperson applicants and broker applicants.

Education requirements. All applicants for licensure in Alabama must be a high school graduate or the equivalent. Applicants must also complete the required pre-license coursework.

Test requirements. In addition to all other requirements for qualifying for a salesperson's license, each applicant for licensure must take and pass a written examination. The Commission will either conduct the examination or contract with an independent testing agency who will prepare, conduct, and grade the examination. The fee for the examination will be set in the Commission's contract with the independent testing agency.

Documentation. All applicants for licensure in Alabama are required to submit documentation in proof of age, citizenship or legal residency status, Alabama residency, and high school graduation or equivalent. Alabama nonresidents applying for a reciprocal license must submit proof of licensure in their resident states.

The applicant may provide documentation in proof of age in the form of any of the following:

- ▶ a valid driver's license
- ▶ a U.S. passport
- ▶ a birth certificate
- ▶ any other documentation the AREC deems acceptable

Applicants for licensure must also provide proof of U.S. citizenship, permanent residency, or legal presence status. This proof may be submitted in the form of any of the following:

- ▶ a driver's license
- ▶ a non-driver identification
- ▶ a U.S. birth certificate
- ▶ a permanent resident card (green card)
- ▶ a U.S. visa
- ▶ any other document issued by the U.S. indicating legal presence in the United States

Proof of Alabama state residency can be submitted in the form of any of the following:

- ▶ a driver's license

- ▶ a car tag receipt
- ▶ a deed to a home
- ▶ a lease agreement on a home or apartment
- ▶ a property tax bill
- ▶ a voter's registration card
- ▶ any other document the AREC deems acceptable

Nonresidents holding an Alabama license who become Alabama residents must submit a change of address to the AREC within 10 days of residency, along with any other license status changes.

Applicants must show one of the following as proof of meeting high school completion requirements:

- ▶ high school diploma
- ▶ high school transcripts showing graduation date
- ▶ GED certificate
- ▶ College diploma
- ▶ College transcripts showing completion of at least two full terms
- ▶ DD-214 showing verification of high school completion

Applicants who were home schooled in the U.S. must provide a notarized transcript and a letter of recommendation from the home school group leader. Home school diplomas are not accepted.

Applicants who completed high school outside the U.S. must provide either of the following:

- ▶ a transcript from a U.S. college showing sufficient high school education for admittance into a college education program
- ▶ a Document-by-Document Evaluation Report verifying the foreign education was equivalent to an American high school education

Temporary licensure

Temporary license education and test requirements. A person wishing to conduct real estate business in Alabama is required to first obtain a temporary license prior to completing post-license courses and obtaining an original (permanent) salesperson license.

To obtain a temporary license, the individual must complete an approved 60-hour pre-license course. The pre-license course must be completed within 1 year from the start date or the student will not receive credit for the classes completed and will need to start the course again. At least 80% of the course hours must be presented by live instruction unless the course is an Association of Real Estate License Law Officials (ARELLO) certified distance education course.

The student must then apply for and schedule the salesperson license state examination. Applicants must pass the examination within 6 months after the completion date of the pre-license course. Failure to meet the time frame

requirement will result in the applicant having to again complete the pre-license course.

Temporary license application and issuance. Within 90 days after passing the license examination, the applicant must find an Alabama-licensed qualifying broker under whose supervision the salesperson applicant will work. The qualifying broker must sign and submit a sworn statement of his or her belief of the applicant's honesty, trustworthiness, and good reputation and of the broker's willingness to accept responsibility for the salesperson's actions.

After passing the examination, securing the qualifying broker, and meeting all other requirements for licensure, including paying the \$30 Recovery Fund fee, the applicant will be issued a temporary license certificate. The temporary license is valid for 1 year.

Post-license education. During the 12 months of temporary licensure, the salesperson must complete a 30-hour post-license course, apply for an original salesperson license, and pay all associated application fees. The salesperson should complete the post-license course and apply for the original license within the first 6 months of temporary licensure. If the salesperson does not complete the course within the first 6 months, the license will automatically be placed on inactive status. The salesperson then has the remaining 6 months to complete the course and apply for an original license. If the salesperson fails to complete the post-license course within 12 months, the temporary license will automatically expire and lapse. Temporary licenses may not be renewed.

