RECAD

Real Estate Consumer's Agency Disclosure Act

A Part of ***Alabama License Law***

Student Guide & Practice Test

Updated for Alabama Acts 2025-59 & 2025-380

Effective Dates: April 18, 2025 | October 1, 2025

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RECAD Introduction

The Real Estate Consumer's Agency Disclosure Act, commonly known as RECAD, is found under Article 4 of Alabama real estate law. RECAD's purpose is to inform consumers about their rights to representation and the options available to them when they establish a relationship with a real estate licensee. It also informs consumers that licensees may represent another party in the same transaction.

RECAD does the following:

- Defines the roles an Alabama licensee may fill when working with consumers
- Specifies requirements for written disclosures and brokerage agreements
- Explains the types of agency relationships that are allowed
- Details the required brokerage and agency disclosures
- Outlines the duties that Alabama licensees owe to their clients and customers

2025 UPDATE

Alabama agency law was significantly updated in 2025. Every licensee — and every student — must know these changes:

Act 2025-59 (effective April 18, 2025): Requires a signed written brokerage agreement (with terms of compensation) BEFORE a licensee submits an offer for a buyer or lists property for a seller. Consumers CANNOT be required to sign a binding agreement just to view a property.

Act 2025-380 (effective October 1, 2025): Renamed "Transaction Broker" to "Transaction Facilitator." Renamed "Limited Consensual Dual Agency" to "Dual Agency." Created "Designated Single Agency" as a new agency type. ELIMINATED sub-agency from Alabama law.

-Practice Quiz at end of packet-

Permitted Roles for Licensees in Alabama

Under current Alabama law, a licensee may act as a:

- Single Agent
- Dual Agent
- Transaction Facilitator

In addition, a brokerage may use Designated Single Agency to assign two different licensees within the same company to represent the buyer and seller separately. (Sub-agency was eliminated by Act 2025-380.)

Single Agent

A SINGLE AGENT is a licensee engaged by and representing only one party in a real estate transaction. This can be either:

- A buyer's agent, who is engaged by and represents only the buyer, or
- A seller's agent, who is engaged by and represents only the seller.

The licensee, when acting as an agent, must represent the best interests of the client by placing the client's interests ahead of any other party. A single agent must be loyal and faithful to the client.

Designated Single Agent (New 2025)

When two or more licensees under the same qualifying broker are in separate agency agreements with different parties in the same transaction, the qualifying broker can designate those licensees as single agents as to each licensee's own client. The designation must be in writing and made as soon as reasonably possible.

A designated single agent is NOT a dual agent. Neither the qualifying broker, the designated single agent, nor any other licensee involved in the transaction is assumed to have knowledge of any other party with whom the licensee has not entered an agency agreement. This relationship was newly defined in Alabama law by Act 2025-380.

Dual Agent

A DUAL AGENT is a licensee — who is an individual — acting as an agent for BOTH the buyer and the seller in the same transaction. This may only be done with the written, informed consent of all parties. A dual agent must be loyal and faithful to each client, except where the duties owed to the clients conflict with one another.

Transaction Facilitator

A TRANSACTION FACILITATOR assists one or more parties, who are customers, in a sale. This describes a brokerage arrangement whereby the licensee assists one or more parties in a contemplated real estate transaction without being the agent, fiduciary, or advocate of any party to the transaction. The transaction facilitator may act as an intermediary between buyers and sellers.

A licensee may serve as a transaction facilitator to a single party or to both the buyer and seller. A licensee may also represent one party as an agent and serve as a transaction facilitator for the other party in the transaction.In the absence of an agency agreement, a licensee is presumed to be acting as a transaction facilitator for any otherwise unrepresented party to whom the licensee is providing services.

Agency Type	Definition
Single Agent	One licensee represents one party only — full fiduciary duties to that client (buyer OR seller).
Dual Agent	One licensee (or the same brokerage firm) represents BOTH buyer and seller in the same transaction. Requires written, informed consent of all parties. Formerly called "Limited Consensual Dual Agency."
Designated Single Agency (NEW)	Two DIFFERENT licensees within the SAME company each represent one party separately. Each owes full fiduciary duties to their own client. Resolves intra-brokerage conflict-of-interest issues.
Transaction Facilitator	Licensee assists parties without being an agent, fiduciary, or advocate for either. Formerly called "Transaction Broker." Terms are synonymous.

