

# Alabama Post-License Salesperson Practice Exam (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

- 1. What principle suggests that similar properties in the market result in lower prices?**
  - A. Conformity**
  - B. Competition**
  - C. Contribution**
  - D. Plottage**
- 2. What does a tie-in arrangement in real estate involve?**
  - A. Setting service rates unlawfully**
  - B. Offering a discount for bundled services**
  - C. Requiring purchase of one service with another**
  - D. Colluding with competitors for pricing**
- 3. What type of education is mandatory for real estate licensees in Alabama to maintain their license?**
  - A. Only high school education**
  - B. Professional-specific continuing education courses**
  - C. General business courses**
  - D. No education is required**
- 4. What is the term for the gathering of all parties to settle a transaction?**
  - A. Group Closing**
  - B. Face-to-Face Closing**
  - C. Consolidated Closing**
  - D. Joint Settlement**
- 5. What does the term “insurable title” refer to?**
  - A. A title that guarantees financial profit**
  - B. A title requiring legal litigation**
  - C. A title that an insurance company is willing to insure without major issues**
  - D. A title that can be transferred without restriction**

- 6. Which type of insurance protects the policy owner against financial loss due to defective title?**
- A. Property Insurance**
  - B. Title Insurance**
  - C. Liability Insurance**
  - D. Homeowners Insurance**
- 7. What type of listing is illegal in Alabama?**
- A. Exclusive right to sell**
  - B. Net listing**
  - C. Flat-fee listing**
  - D. Exclusive agency listing**
- 8. What is the definition of real property?**
- A. Anything that's not real property**
  - B. A cash incentive given to parties**
  - C. Real estate along with its associated benefits and rights**
  - D. A practice of lenders to refuse lending**
- 9. What is the prerequisite for obtaining a post-license in Alabama?**
- A. Working under an experienced broker**
  - B. Completing 30 hours of approved post-license education after obtaining your initial license**
  - C. Passing a comprehensive state exam**
  - D. Having a minimum of two years of real estate experience**
- 10. When must the closing disclosure be delivered to the borrower?**
- A. 1 day before the loan closing**
  - B. At least 3 days before the loan closing**
  - C. On the day of loan closing**
  - D. 1 week before the loan closing**

## **Answers**

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1. B
2. C
3. B
4. B
5. C
6. B
7. B
8. C
9. B
10. B

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## **Explanations**

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**1. What principle suggests that similar properties in the market result in lower prices?**

- A. Conformity**
- B. Competition**
- C. Contribution**
- D. Plottage**

The principle that suggests that similar properties in the market result in lower prices is based on the concept of competition. When multiple properties of similar characteristics are available within a given market, buyers have options to choose from. This abundance of choices allows them to compare prices and features, leading sellers to adjust their pricing strategies to remain competitive. As a result, if one property is priced significantly higher than others with comparable features, buyers are likely to opt for the less expensive alternatives. Hence, the presence of competition among similar properties can drive prices down, reflecting the market's supply and demand dynamics. Conformity focuses on how properties tend to be valued based on their similarity to other properties in the area rather than price competition. Contribution relates to how specific improvements contribute to a property's overall value, while plottage deals with the increased value of combining multiple parcels of land. Each of these principles offers insights into real estate valuation, but competition directly addresses how market pricing is influenced by the availability of similar properties.

**2. What does a tie-in arrangement in real estate involve?**

- A. Setting service rates unlawfully**
- B. Offering a discount for bundled services**
- C. Requiring purchase of one service with another**
- D. Colluding with competitors for pricing**

A tie-in arrangement in real estate refers specifically to the practice of requiring a buyer or a seller to purchase one service or product in order to obtain another service or product. This type of arrangement can create a disadvantage for consumers by limiting their choices and potentially inflating costs, as they might be compelled to use a service they do not actually want or need. This practice is often viewed unfavorably in real estate and related industries because it can restrict competition and hinder the ability of consumers to freely choose among various service providers. For example, if a real estate agent insists that a buyer must use their recommended mortgage broker or insurance provider to complete a transaction, this would be considered a tie-in arrangement. In contrast, options regarding unlawful setting of service rates, offering discounts for bundled services, or colluding with competitors do not accurately capture the essence of what a tie-in arrangement is. Thus, understanding tie-in arrangements is crucial for compliance with regulations and for fostering fair competition in the real estate market.

**3. What type of education is mandatory for real estate licensees in Alabama to maintain their license?**

- A. Only high school education**
- B. Professional-specific continuing education courses**
- C. General business courses**
- D. No education is required**

To maintain their real estate licenses in Alabama, licensees must complete professional-specific continuing education courses. This requirement ensures that real estate professionals stay current with industry practices, legal updates, and ethical standards, thereby enhancing their effectiveness in the market and safeguarding the interests of the clients they serve. By engaging in ongoing education, licensees can further develop their skills and knowledge in various aspects of real estate, including contracts, financing, market trends, and regulatory changes. Other options do not align with the requirements established by the Alabama Real Estate Commission. Solely having a high school education does not fulfill the prerequisites for maintaining a real estate license. General business courses, while potentially beneficial, do not meet the specific continuing education criteria set by the commission. Lastly, stating that no education is required is inaccurate, as active licensees must adhere to the educational standards outlined by the regulatory body to ensure competency and professionalism within the industry.