Holding a temporary license is required for enrollment in the post-license course. As with the pre-license course, a 90% attendance rate is required in live instruction courses.

Original licensure

Application process. After completing the post-license course, salespersons holding a temporary license must apply for an original license on or before the date the temporary license expires.

The salesperson must submit the original license application, appropriate fees, and proof of completion of the post-license course to the Alabama Real Estate Commission on or before midnight on the last day of the month 1 year from the issuance of the temporary license.

For example, if Joe was issued a temporary license on April 4, 2027, he must apply for his original license by midnight on April 30, 2028. Joe must also have completed the post-license course and paid the license fee prior to that date and time. However, keep in mind that Joe could obtain his original license sooner if he completes the post-license course during the first 6 months he has his temporary license. Otherwise, his temporary license will be placed on inactive status after the first 6 months and will remain inactive until he completes the coursework. If he doesn't complete the post-license course and apply for his original license within the 12 months, his temporary license will lapse, and he will have to start the entire process all over again.

Applicants who paid the Recovery Fund fee when applying for a temporary license are not required to pay the fee again for original licensure. Therefore, using the above example, if Joe paid the Recovery Fund fee when he applied for his temporary license, he is not required to pay it again when he applies for his original license.

License renewal

All licenses, including inactive licenses, must be renewed to remain current. A license may be renewed by filing an AREC license renewal form or by utilizing the renewal option available at www.arec.alabama.gov. The licensee must also pay a renewal fee and complete continuing education courses prior to renewal.

If the licensee is on active status, the Commission will mail the renewal form to the licensee's place of business. If the licensee is on inactive status, the form will be mailed to the licensee's residence. The Commission will mail the form prior to August 1 of the final year of the license period. If the licensee does not receive the form by August 1, he or she must notify the AREC by August 10. The form may only be used for license renewal and not for any other reason, such as a license transfer.

Renewal dates. The license period is 2 years, ending in even numbered years. The license will expire at midnight on September 30 of the final year of the 2-year license period. Renewals and renewal fees are due by August 31 of the final year of the license period. Licenses renewed between September 1 and September 30 will be charged a late renewal penalty in addition to the renewal fee. Licenses not renewed by September 30 will expire and be placed on inactive status on October 1.

Because the license period always ends in an even numbered year, the license must be renewed in the next even numbered year, regardless of when it was issued. For example, if the license was issued in April 2025, it would need to be renewed in 2026, the next even numbered year. Similarly, if a license was originally issued in April 2026, the license would need to be renewed that same year because 2026 is an even numbered year.

Expired licenses may still be renewed during the 12 months following the expiration date. If the license is not renewed during this 12-month period, the license will lapse. The individual will then need to meet all the same requirements of licensure applicable to individuals who have never been licensed and reapply for licensure.

By not renewing the license by the September 30 deadline and then by allowing the license to lapse after the 12-month renewal period, the individual will no longer be considered a licensee and will no longer receive correspondence from the AREC.

Under certain circumstances, the Commission may determine the existence of a hardship for the licensee and allow an extended renewal date with payment of renewal fees and penalties.

In addition to submitting the license renewal form and renewal fees, as well as renewal penalties if applicable, the licensee must submit proof of completion of approved continuing education courses.

Continuing education. Alabama licensees are required to complete 15 hours of continuing education courses by September 30 of the final year of every 2-year license period. If the licensee fails to meet this deadline, his or her license will be placed on inactive status on October 1; and the licensee will be required to follow all reactivation procedures. While on inactive status, the licensee will not be allowed to perform any real estate activities that require a license.

Salesperson licensees fulfilling continuing education requirements may only take approved courses from approved schools. To meet continuing education requirements, the courses must include the following:

- ▶ Three Hours of “Risk Management: Initial Contact to Accepted Offer.”
- ▶ 12 hours of any AREC-approved courses, often referred to as electives.