EXAM TIP

Sub-agency has been ELIMINATED in Alabama as of October 1, 2025 (Act 2025-380). If you see "sub-agent" as an answer choice on the state portion of the exam, it is almost certainly wrong unless the question is specifically asking about historical definitions or out-of-state co-brokerage situations.

STUDY TIP

Easy way to remember the four roles:

Single Agent = one licensee, one client.

Dual Agent = one licensee, two clients (both parties).

Designated Single Agency = two licensees in the same firm, each with their own client.

Transaction Facilitator = no agency at all — just service.

STUDY TIP

Client vs. Customer vs. Consumer (a common exam trap):

CLIENT has signed an agency agreement (a contract). CUSTOMER is provided service but has NO agency contract. CONSUMER is anyone who walks in the door looking for information. Think of consumer as the big circle, with customer inside it, and client inside that.

Key Terms & Definitions

Agency Agreement — A written agreement between a broker and a client that creates a fiduciary relationship between the broker and the principal (commonly referred to as a client).

Broker — A person licensed as a real estate broker.

Brokerage Agreement — A specific written agreement between a brokerage firm and a consumer that establishes a brokerage relationship. It must contain a statement of the terms and conditions of the brokerage services to be provided.

Brokerage Service — Any service — except for rental or property management services — provided by a broker or licensee to a consumer, for which a real estate license is required.

Client — A person who has an agency agreement with a broker for brokerage services. May be either a buyer or a seller.

Consumer — A person who obtains information, advice, or services concerning real estate from a real estate licensee. This is the broadest term — every client and every customer is also a consumer.

Customer — A person who is provided brokerage services by a broker or licensee but with whom NO agency relationship exists.

Designated Single Agency — Two different licensees within the SAME company each separately represent the buyer and seller, with each licensee owing full fiduciary duties to their respective client. Created by Act 2025-380.

Dual Agency — An agency relationship in which the same brokerage firm — or one individual licensee — represents BOTH the buyer and the seller in the same contemplated transaction. Requires written, informed consent of all parties.

Informed Consent — A consumer's agreement to allow something to happen, based on full disclosure of the facts needed to choose an appropriate brokerage service.

Licensee — Any broker, salesperson, or company holding an Alabama real estate license.

Material Fact — A fact significant to a reasonable party that affects the party's decision to enter into a real estate contract.

Qualifying Broker — A broker under whom a business entity is licensed, or who is licensed as a sole proprietor, responsible for supervising the acts of the company or proprietorship and all real estate licensees licensed with the broker.

Real Estate Transaction — The purchase, sale, lease, rental, option, or exchange of an interest in real estate.

Single Agent — A licensee engaged by and representing only one party in a real estate transaction.

Subagent — Historically, a licensee empowered to act for another broker, owing the same duties to the principal as the agent of the principal. NOTE: Sub-agency was ELIMINATED from Alabama law by Act 2025-380, effective October 1, 2025.

Transaction Facilitator — A licensee who assists one or more parties (who are customers) in a real estate transaction without being the agent, fiduciary, or advocate of any party. Formerly called "Transaction Broker" — the terms are synonymous.

RECAD and Brokerage Policies

- When a broker enters into a brokerage agreement, license law requires that a statement of the terms and conditions of the brokerage services be included.
- If there is no written brokerage agreement, the default brokerage relationship is transaction facilitation, since no agency exists without a written agreement.
- When the consumer signs a brokerage agreement, or participates with the broker as a transaction facilitator, those actions constitute the consumer's acceptance of the relationship and the services the broker will provide.
- If a consumer wants to pick and choose services, and neither the written brokerage agreement nor transaction facilitation fits the situation, the consumer and broker may enter into a separate agreement not identified in the written disclosure form (Article 4, §34-27-82[h]). All relationships that licensees form with consumers require broker approval.
- RECAD requires that licensees know the types of service agreements they may enter into with consumers and their consumer disclosure requirements.
- RECAD requires brokers to adopt written agency disclosure office policies that specify the types of brokerage service agreements their licensees can enter into, as well as licensee disclosure requirements.

