



State of Alabama  
Real Estate Commission

# UPDATE

SPECIAL RENEWAL ISSUE 2002

## LICENSE RENEWAL: DO IT ONLINE NOW!

By D. Philip Lasater, Executive Director

**Save Time.  
Receive  
Instant  
Confirmation  
of Renewal.**

[www.arec.state.al.us](http://www.arec.state.al.us)

All that is necessary to accomplish the renewal of your 2003-2004 real estate license is to go to the Commission Web site at [www.arec.state.al.us](http://www.arec.state.al.us).

Click the "Online License Renewals" quick link and follow the prompts. It is really that simple. Be confident of your successful renewal. Eliminate the hassle and uncertainty. You do not have to wait for a form in the mail. You will not have to read any more or any further about it — enough said . . . **"Just Do It!"**

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# RISC Awarded Group Errors And Omissions Insurance Program

By Cindy Rice Grissom, Rice Insurance Services Company, L.L.C.

**T**he Alabama Real Estate Commission has selected Rice Insurance Services Company, LLC (RISC) to provide the group errors and omissions insurance program beginning October 2002. The carrier for the program is Medmarc Casualty Insurance Company, rated "A (Excellent)" by A.M. Best. RISC is the current provider for nine (9) of the thirteen (13) states that have contracts for mandated programs. RISC is a leader in specialty insurance products and in customizing professional liability insurance programs to meet specific group needs.

The success of the state program depends upon the participation of Alabama licensees. RISC is offering a three-tiered premium rate for Alabama licensees based upon residential sales, years licensed, and claims experience. The three-tiered program with coverage of \$100,000 per claim and \$300,000 aggregate coverage per licensee is offered as follows:

## ■ TIER 1

**Broker/Salesperson licensees whose business activity meets the following criteria:** 70% of income from all real estate activities must be derived from residential sales; licensee must have been licensed for five (5) years or more and had no claims within the past five (5) years. The premium rate for Tier 1 is \$180 per licensee per year. Residential sales include sale of single family home, 1-4 unit rental properties and vacant lots zoned for residential use.

## ■ TIER 2

**Broker/Salesperson licensees whose business activity meets the following criteria:** 70% of income from all real estate activities must be derived from residential sales; licensee must have had no claims within the past five (5) years with loss (judgment or settlement) or loss adjustment expenses (legal fees and defense costs) paid or currently reserved over \$5,000. There is no work experience requirement. The premium rate for Tier 2 is \$220 per licensee per year.

## ■ TIER 3

**Firm licensees and all other Broker/Salesperson licensees who do not qualify for Tier 1 or Tier 2.** The Premium Rate for Tier 3 is \$250 per licensee per year.

Appraisers are covered under this program and may purchase coverage under the Tier 3 premium rate. Also, licensees will be able to purchase endorsements to the basic policy, which provide additional coverage. Firms will be able to purchase higher limits of coverage with an additional \$250,000, \$500,000 or \$1,000,000 excess policy.

RISC is excited about providing the Alabama E&O program and about educating Alabama licensees about the policy coverage. The limits of liability for the policy are \$100,000 per licensee per claim with a \$300,000 annual aggregate. The policy is a claims-made policy, meaning it covers claims made and reported in writing to the company during the policy

period or any applicable extended reporting period.

RISC is the only provider in the E&O market who has a dedicated office for policy issuance and administration and claims handling. Our office specializes in customer service and has over twelve (12) years of experience in handling real estate E&O claims. Effective claims management is a powerful tool in minimizing costs for the licensees, so RISC will be providing risk reduction guidelines, articles and information on preventing claims. In addition, RISC will be providing, at no cost, a three (3) hour seminar to Alabama licensees who join the group program. This seminar will address policy information, claims experience and risk reduction and has been approved by the Commission for three (3) hours elective continuing education credit. The seminar will be given at various locations in the state during July 2002. Details on the seminar were provided in the informational mailing from RISC in June.

The Commission and RISC are dedicated to ensuring the long-term success of the group E&O insurance program. Please help make that success possible by participating in the group program. Applications and additional information on the program were mailed to all brokers in June. Any questions about the group program should be directed to RISC at 1.800.637.7319 or P. O. Box 6709, Louisville, Kentucky 40206-0709. RISC looks forward to hearing from Alabama licensees and to working with each and every one of you. ■

# E&O AT A GLANCE

## GROUP COVERAGE

Those who buy our state group insurance do not have to furnish any certificate to the Commission office or keep any proof of insurance in their file. The state group carrier will report to the Commission directly.