These courses must be "core" real estate courses and must assist the licensee in fulfilling AREC's mission of protecting the public. Each course must be at least 3 hours of instruction. The hours may include such courses as

- ▶ license law
- ▶ RECAD (Real Estate Consumer’s Agency And Disclosure Act)
- ▶ real estate ethics
- ▶ real estate financing
- ▶ appraisal and valuation
- ▶ fair housing
- ▶ truth-in-lending
- ▶ agency relationships
- ▶ agency disclosure
- ▶ liability of real estate agents
- ▶ writing contracts
- ▶ handling escrow funds
- ▶ environmental issues
- ▶ negotiating techniques
- ▶ listing and buyer presentations
- ▶ writing and presenting offers
- ▶ showing property
- ▶ sales skills
- ▶ communication skills
- ▶ marketing
- ▶ certain financial calculator courses
- ▶ computer courses which are real estate specific
- ▶ how to utilize technology in the practice of real estate

Examples of unacceptable subject matter include

- ▶ motivational courses
- ▶ personal development courses
- ▶ sales meetings
- ▶ in-house training
- ▶ orientation courses

Brokers and associate brokers must complete the required broker CE course and 9 hours of elective courses.

All course topics and content are subject to approval by the Commission. The licensee must attend 100% of the course hours to be awarded continuing education credit. If the licensee can provide proof of attendance, he or she does not need to pass the courses to satisfy the requirements for renewal.

A licensee who completes an approved continuing education course in another state may receive credit for the course in Alabama by submitting the appropriate documentation to the Commission. Documentation must include verification of course approval by the other state, the number of hours for which the course is approved, and proof of course completion. Courses taken out of state will be credited as elective courses only.

If the licensee completes more than the required 15 hours of course work, the excess hours may not be carried over and applied to subsequent license period requirements.

If the licensee serves as a member of the State Legislature during the license period, that service can substitute for the 15 hours of course work for continuing education.

A licensee who has been licensed for less than 1 year and is applying for first time renewal is not required to complete the 15 hours of continuing education course work for that renewal period. The licensee's post-license course counts as continuing education credit for the first license period.

A reciprocal licensee who has held an Alabama license for less than 1 year is not required to complete continuing education for the first renewal of his or her license. This exemption only applies to reciprocal licensees who received an Alabama license after September 30, 2015.

Exemptions from continuing education requirements. Alabama law allows for two possible exemptions from the requirement to complete continuing education before renewal:

- ▶ licensees who turn 65 years old on or before September 30, 2000, and have been licensed for 10 years prior to that
- ▶ licensees on inactive status

Although inactive licensees are required to renew their licenses every 2 years, this exemption means they do not need to complete continuing education courses every license period while on inactive status. They will, however, be required to complete the 15-hour continuing education requirement prior to reactivating their licenses.

Reciprocal license

If an individual holds a current real estate license in a qualifying state other than Alabama, he or she may obtain a reciprocal license in Alabama. The license in the other state must not be a reciprocal or non-resident license and must be on either active or inactive status.

A qualifying state is one in which the applicant has completed pre-license course work and passed an examination covering general (national) real estate and state law for the state in which the examination was taken.

Applicants for a reciprocal license must provide a Certificate of Licensure issued within the preceding 120 days from the state where the applicant is licensed. The Certificate must show the following:

- ▶ the applicant's name and address,
- ▶ type of license,
- ▶ the license status over the previous 36 months,
- ▶ any record of disciplinary action, and
- ▶ the type of examination the applicant took and passed.

An applicant for a reciprocal license must also complete 6 hours of AREC-approved course work in Alabama real estate and pass a written examination on Alabama real estate with a score of 70% or higher. The applicant must pass the examination within 6 months of completing the 6-hour course work. Failure to meet this deadline will result in the applicant needing to complete the course work again.

After completing the course work and passing the examination, the applicant must then submit an application and the appropriate fees for a reciprocal license. An applicant for a reciprocal license will pay the same licensure and Recovery Fund fees as an Alabama license applicant.

