

LICENSE LAW PRACTICE EXAM II

Updated for 2025 Legislative Changes



MY Real Estate School

Your Licensing Specialists

2025 Legislative Updates Reflected:

- Act 2025-59: Written buyer agreement required BEFORE submitting an offer
- Act 2025-380: "Transaction Broker" - "Transaction Facilitator"
- Act 2025-380: Designated Single Agency created for same-company representation
- Act 2025-380: Maximum disciplinary fine increased from \$2,500 to \$5,000
- Exam time limit: 6 months after course completion

50 Questions

★ = 2025 Update

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QUESTIONS

1. A broker who operates a brokerage business within the corporate city limits of Montgomery
 - a. may maintain his or her place of business in his or her home
 - b. may not hire salespeople
 - c. must be sure his/her office is located in property zoned for business
 - d. All the above
2. Any person desiring to make an appeal of a decision or ruling of the Commission to a court must post a satisfactory appeal bond in the amount of
 - a. \$200
 - b. \$500
 - c. \$750
 - d. \$1000
3. Of the following, who would be exempt from the licensure provisions of the License Law?
 - a. An attorney selling his neighbor's home at a discounted commission
 - b. A person consummating a real estate transaction involving the real estate of his or her friend
 - c. Public officers performing their duties
 - d. A person selling the real estate of his or her in-law
4. Alabama law permits a broker to
 - a. Take a net listing on a property
 - b. Automatically extend the term of a listing contract without notifying the principal
 - c. Purchase property listed with his/her firm without notifying the seller
 - d. None of the above
5. Upon the acceptance and delivery of any sales contract, the selling broker should
 - a. Furnish each party a complete, detailed estimated closing statement
 - b. Voluntarily furnish a copy of the sales contract to all parties executing the contract
 - c. Recommend to the purchaser that an attorney be retained
 - d. All of the above
6. An applicant for salesperson's license having completed the prelicense course must pass the state exam within:
 - a. 18 months of completion of prelicense course
 - b. 12 months of completion of prelicense course
 - c. 9 months of completion of prelicense course
 - d. 6 months of completion of prelicense course ★

- 7.** All of the following require a real estate license except:
- a. Sell real estate for principal
 - b. Lease real estate for principal
 - c. Manage an apartment complex for principal
 - d. Auction real estate for the principal
- 8.** When submitting application for salesperson license, all of the following must be submitted except:
- a. \$150 for temporary license
 - b. \$30 for Recovery Fund if applying for inactive license
 - c. \$25 for Public Safety records search
 - d. \$30 for Education & Research Fund
- 9.** Broker promising to pay an owner \$500 if owner would list with broker and then failing to pay is an example of:
- a. Flagrant misrepresentation
 - b. Failing within reasonable time to account for money belonging to others
 - c. Making a false promise to induce seller to list
 - d. Placing a sign on property without permission of owner
- 10.** All of the following are correct regarding qualifying broker except:
- a. Have a separate license for each company serving as qualifying broker
 - b. Must be licensed as broker for minimum of 24 months out of past 36 months
 - c. Real estate must be principal business
 - d. Must actually provide full-time supervision for all licensees with company
- 11.** Regarding the state license exam, all of the following apply except:
- a. Student will have 3½ hours to complete state license exam
 - b. The passing grade for both salesperson and broker license exam shall be 70%
 - c. A student must pass the exam within 3 attempts or retake the required 60 hour pre-license course
 - d. Student cannot take state exam until they have completed 60 HR Pre-License Course
- 12.** Which of the following does not require a real estate license?
- a. Owner managing personally owned property
 - b. Attorney leasing property for a client
 - c. Property manager
 - d. Dealer in real estate options

13. A real estate company wishing to maintain more than one business location must apply for a/an

- a. All-purpose license
- b. Partnership license
- c. License for each location
- d. Non-resident license

14. In regards to the Real Estate Recovery Fund, all of the following are correct except:

- a. The fee is required to be paid for temporary active license
- b. The Recovery Fund Fee is \$25
- c. The fund must always have a minimum balance of \$500,000
- d. No more than \$25,000 will be paid for one real estate transaction

15. Regarding a licensee who is accused of a violation of license law, all of the following is correct except:

- a. The accused must be given 15 day advance notice of date of hearing
- b. The accused can require Commission to subpoena witnesses for his behalf
- c. The accused may require postponement of hearing up to 30 days
- d. Notice to the accused must be given in person or by certified mail

16. Which of the following is an example of salesperson correctly handling earnest money received from buyer client?

- a. Depositing money into broker's escrow account the next day
- b. Turning over to broker no later than next business day
- c. Depositing money in personal account
- d. Giving earnest money to seller

17. Broker promising to pay an owner \$500 if owner would list with broker is:

- a. Flagrant misrepresentation
- b. Failing within reasonable time to account for money belonging to others
- c. Legal
- d. Illegal