## OPTIONAL COVERAGE

**For Renewal:** For active license renewals those who buy optional coverage must obtain the required certificate from their insurance carrier and must keep the certificate in their file. The certificate is not to be filed with the Commission office.

**For New License Issuance:** For active license issuance those who buy optional coverage must file the required certificate from their insurance carrier with the Commission office. This is to be done along with their license application.

## RECIPROCAL LICENSEES

**For Renewal:** Those who renew an active reciprocal license must keep in their file a photocopy of their current, active license in their home state. This photocopy is not to be filed with the Commission office.

**For New License Issuance:** Those who apply for an active reciprocal license who are covered by a state group in their home state must file with the Commission office a certificate of licensure from their home state showing the coverage. ■

# DISCIPLINARY ACTIONS TAKEN

February through May 2002

**Disposition:** The below were found guilty for violation of Section 34-27-36(a)(16) by presenting to the Alabama Real Estate Commission, as payment for a fee or fine, a check which was returned unpaid by the bank upon which it was drawn.

**Name:** Glenda W. Alverson, Inactive Associate Broker, Muscle Shoals, Alabama

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** Michael A. Stone, Qualifying Broker, Columbus, Mississippi

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** Carlota Osborn, Inactive Salesperson, Huntsville, Alabama

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** Theresa M. Henry, Salesperson, Huntsville, Alabama

**Date of Hearing:** May 23, 2002, Fined \$250

**Disposition:** The below were found guilty for violation of Rule 790-X-3-.01 via Section 34-27-36(a)(19) for changing his or her place of business as set out on his or her numbered license certificate, and failing to notify the commission in writing within 30 days after the change.

**Name:** James W. Elliott, Qualifying Broker, Pelham, Alabama

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** James H. Belcher, Qualifying Broker, Pelham, Alabama

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** John G. Moss, Jr., Qualifying Broker, Birmingham, Alabama

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** Doug H. Hollyhand, Qualifying Broker, Northport, Alabama

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** Riley B. Smith, Qualifying Broker, Huntsville, Alabama

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** Judy S. Maxwell, Qualifying Broker, Birmingham, Alabama

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** Robert Spring Bateman, Qualifying Broker, Mobile, Alabama

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** Thomas E. Greenhaw, Qualifying Broker, Fortson, Georgia

**Date of Hearing:** March 28, 2002, Fined \$250

**Name:** Paul T. Ragland, Qualifying Broker, Huntsville, Alabama

**Date of Hearing:** April 26, 2002, Fined \$250

**Name:** David R. McAnally, Qualifying Broker, Huntsville, Alabama

**Date of Hearing:** April 26, 2002, Fined \$250

**Name:** Thomas S. Gleason, Sr., Qualifying Broker, Mobile, Alabama

**Date of Hearing:** April 26, 2002, Fined \$250

**Name:** David Scott McLain, Qualifying Broker, Huntsville, Alabama

**Date of Hearing:** May 23, 2002, Fined \$250

**Disposition:** The below were found guilty for violation of Section 34-27-36(a)(21) for a licensed broker to fail to disclose the true terms of a sale of real estate to all interested parties, including the absence of earnest money specified in a contract.

**Name:** Alabama Real Estate Specialists, A Corporation and Tab Bisignani, Qualifying Broker, Birmingham, Alabama

**Date of Hearing:** March 28, 2002, Fined \$1000. Mr. Bisignani has appealed this case to circuit court.

**Disposition:** The below was found guilty for violation of Section 34-27-36(a)(19) by violation or disregarding Rule 790-X-3-.03(1) by failing to pay over to the qualifying broker all funds coming into possession in trust for other parties immediately upon receipt.

**Name:** Tahira S. Atcha, Salesperson, Hoover, Alabama

**Date of Hearing:** May 23, 2002, Fined \$500

## OTHER ADMINISTRATIVE ACTIONS

### Determination for Licensure

Approved . . . . . 2  
Denied . . . . . 4

### Determination of Eligibility

Approved . . . . . 1  
Denied . . . . . 1

## COMPLAINTS AND INQUIRIES HANDLED BY LEGAL AND INVESTIGATIVE STAFF

From Licensees . . . . . 757  
From Public . . . . . 465  
Anonymous . . . . . 28

# WHAT'S NEW FOR

# RENEWAL 2002

✓ **ONLINE RENEWAL**  
Licensees can now renew their license online at [www.arec.state.al.us](http://www.arec.state.al.us).

✓ **RENEWAL NOTICE**  
Licensees who paid renewal fees prior to the mailing of renewal notices will not receive a renewal form.