Reciprocal license applicants who hold a salesperson license in the other state must apply for a reciprocal salesperson license in Alabama, while applicants who hold a broker license in the other state must apply for a reciprocal broker license in Alabama.

After the reciprocal license is issued, the licensee must either complete Alabama-required continuing education or show proof that his or her other state license is still active.

Continuing education requirements for reciprocal licensees. Reciprocal licensees have options regarding fulfilling continuing education requirements for Alabama license renewal:

- ▶ the licensee may complete 15 hours of Alabama-approved continuing education course work, including three hours of risk management from initial contact to contract; the remaining 12 hours can be taken in another state if the licensee provides proof of attendance in the courses, verification that the course was approved by any real estate commission, and proof of the number of hours for which the course was approved. Broker licensees must complete the required broker CE course
- ▶ the licensee may submit a certification of licensure from the regulatory agency in the state where the pre-license courses and licensing examination were taken; the certification must include:
 - ▶ type of license
 - ▶ the current active status of the license
 - ▶ the company that holds the license
 - ▶ verification the pre-license course work requirements were met in that state
 - ▶ verification that a full state and national licensing examination was passed in that state
 - ▶ the certification must be dated no earlier than June 1 and must be an original certification unless it is faxed to the AREC

Co-brokering

A principal broker who is licensed in a state other than Alabama may practice real estate in Alabama if that broker signs a written agreement with a qualifying broker licensed in Alabama. The agreement is called a co-brokerage agreement. The agreement must specify each parcel of property the nonresident will be handling, the financial terms of the agreement and any other material terms of the agreement.

Prior to signing the agreement, the Alabama qualifying broker must confirm the nonresident broker is licensed as a principal broker in the other state. A copy of the agreement must be filed with the AREC within 10 days of execution.

The Alabama qualifying broker must require a listing or joint listing of any property involved in the agreement. The Alabama qualifying broker must also supervise any property showings and negotiations the nonresident broker performs. Any advertising of Alabama real estate must include the name of the Alabama qualifying broker.

All earnest money associated with transactions covered under the co-brokerage agreement must be held in escrow by the Alabama qualifying broker unless both the buyer and seller agree in writing to a different arrangement. The agreement must specify all material terms, including financial terms. An out-of-state

principal broker who is working under a co-brokerage agreement is limited to three real estate transactions totaling less than \$50 million in sales each calendar year. This limit would, however, allow transactions of multiple properties within the same portfolio.

The Alabama qualifying broker is liable for the nonresident broker's actions associated with the agreement as well as the Alabama qualifying broker's own actions. However, by signing the co-brokerage agreement, the nonresident broker agrees to abide by Alabama law and by the rules of the AREC. The co-broker also agrees that civil action can be brought against him or her as a result of any claims that may be filed in Alabama. If a complaint is filed against the out-of-state principal broker, the regulatory body in that licensee's home state will be notified.

The Standard Interstate Co-Brokerage Agreement can be found on the AREC website at AREC - Forms . Accessing it requires an online services login.
www.arec.alabama.gov/pages/forms.aspx

LICENSE STATUS

Definition of a licensee

Transfer of license to different qualifying

Broker and fee

Evidence of transfer

Definition of an inactive license

Recovery fund fee exemption

Reactivation of an inactive license

Return of license

The status of an Alabama real estate license can be

- ▶ active: allows the licensee to legally practice the business of real estate
- ▶ inactive: still valid but restricts the licensee from legally practicing the business of real estate
- ▶ expired: not renewed prior to September 30 of the final year of the license period; an expired license is on inactive status
- ▶ lapsed: not renewed within the 12 months following the expiration date; a lapsed license may not be renewed or reactivated.

Definition of a licensee

Alabama law defines a licensee as any real estate broker, salesperson, or company that is licensed as such under the requirements of Alabama license law.

Salespersons are licensed under and must work under the supervision of a qualifying broker.

Brokers can be associate brokers or qualifying brokers.

A company is any sole proprietorship, corporation, partnership, branch office, or lawfully constituted business organization which is licensed as a company under Alabama license law.