Agency Disclosure Office Policy Requirements

The qualifying broker must provide every licensee with a copy of the agency disclosure office policy that specifies the types of agency relationships allowed. Qualifying brokers must also explain the policy to licensees at least annually. In addition, each licensee must acknowledge receipt and understanding of the policy in writing. The brokerage must retain a copy of this acknowledgment for at least three years.

EXAM ALERT

Office policy acknowledgments must be retained for at LEAST 3 YEARS. This is a frequently tested number.

Real Estate Brokerage Services Disclosure Form

- RECAD required the Alabama Real Estate Commission (AREC) to create the Real Estate Brokerage Services Disclosure form.
- This form describes the alternative types of brokerage services available to consumers in Alabama transactions. Licensees must use this form except when they are engaged solely in rental or property management services.
- The form is not required for certain business and government transactions, such as those involving a corporation, non-profit corporation, professional corporation, professional association, limited liability company, partnership (including partnerships created under the Uniform Partnership Act, commencing at Section 10-8A-101), real estate investment trust, business trust, charitable trust, family trust, or any governmental entity.
- Licensees must provide this disclosure form to the consumer as soon as reasonably possible and BEFORE any confidential information is disclosed to any other person by the licensee.
- Licensees must inform the consumer of the types of brokerage services offered at the brokerage.
- The LICENSEE is required by AREC to sign and date the form. Consumers are NOT required by law to sign the form, but licensees should encourage them to do so. If a consumer refuses to sign, the licensee should make a note to that effect on the form.
- After reading the form, consumers may select the brokerage arrangement they want.
- When serving as a transaction facilitator, the licensee's duties to the parties are limited to ministerial duties and do NOT include advocacy, representation, or fiduciary responsibilities.
- Licensees must provide disclosure forms to buyers and sellers, and all Alabama real estate firms must use the same agency disclosure forms (which AREC provides on its website).

Real Estate Purchase Agreements

- RECAD requires purchase agreements to clearly designate who represents whom.
- Purchase agreements must include an agency disclosure clause.
- This clause defines whether the agents involved in the transaction are sellers' agents, buyers' agents, dual agents, or transaction facilitators.

2025 UPDATE

Written Brokerage Agreement Required (Act 2025-59): A written agreement is required by law prior to a licensee listing a property on a seller's behalf or submitting an offer on a buyer's behalf for compensation. Consumers CANNOT be required to sign a binding agreement merely to view a property.

AREC Real Estate Brokerage Services Disclosure on NEXT PAGE

THIS IS PROVIDED FOR INFORMATION PURPOSES. THIS IS NOT A CONTRACT.

REAL ESTATE BROKERAGE SERVICES DISCLOSURE

➢ Alabama law requires you, the consumer, to be informed about the types of services that real estate licensees may perform. The Alabama Real Estate Commission requires the real estate licensee to sign, date, and provide you a copy of this form. Your signature is not required by law or rule, but it would be appreciated. The purpose of this disclosure is to give you a summary of these services.

A SINGLE AGENT is a licensee who represents only one party in a sale. That is, a single agent represents his or her client. The client may be the seller or the buyer. The licensee when acting as an agent must represent the best interests of the client by placing the interests of the client ahead of the interests of any other party. In a real estate transaction, when a real estate licensee is employed as an agent, the licensee is obligated to advise and advocate for the best interests of his or her client. A single agent must be loyal and faithful to the client.

When two or more licensees under the same qualifying broker are in separate agency agreements with a different party in the same transaction, the qualifying broker can designate those licensees as single agents as to the licensee's client. The designation must be in writing and done as soon as reasonably possible. A designated single agent is not a dual agent, and neither the qualifying broker, the designated single agent, nor any other licensee involved in the transaction shall be assumed to have knowledge to any other party with whom the licensee has not entered an agency agreement.