18. Which of the following would not be exempt from the licensure provisions of the Alabama Real Estate License Law?

- a. An attorney at law handling real estate duties for a client as an attorney at law
- b. A bona fide owner of real estate performing acts incident to the management of such property
- c. An executor of an estate acting under court order
- d. A secretary in a real estate office who only shows listed properties when licensed agents are unavailable

- 19.** A broker decides to open his/her own brokerage office. With which answer must he comply?
- a. The company must use Commission-supplied employment application forms
 - b. The company must send quarterly sales records to the commission
 - c. The company must have a business telephone
 - d. The company must keep all sales records for a minimum of 5 years
- 20.** Regarding license fees, which of the following is correct?
- a. The broker's license fee is \$150 for each year
 - b. The renewal fee for education and research is \$30 per year of license renewal period
 - c. The salesperson license fee is \$85 for each two year license period
 - d. The \$30 recovery fund fee is paid on receipt of initial active license ★
- 21.** Which of the following is not required for receiving a real estate license?
- a. Resident of Alabama
 - b. Citizen of U.S. or alien with permanent resident status
 - c. 19 years of age
 - d. Person who is trustworthy and competent to transact business
- 22.** A \$25 transfer fee is required to be paid for all of the following except:
- a. Change of name
 - b. Change of real estate company
 - c. Change of residence
 - d. Transfer from inactive status to active status
- 23.** In regards to inactive license, all of the following are correct except:
- a. No act for which a license is required shall be performed under an inactive license
 - b. To have initial license issued inactive does not require \$30 payment to recovery fund
 - c. License may be renewed from period to period on inactive status by paying renewal fee
 - d. 15 clock hours of continuing education per two year period is required to renew inactive license
- 24.** A person would least likely be found guilty of misrepresentation for which of the following?
- a. Stating a home was located in wrong school district
 - b. Failing to point out several broken windows
 - c. Failing to inform buyer of a known septic tank problem
 - d. Significantly overstating the square footage in home

- 25.** The office address on the real estate company license is also the same address of the qualifying broker's residence. Which of the following is most likely true?
- a. Broker is in violation of license law
 - b. Broker has 10 or more licensed sales associates
 - c. Broker has more than one licensed office
 - d. Broker lives in rural area outside city limits or police jurisdiction
- 26.** Salesperson receiving \$5,000 cash as earnest money, depositing into personal account, then writing personal check to broker is an example of:
- a. Commingling, which is an illegal act on part of licensee
 - b. Commingling, which is acceptable due to the risk of carrying cash
 - c. Transfusion of earnest money
 - d. An acceptable action as long as check was promptly remitted to broker
- 27.** Which of the following would be an example of licensee failing to point out latent structural defect to buyer?
- a. Failure to point out to buyer paint peeling on front porch
 - b. Failure to point out to buyer the worn carpet in hallway
 - c. Failure to point out to buyer the rusted handles on kitchen cabinets
 - d. Failure to point out to buyer the defect inside the fireplace chimney
- 28.** A licensed real estate broker who engages the services of a licensed salesperson, on the basis that the broker can direct what the salesperson can do but not how it is to be done, has:
- a. Engaged an independent contractor
 - b. Discriminated illegally
 - c. Practiced steering
 - d. Established an employer-employee relationship
- 29.** A broker's license can be revoked if he or she:
- a. Advertises property for sale without including salesperson's name in the ad
 - b. Allows his or her licensed salesperson to operate a brokerage business without supervision
 - c. Pays a commission that exceeds the customary rate
 - d. Has not completed a refresher course before renewing his or her license
- 30.** Regarding the license examination, all of the following are correct except:
- a. One has 3½ hours to complete the state exam
 - b. The fee must be paid by Visa/Mastercard, cashier's check, certified check or money order
 - c. If applicant fails exam, they will receive a 50% refund
 - d. A passing score is 70% or better

- 31.** From the final hearing of any complaint brought before them, the Alabama Real Estate Commission shall render a decision on such complaint within:
- a. 15 days
 - b. 30 days
 - c. 60 days
 - d. 90 days
- 32.** Findings or ruling of the Alabama Real Estate Commission are deemed conclusive unless the accused shall appeal such findings or ruling within:
- a. 10 days
 - b. 15 days
 - c. 30 days
 - d. 60 days
- 33.** For a company to receive an Alabama Real Estate License, it must:
- a. Be incorporated in Alabama
 - b. Have a qualifying broker make application
 - c. If not incorporated in Alabama, they must sign a non-resident agreement
 - d. Post a surety bond for \$100,000
- 34.** Licensee transferring from inactive to active status must do all of the following except:
- a. Pay a \$25 transfer fee
 - b. Have a qualifying broker accepting responsibility
 - c. Transfer at license renewal time
 - d. Have completed continuing education requirements for license period
- 35.** The Real Estate Commission _____ the acceptance of net listings
- a. permits
 - b. prohibits
 - c. frowns upon
 - d. encourages
- 36.** Under what circumstance can a salesperson obtain his broker's license after only one year as a licensee?
- a. Petition the commission if he/she lists and/or sells 100 properties within the first year
 - b. There is no alternative to the two year requirement
 - c. Qualify for the five million dollar club within the first year
 - d. Be appointed temporary qualifying broker upon the death or disability of the qualifying broker