A broker or salesperson's license is registered to a specific real estate office and is issued to and held by a person who meets all of the requirements of Alabama license law.

Transfer of license

Although a salesperson or broker must be registered under a specific real estate office and qualifying broker, the licensee may want to work for another qualifying broker at some point in time. In this case, the licensee can transfer his or her license to the other qualifying broker. To transfer, the licensee must give notice of his or her intent to transfer in writing to the Commission and send a copy of the notice to his or her current qualifying broker. The licensee must also pay a \$25 transfer fee.

The new qualifying broker must file a request for the transfer with the Commission along with a statement assuming liability for the transferred licensee.

A company or sole proprietorship wishing to change qualifying brokers must also pay a license transfer fee for the license or licenses that contain the current and the new qualifying broker's names. Companies with branch offices wishing to change the qualifying broker for the main office will pay a license transfer fee for each branch office license and each branch office qualifying broker's license.

When transferring to a new qualifying broker, the licensee must mail his or her license by certified or registered mail, return receipt requested, to the Commission office along with the required transfer forms, license certificates, and fee(s).

If the required forms and fees are submitted within 10 days after the Commission receives the notice of transfer, the Commission will issue a new license certificate to the licensee for the remainder of the current license term. The new license certificate will be registered under the new qualifying broker.

If the necessary forms and fees are not submitted within the 10 days, the transfer is null and void. The Commission will then return any submitted forms and fees along with a notice to the licensee that the transfer was not complete.

If the transfer is not completed, the current qualifying broker remains responsible for the licensee's actions.

Evidence of transfer

When the licensee mails the transfer documents and fee to the Commission, he or she should keep the mail receipt as evidence of the license transfer. The date of the mailing shown on the receipt will be the effective date of the transfer as long as all of the necessary forms and fees were submitted by the required deadline.

Definition of an inactive license

An inactive license is one that restricts the licensee from performing any real estate acts that require a license. Only an active license allows the licensee to legally engage in real estate activities.

A license is inactive when

- ▶ being held by the AREC as a result of a legal action, an order of the Commission, or at the request of the licensee
- ▶ the Commission issues it to inactive status at the licensee's request
- ▶ it is still renewable but the licensee failed to renew it by the deadline
- ▶ an individual with a temporary license does not complete the post-license education requirements and apply for an original (permanent) license within the first 6 months of temporary licensure; in this case, the temporary license becomes inactive for the second 6 months of temporary licensure.

Inactive licenses are held at the AREC office until they are activated. To engage legally in real estate activities, the licensee must reactivate his or her license by following the procedure outlined in Alabama license law and the AREC rules. The procedure is explained below.

Recovery Fund fee exemption

A licensee is not required to pay a Real Estate Recovery Fund fee when his or her license is issued on inactive status. However, the licensee must pay the fee before he or she can activate the license. If the Commission charged a supplemental Recovery Fund fee while the license was in inactive status, the licensee must also pay that supplemental fee before activating the license.

Reactivation of an inactive license

Any licensee who wishes to reactivate his or her inactive license must apply to the AREC for an activated license and pay the required fee(s). The fee(s) is charged for each license being changed from inactive to active, but no fee is charged for a license being changed from active to inactive.

In addition to applying for reactivation and paying the fee(s), the licensee must also have completed the required 15 hours of continuing education for the current license period prior to requesting reactivation. The licensee will be required to complete an additional 15 hours of continuing education to qualify for license renewal for the next license period.

For example, let's say that Jim's broker license has been on inactive status for 4 years. In April of the fourth year, Jim applies for reactivation. Jim must complete 15 hours of continuing education for the current 2-year license period that will end in the upcoming August. Then, by August 31 of that same year, Jim will also need to complete an additional 15 hours of continuing education to renew his license for the next 2-year license period.

Return of license

If a corporation, partnership, or individually owned company wishes to stop a broker or salesperson from doing business in its name, the entity can notify the Commission and the broker or salesperson in writing and return the broker or salesperson's license to the Commission.