A DUAL AGENT is a licensee, who is an individual, acting as an agent for both the buyer and the seller. This may only be done with the written, informed consent of all parties. This type of agent must also be loyal and faithful to each client, except where the duties owed to the clients' conflict with one another.

A TRANSACTION FACILITATOR assists one or more parties, who are customers, in a sale. Transaction facilitator describes a brokerage arrangement whereby the real estate licensee assists one or more parties, who are customers, in a contemplated real estate transaction, without being the agent, fiduciary, or advocate of that party to the transaction. The transaction facilitator can act as an intermediary between buyers and sellers. A licensee can serve as a transaction facilitator to a single party or to both the buyer and seller. A licensee can also represent one party as an agent and serve as a transaction facilitator for the other party in the transaction. In the absence of an agency agreement, a licensee is presumed to be acting as a transaction facilitator for any otherwise unrepresented party to whom the licensee is providing services.

➢ **Alabama law imposes the following obligations on all real estate licensees to all parties in a real estate transaction:**

1. To provide services honestly and in good faith;
2. To exercise reasonable care and skill;
3. To keep confidential any information gained in confidence, unless disclosure is required by law or duty to a client, the information becomes public knowledge, or disclosure is authorized in writing;
4. To present all written offers in a timely and truthful manner when assisting a party in the negotiation of a real estate transaction; and
5. To act on behalf of the licensee or his or her immediate family, or on behalf of any other individual, organization, or business entity in which the licensee has personal interest only with a timely written disclosure of this interest to all parties to the transaction.

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➢ **Further, even if you are working with a licensee who is not your agent, there are many things the licensee may do to assist you.**

Some examples are:

1. Provide information about properties;
2. Show properties;
3. Assist in making a written offer; or
4. Provide information on financing.

You may choose which type of service you want from a licensee and sign a brokerage service agreement. If you do not sign an agreement, by law the licensee working with you is a transaction facilitator. A written agreement is required by law prior to a licensee listing a property on your behalf or submitting an offer on your behalf for compensation.

The licensee's broker is required by law to have on file an agency disclosure office policy describing the company's brokerage services and general information on how the company and licensee are compensated for the brokerage services. That agency disclosure office policy is required, in addition to this form, to be provided to you prior to the licensee providing you any brokerage services. You should feel free to ask any questions you have.

Name of Licensee

Licensee's Signature

Date

Name of Consumer

Consumer's Signature (Acknowledgement for Receipt Purposes Only)

Date

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RECAD Practice Exam — 20 Questions

Multiple Choice — Select the Best Answer

1. A person who has an agency agreement with a broker for brokerage service, whether he or she is a buyer or seller, is called a:

- **A.** Customer
- **B.** Consumer
- **C.** Client
- **D.** Principal-in-fact

2. A licensee who is empowered to act for another broker in performing real estate brokerage tasks for a principal, and who owes the same duties to the principal as the agent of the principal, is called a:

- **A.** Subagent
- **B.** Designated agent
- **C.** Transaction facilitator
- **D.** Dual agent

3. A written agreement between a broker and a client that creates a fiduciary relationship between the broker and the principal (commonly referred to as a client) is called a(n):

- **A.** Brokerage Agreement
- **B.** Agency Agreement
- **C.** Listing Disclosure
- **D.** Office Policy Agreement

4. A consumer's agreement to allow something to happen, based upon full disclosure of facts needed to choose appropriate brokerage services, is called:

- **A.** Mutual assent
- **B.** Informed consent
- **C.** Implied authority
- **D.** Ratification

5. A licensee who assists one or more parties in a contemplated real estate transaction without being an agent, fiduciary, or advocate for the interest of any party is called a:

- **A.** Single Agent
- **B.** Dual Agent
- **C.** Transaction Facilitator
- **D.** Designated Single Agent

6. A licensee who, with written consent of all parties to a contemplated real estate transaction, is engaged as an agent for both the buyer and the seller is called a:

- **A.** Designated Single Agent
- **B.** Sub-agent
- **C.** Dual Agent
- **D.** Transaction Facilitator