- 37.** The members of the Alabama Real Estate Commission
- a. Are appointed by the governor, with the advice and consent of the state senate
 - b. Must have been residents of Alabama for ten years and licensed broker for ten years
 - c. Serve under a chairman appointed by the Governor
 - d. Must be over age 35
- 38.** The primary purpose of the Real Estate License Law is
- a. The prevention of ruinous competition among real estate licensees
 - b. The promulgation of rules and regulations to regulate buyers & sellers
 - c. Safeguarding the interest of the general public
 - d. To raise funds for the State Revenue Department
- 39.** In order to avoid a penalty, each licensee is required to file for annual renewal of his or her license on or before
- a. August 1
 - b. August 31
 - c. September 1
 - d. September 30
- 40.** The Alabama Real Estate Recovery Fund was established for the purpose of
- a. Recovering real estate wrongfully appropriated by the legislature
 - b. Payment of damages to any person aggrieved by an act of a licensee violating the Licensing Act
 - c. Providing the funds for recovery of real estate deemed to be in a flood prone area
 - d. Payment of fines against a duly licensed real estate broker
- 41.** If you decide to appeal the Commission's decision in court, what is the amount of appeal bond you must put up?
- a. \$100
 - b. \$200
 - c. \$500
 - d. \$1,000
- 42.** As a licensee, you must present which offers?
- a. Only offers at or above the minimum amount specified by the seller
 - b. Only offers with a minimum of \$500 earnest money
 - c. Only offers the broker determines as being serious
 - d. All written offers

- 43.** A broker decides to open his/her own brokerage office. With which answer must he comply?
- a. He/She must use the Commission-approved bookkeeping
 - b. He/She must have the Commission's recommended minimum square footage per salesperson
 - c. He/She must keep his office open at least four hours a day, at least five days a week
 - d. He/She must locate his/her office, if within city limits, in an area zoned for that type of business
- 44.** A person does not need a real estate license to handle the sale of a house for
- a. His/her grandparents
 - b. His/her grandchildren
 - c. His/her parents
 - d. His/her minister
- 45.** How soon after passing the state licensing exam does a potential licensee have to get a qualifying broker to sponsor him/her?
- a. 30 days
 - b. 60 days
 - c. 90 days
 - d. 180 days
- 46.** Under Act 2025-59, effective April 18, 2025, a written buyer agreement must be obtained:
- a. Before showing any property to the buyer
 - b. Before submitting an offer to purchase on behalf of the buyer ★
 - c. At the time of closing
 - d. Within 48 hours of the first property showing
- 47.** Under Act 2025-380, the term "Transaction Broker" has been replaced with:
- a. Neutral Agent
 - b. Non-Agent Facilitator
 - c. Transaction Facilitator ★
 - d. Designated Intermediary
- 48.** Designated Single Agency, as established by Act 2025-380, allows:
- a. One licensee to represent both buyer and seller with written consent
 - b. Two different licensees in the same company to separately represent the buyer & seller ★
 - c. A broker to designate any salesperson to handle all dual agency transactions
 - d. Out-of-state brokers to represent Alabama buyers

49. After a real estate transaction closes, the broker must disburse trust funds to the appropriate parties within:

- a. 24 hours
- b. 3 business days
- c. 7 days
- d. 10 business days

50. As of October 1, 2025, the maximum disciplinary fine the Alabama Real Estate Commission may impose per violation is:

- a. \$2,500
- b. \$3,500
- c. \$5,000 ★
- d. \$10,000

ANSWER KEY

License Law Exam 2 – Updated for 2025

Key Updates:

- Q6 (D): Exam time limit is 6 months after course completion
- Q14 (B): Recovery Fund fee is \$30, not \$25
- Q46 (B): Written buyer agreement before submitting offer (Act 2025-59)
- Q47 (C): Transaction Facilitator replaces Transaction Broker (Act 2025-380)
- Q48 (B): Designated Single Agency - two licensees, same company (Act 2025-380)
- Q50 (C): Maximum fine increased to \$5,000 (Act 2025-380)

1. C	11. C	21. A	31. B	41. B
2. A	12. A	22. C	32. C	42. D
3. C	13. C	23. D	33. B	43. D
4. D	14. B ★	24. B	34. C	44. C
5. B	15. C	25. D	35. B	45. C
6. D ★	16. B	26. A	36. D	46. B ★
7. C	17. C	27. D	37. A	47. C ★
8. B	18. D	28. A	38. C	48. B ★
9. C	19. C	29. B	39. B	49. C ★
10. B	20. D ★	30. C	40. B	50. C ★

★ = Updated or key 2025 change