**4. What is the term for the gathering of all parties to settle a transaction?**

- A. Group Closing**
- B. Face-to-Face Closing**
- C. Consolidated Closing**
- D. Joint Settlement**

The term "Face-to-Face Closing" specifically refers to the in-person meeting of all parties involved in a real estate transaction to finalize the deal. During this meeting, all necessary documents are signed, and payments are made, allowing for the transfer of ownership to occur smoothly. This type of closing emphasizes personal interaction, ensuring clarity and establishing a direct line of communication among all parties, which can help resolve any last-minute issues or questions immediately. Gathering all parties physically can also foster a sense of trust and transparency, integral to the real estate process. While other terms may refer to various aspects of the closing process, "Face-to-Face Closing" captures the essence of this important transaction milestone by highlighting the direct engagement of all involved.

**5. What does the term “insurable title” refer to?**

- A. A title that guarantees financial profit**
- B. A title requiring legal litigation**
- C. A title that an insurance company is willing to insure without major issues**
- D. A title that can be transferred without restriction**

The term “insurable title” specifically refers to a title that an insurance company is willing to insure without major issues. This means that the title is clear of any significant defects or encumbrances that could lead to disputes or claims against it in the future. An insurable title typically ensures that the buyer is protected against potential legal challenges regarding ownership or rights to the property, making it a favorable condition for both buyers and lenders as it mitigates risks associated with property disputes. In practical terms, when a title is insurable, it implies that a title insurance policy can be issued based on that title, providing financial security to the policyholder in the event a claim arises. This assurance is crucial in real estate transactions, as buyers want to ensure they are making a sound investment in which they hold rightful ownership without fear of losing it due to unforeseen legal complications.

**6. Which type of insurance protects the policy owner against financial loss due to defective title?**

- A. Property Insurance**
- B. Title Insurance**
- C. Liability Insurance**
- D. Homeowners Insurance**

The correct answer is Title Insurance, which specifically protects property buyers and owners against financial loss resulting from defects in the title of a property. Title defects can include issues such as outstanding liens, encumbrances, or claims by other parties that could affect ownership. When a property is purchased, a thorough title search is usually conducted to identify any such issues, but some hidden defects may still arise after the transaction is complete. Title insurance provides peace of mind by covering the costs associated with resolving these issues, ensuring that the policyholder does not suffer financial loss owing to a problem with the title. In contrast, Property Insurance typically covers the physical structure and content of a property against risks such as fire or theft but does not address title issues. Liability Insurance protects against claims of negligence or harm caused to others, which is unrelated to property title concerns. Homeowners Insurance generally bundles property and liability coverage for residential properties, but again, it does not focus on the specific risks associated with title defects. Thus, Title Insurance is the primary type of insurance that addresses financial losses due to defective titles.

## 7. What type of listing is illegal in Alabama?

- A. Exclusive right to sell
- B. Net listing**
- C. Flat-fee listing
- D. Exclusive agency listing

A net listing is illegal in Alabama because it can create ethical issues and conflicts of interest between the real estate agent and the seller. In a net listing, the agent's commission is based on the difference between the sale price and a predetermined net amount that the seller wishes to receive. This arrangement can incentivize agents to sell a property for significantly more than what the seller wants in order to increase their own commission, which could lead to a lack of transparency and fairness in the transaction. State regulations aim to protect consumers and promote ethical practices in real estate transactions, making net listings not permissible under Alabama law.

## 8. What is the definition of real property?

- A. Anything that's not real property
- B. A cash incentive given to parties
- C. Real estate along with its associated benefits and rights**
- D. A practice of lenders to refuse lending

The definition of real property encompasses real estate along with its associated benefits and rights. Real property includes the land itself, any structures that are permanently attached to it, and the rights that come with ownership, such as the right to use it, lease it, or sell it. This holistic view is essential in real estate, as it recognizes that property ownership is not just about the physical land and buildings but also about the legal entitlements that allow the owner to use and profit from the property. Understanding this definition is vital for real estate professionals because it informs how properties can be marketed, transferred, and valued in the context of real estate transactions. The concept of real property is foundational in distinguishing it from personal property, which refers to movable items that do not have a permanent attachment to the land.

**9. What is the prerequisite for obtaining a post-license in Alabama?**

- A. Working under an experienced broker**
- B. Completing 30 hours of approved post-license education after obtaining your initial license**
- C. Passing a comprehensive state exam**
- D. Having a minimum of two years of real estate experience**

In Alabama, obtaining a post-license requires the completion of 30 hours of approved post-license education after securing your initial real estate license. This education is essential as it provides new licensees with the necessary knowledge and skills to effectively conduct real estate transactions and understand the nuances of the industry. This requirement demonstrates the state's commitment to ensuring that real estate professionals are well-equipped to serve clients and navigate the complexities of real estate law and practices. While other options may sound reasonable, they do not represent the correct prerequisite for post-licensing in Alabama. For instance, working under an experienced broker is beneficial but not a formal requirement for post-licensing; it's more about mentorship and gaining practical insights. Similarly, passing a comprehensive state exam is a prerequisite for obtaining the initial license but is not tied to the post-license process. Lastly, having a minimum of two years of real estate experience is not relevant to post-license education requirements, as the focus is on the education received after obtaining the initial license rather than prior experience in the field.

**10. When must the closing disclosure be delivered to the borrower?**

- A. 1 day before the loan closing**
- B. At least 3 days before the loan closing**
- C. On the day of loan closing**
- D. 1 week before the loan closing**

The closing disclosure must be delivered to the borrower at least three days before the loan closing. This timing is critical as it provides borrowers with sufficient opportunity to review the final terms and costs of the mortgage. The three-day window is designed to ensure that borrowers have adequate time to understand the financial obligations they are undertaking and to ask questions about any aspects of the mortgage they may not fully comprehend. This requirement aims to promote transparency and informed decision-making in the home-buying process. By receiving the closing disclosure in advance, borrowers can compare these terms against their initial loan estimate and ensure that there are no unexpected changes that could affect their financial situation.