✓ **ERRORS & OMISSIONS INSURANCE**  
Errors and Omissions insurance will again be a mandatory requirement for all active licenses (except sole proprietorships).

✓ **CE AND E&O PROOF**  
Proof of continuing education credit hours and errors and omissions insurance is no longer submitted to the Commission office to meet renewal requirements.

## 2003-2004 Renewal Requirements Is In Accordance With Code Of Alabama 1975, Section 34-27-35 And Rule 790-X-2-.16

- ▶ All permanent licenses will expire on **September 30, 2002**.
- ▶ **Renewal forms will be mailed by August 1, 2002**. Contact the Commission if renewal form(s) are not received by August 10, 2002, provided you had not renewed prior to the mailing date.
- ▶ **NO CHANGES** are permitted on the renewal forms.
- ▶ **The entire renewal form must be returned to the Commission**, Do not separate or write on the form for any reason.
- ▶ **Renewal Forms** with fees are due in the Commission office by **August 31, 2002** or postmarked by the U.S. Postal Service by that date.
- ▶ **Renewal Fees** are as follows:

Broker . . . . .	\$155
Salesperson . . . . .	\$135
Corporation, Partnership and Branch . . . . .	\$130
- ▶ Renewal fees received **September 1, 2002 through September 30, 2003** will be subject to a **penalty fee of \$150.00** in addition to the renewal fees.
  - Failure to meet the September 30, 2002, deadline will result in the license being placed on inactive status on October 1, 2002, and shall be subject to all reactivation requirements.
- ▶ **Renewal Late Fees** are as follows:

Broker . . . . .	\$305
Salesperson . . . . .	\$285
Corporation, Partnership and Branch . . . . .	\$280
- ▶ **Acceptable Forms of Renewal Payment:**
  - Online** (only): MasterCard, Visa, American Express, and Discover Card
  - By Mail:** personal checks, business checks, cash or any certified funds.
- ▶ An **inactive license** must be renewed the same as an active license.
- ▶ **Temporary Salesperson** licenses are not subject to renewal requirements.
- ▶ Any of the following licenses issued prior to **September 30, 2002**, will be subject to renewal requirements:
  - Original Salesperson
  - Broker/Multiple Broker
  - Reciprocal
  - Corporation, Branch, Partnership, LLC

# got computer?



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**EDUCATION CORNER**

# Commission Awards Contract to Begin Computer Administered Licensing Examinations

By Pat Anderson, Education Director

**Contractor:** Applied Measurement Professionals (AMP)  
**When:** Daily (Monday-Friday) beginning October 21, 2002  
**Cost:** \$63.00  
**Where:** Huntsville, Birmingham, Montgomery, and Mobile (exact locations to be announced later)  
**Exam Score:** Provided at test site

After an intensive competitive bid process, the Commission awarded the contract to begin administering daily licensing examinations by computer to Applied Measurement Professionals (AMP). What does this mean? It means that beginning on October 21, 2002, there will be no more monthly paper and pencil testing. Candidates for licensing examinations will be able to schedule an exam at their convenience. Candidates will be given several options for registering with AMP for the exam. Choices will include registration by phone or online with immediate confirmation, or by mail for those who prefer to pay by money order. They will be able to choose either a morning or afternoon testing session on any day Monday through Friday, excluding holidays. It also means that those who take a salesperson's or broker's licensing exam will leave the test center with a score report and a license application. There will be no more waiting ten days for a score report. It also means that if a candidate fails the exam, there will not be the typical 30-day wait between test administrations as is currently the case with monthly testing. Candidates will be able to retest as soon as three days.

The last paper and pencil exams will be given on September 21. There will be no exams given between September 21 and October 21 so that the Commission and AMP can complete the transition to computer based testing. Instructors can look for additional details in the next edition of "The Educator". AMP will also be sending out information to instructors and school administrators around the first of September.

To accomplish this competitive bid process, the Commission appointed a task force to assist in development of the Request for Proposal and to review and evaluate proposals submitted by the national testing companies. Each task force member brought talent and expertise to the process. Their dedication of time and

effort was an invaluable contribution to this project. The Commission expresses sincere gratitude to the following task force members and the organizations they represent.