7. A specific written agreement between a brokerage firm and a consumer that establishes a brokerage relationship and contains the terms and conditions of the brokerage services to be provided is called a(n):

- **A.** Agency Agreement
- **B.** Brokerage Agreement
- **C.** RECAD Disclosure
- **D.** Office Policy

8. A licensee who is engaged by and represents only one party in a real estate transaction is called a:

- **A.** Single Agent
- **B.** Dual Agent
- **C.** Transaction Facilitator
- **D.** Consumer Agent

9. A person who is provided brokerage services by a broker or licensee but who is not a client of the broker is called a:

- **A.** Client
- **B.** Customer
- **C.** Principal
- **D.** Subagent

10. A person who obtains information, advice, or services concerning real estate from a real estate licensee is called a:

- **A.** Client
- **B.** Customer
- **C.** Consumer
- **D.** Principal

11. An agency relationship in which the same brokerage firm represents both the seller and the buyer in the same real estate transaction is known as:

- **A.** Sub-agency
- **B.** Designated Single Agency
- **C.** Dual Agency
- **D.** Transaction Facilitator relationship

12. Under Act 2025-380, effective October 1, 2025, two different licensees within the SAME company may each separately represent the buyer and the seller in the same transaction, with each licensee owing full fiduciary duties to their respective client. This NEW agency type is called:

- **A.** Dual Agency
- **B.** Sub-agency
- **C.** Designated Single Agency
- **D.** Limited Consensual Agency

13. Under the 2025 RECAD updates (Act 2025-380), which of the following agency relationships has been ELIMINATED from Alabama law?

- **A.** Dual Agency
- **B.** Sub-agency
- **C.** Single Agency
- **D.** Transaction Facilitator

14. Per Alabama law, when must the RECAD disclosure be presented to a consumer?

- **A.** At the closing table, before signing the deed
- **B.** Before any brokerage services are performed, including showing property, and before any confidential information is disclosed
- **C.** Only when the consumer requests it in writing
- **D.** Within 10 business days after the offer is accepted

15. Regarding the signing of the RECAD form, which statement is TRUE under Alabama law?

- **A.** Both the licensee and the consumer are required to sign the form
- **B.** Only the consumer is required to sign; the licensee's signature is optional
- **C.** The licensee MUST sign the form; the consumer is asked but is NOT required to sign
- **D.** Neither party is required to sign as long as the form is delivered

16. Under Act 2025-59, effective April 18, 2025, when must a written brokerage agreement that includes terms of compensation be signed by a buyer?

- **A.** Before the buyer views any property
- **B.** Before the licensee submits an offer on behalf of the buyer
- **C.** Only at the closing
- **D.** Within 72 hours of the first showing

17. Under Act 2025-59, may a real estate licensee require a consumer to sign a binding brokerage contract simply to VIEW a property?

- **A.** Yes, in all cases
- **B.** Yes, but only for properties listed above $500,000
- **C.** No, consumers cannot be required to sign a binding agreement just to view a property
- **D.** Yes, but only with broker approval

18. Per Act 2025-380, the agency term formerly known as 'Transaction Broker' is now referred to as:

- **A.** Dual Agent
- **B.** Designated Single Agent
- **C.** Transaction Facilitator
- **D.** Sub-agent

19. If a consumer declines to sign the RECAD disclosure form after the licensee presents it, what is the licensee required to do?

- **A.** Refuse to provide any further brokerage services
- **B.** Document on the form that the consumer declined to sign
- **C.** Report the consumer to AREC within 10 days
- **D.** Have a witness sign the form on the consumer's behalf

20. A brokerage firm's office policy regarding agency must specify which agency types the brokerage offers. How long must records of licensee acknowledgement of the office policy be retained?

- **A.** 1 year
- **B.** 2 years
- **C.** 3 years
- **D.** 5 year

ANSWER KEY

Q#	A	Q#	A	Q#	A	Q#	A
1.	C	2.	A	3.	B	4.	B
5.	C	6.	C	7.	B	8.	A
9.	B	10.	C	11.	C	12.	C
13.	B	14.	B	15.	C	16.	B
17.	C	18.	C	19.	B	20.	C