**Chester Mallory and Ruth Whitley**  
Alabama Real Estate Commissioners

**Suzanna Hartley**

Real Estate Resource Specialist, Real Estate Research and Education Center, University of Alabama

**Marcia Norris**

Member, Education Trustees,  
Alabama Association of REALTORS®

**Fraser Sparkman**

President, Alabama Chapter of the  
Real Estate Educator's Association

**Pat Anderson and Chris Porter**

Alabama Real Estate Commission Education Director  
and Education Specialist

The opportunities that are represented by the change from monthly paper and pencil testing to daily computer administered testing are exciting. Those who complete prelicensing courses have more scheduling options and can become licensed much more quickly. This will prove very beneficial to the companies for whom they will work. This is just one of the ways in which the Commission is striving to use technology to benefit real estate licensees. ■

## REMINDER

### Annual Instructors' Seminar

OCTOBER 18, 2002

### Instructor Development Workshop

OCTOBER 17, 2002

Auburn Hotel and Conference Center  
Auburn, Alabama

# CE AT A GLANCE FOR LICENSE RENEWAL

- ▶ **Total CE Needed:** 15 HOURS
- ▶ **Complete by August 31, 2002:**
  - 3 HOURS in Risk Management-required
  - 3 HOURS in one of the following mandatory courses:
    - License Law
    - RECAD
    - Fair Housing
  - 9 HOURS in electives or combination of electives and remaining mandatory courses
- ▶ **Active Licensees:**  
Keep CE certificates in your file at your office.
- ▶ **Inactive Licensees:**  
Keep CE certificates at home.
- ▶ **CE Certificates Must Be Available for Commission Audit** for TWO YEARS past the date used for license renewal.
- ▶ **REMEMBER: No CE can be taken in September.**  
CE not completed by August 31 can not be taken for credit until October 1. (Section 34-27-35(j)(1) of the License Law)

## BRIEFLY LEGAL

# Sweep Escrow Accounts?

By Charles R. Sowell, General Counsel

Many financial services companies offer what are commonly called “sweep” accounts. These accounts are attractive because they pay a higher interest rate than traditional bank accounts. If your stockbroker or banker approaches you about using a sweep account for your trust or escrow account, there are some very important things you need to know.

Qualifying brokers are required by Section 34-27-36(a)(8) Code of Alabama 1975, as amended, to keep escrow funds at all times in a federally insured account or accounts in a financial institution. This means brokers may use a bank or a credit union for their accounts. The Federal Deposit Insurance Corporation (FDIC) federally insures funds deposited into standard bank accounts. Funds deposited into standard credit union accounts are federally insured by The National Credit Union Administration (NCUA). These two are the only federal deposit insurance agencies.

The “at all times” requirement of the law means that the funds must be on

deposit in the accounts all the time. This requirement and the federal insurance requirement both prevent the typical sweep account from being used for escrow funds. Here is how a typical sweep account works. The funds are withdrawn or swept out of the insured account for overnight deposit into a fund that invests in various government-backed, but not federally insured, securities. This means the funds are not at all times on deposit in a federally insured account. Therefore, the typical sweep account does not meet the requirements of the law. I might add that typical sweep accounts are not all that is prevented by the law. These requirements also prevent a broker from withdrawing funds and investing them in say, a personal trip to Las Vegas.

I have been asked to review the prospectus on several sweep accounts. None I have seen qualifies to be used by real estate brokers. I have been told that there is one that qualifies, but I have not seen it. Until I have seen it, I have to proceed on the assumption that the typical sweep account may not be used. ■

## New Data Systems Staff Member



Thomas

**Zanthus Thomas** recently joined the Commission Data Systems department as computer programmer. He is a welcome addition and will assist with designing and implementing new programs to better service licensees and consumers.

Zanthus holds a degree in computer engineering from the University of Alabama Birmingham. His work experience, in addition to programming, includes hardware, software, Web technology, network systems and other technical support.



1201 Carmichael Way  
Montgomery, Alabama 36106

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- Roy F. Bragg, Birmingham
- Thomas L. Hays, Birmingham
- Gordon Henderson, Albertville
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- Lyman A. Lovejoy, Odenville
- Chester Mallory, Montgomery
- Ruth T. Whitley, Tuscaloosa

D. Philip Lasater, Executive Director  
Vernita Oliver-Lane, Editor

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Phone: (334)242-5544  
Fax: (334)270-9118  
www.arec.state.al.us  
arec@arec.state.al.us

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**Commission Web Site  
License Search  
Information Changes**

The Commission is no longer tracking the number of continuing education credit hours and errors and omissions insurance; therefore, this information is no longer available on the Commission's Web site License Search. For CE credit earned between October 1, 2000, and October 31, 2001, refer to the CE certificates sent out by the Commission in January 2002. You should have this certificate in your file.

License status inquiry information remains available and is updated every 24 hours. Look for new features to be added to the License Search and other Web services that will soon be available.

[www.arec.state.al.us](http://www.arec.state.al.us)



**Save Time.  
Renew Online!**