



Texas Agency and Brokerage Decision Matrix

The 11-item state-law area: IABS, intermediary, appointments, client duties, broker responsibility, and unlicensed assistants, with the governing section for each rule.

What This Area Is Worth

- Agency and Brokerage carries 11 of the 40 scored items on the Texas state-law portion, the largest single state-law area.
- You need 28 correct out of 40 to pass that portion, so the whole portion allows only 12 misses.
- Six official subtopics: disclosure, intermediary practice, duties to client, broker-sales agent relationships, broker responsibility, unlicensed assistants.

A. Disclosure: the IABS Notice

- Due at the first substantive communication with a party about a specific property. Written, at least 10-point font (Sec. 1101.558(b-1)).
- Three exceptions (Sec. 1101.558(c)): a residential lease under one year with no sale considered; a party the license holder knows is represented by another license holder; a communication at a property held open, concerning that property.
- The notice informs. It never creates representation. Agency turns on agreement and conduct; Sec. 1101.563 separately requires writing before specified residential-buyer activity.

B. Intermediary Practice

- Texas does not permit dual agency. One broker on both sides is intermediary. Two agents at one brokerage is still one broker.
- Lawful only with written consent from each party, and that consent must state the source of any expected compensation (Sec. 1101.559(a)(2)).
- A listing or buyer-representation agreement authorizing intermediary is sufficient consent if it sets out the Sec. 1101.651(d) prohibited conduct in conspicuous bold or underlined print (Sec. 1101.559(b)).
- An intermediary shall act fairly and impartially (Sec. 1101.559(c)). A broker who agrees to represent both sides must act as intermediary (Sec. 1101.561(b)).

Appointments (Sec. 1101.560)

- Optional. A different associated license holder is appointed to each party, never the same person to both (Sec. 1101.560(a)).
- Allowed only if the written consent authorizes the appointment and the broker gives written notice of it to all parties (Sec. 1101.560(b)).
- An appointed license holder may provide opinions and advice during negotiations to their own party (Sec. 1101.560(c)).
- Without appointments nobody advises either party. If the stem never mentions appointments, assume there are none.

C. Duties to Client and Minimum Services

- A broker who represents a party, or lists under an exclusive agreement, is that party's agent (Sec. 1101.557(a)).
- Must inform the party of material information related to the transaction, including the receipt of an offer (Sec. 1101.557(b)(2)).
- Shall at a minimum answer the party's questions and present any offer to or from the party (Sec. 1101.557(b)(3)).
- A low offer is still presented. The broker's opinion of its merit changes nothing.

Confidential Information vs Material Defect

- May not disclose that a seller or landlord will accept less than asking, or that a buyer or tenant will pay more than a written offer, without separate written instruction (Sec. 1101.651(d)(1)-(2)).
- May not disclose confidential information, or information a party instructed in writing not to disclose (Sec. 1101.651(d)(3)).
- Carve-out: information materially relating to the condition of the property is disclosed (Sec. 1101.651(d)(3)(C)).
- Confidentiality protects the party's negotiating position. It never protects the property's condition.



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D-E. Broker and Sales Agent

- A sales agent may not engage in brokerage unless sponsored by a licensed broker and acting for that broker (Sec. 1101.351(c)).
- A sales agent may accept compensation for a transaction only from the sponsoring broker, or the broker who was sponsoring when it was earned (Sec. 1101.651(b)).
- A broker is liable to the Commission, the public, and the broker's clients for conduct under ch. 1101 by a sales agent associated with or acting for the broker (Sec. 1101.803).
- The broker must give written notice of the agent's authorized scope, and is responsible for those acts. The broker is NOT required to supervise directly, and out-of-scope acts the broker permits are the broker's too (Rule 535.2(a)).
- Supervision can be delegated; overall responsibility cannot (Rule 535.2(e)). Sec. 1101.803 has no knowledge requirement, and contractor status is irrelevant (Rule 535.2(m)).

F. Unlicensed Assistants

- Clerical or administrative staff, identified to callers as such, may confirm the size, price, and terms of advertised property (Rule 535.5(g)).
- Showing requires a license, and "show" includes unlocking or providing access and hosting an open house (Rule 535.4(c)). Soliciting or negotiating listings also requires a license (Rule 535.4(f)).
- Broker approval cannot authorize an unlicensed person to perform a licensed act (Sec. 1101.351(a)).

2026: Showings and Written Agreements

- SB 1968 added Sec. 1101.562-1101.563 effective Jan 1, 2026. These are separate from the IABS notice; analyze each duty separately.
- Showing without representation requires no agreement to represent, not acting as the party's agent, no opinions or advice, and no other act of brokerage (Sec. 1101.562(a)). The broker may still confirm size, price, and terms (Sec. 1101.562(c)).
- Own listing brokerage host: disclose owner representation; no IABS or visitor agreement merely to show. Outside host who does not represent owner: provide IABS and obtain the written agreement before showing, even if the visitor already has another broker.
- A written agreement is required before showing residential property to a prospective buyer. A showing-only agreement is non-exclusive and may last no more than fourteen days (Sec. 1101.563).

Exam Traps

- "Dual agency" is never the correct answer to a Texas question. If it appears as an option it is a distractor.
- Delivering the IABS notice does not make anyone a client.
- Intermediary consent must be written and must state the compensation source.
- "The broker did not know" is not a defense to broker responsibility.
- A sales agent may accept transaction compensation only from the sponsoring broker, or the broker who sponsored the agent when it was earned (Sec. 1101.651(b)). Rule 535.3 separately requires written consent. Consent does not authorize direct client payment.
- Do not import another state's brokerage rules into a Texas question.

My Next Review

Write the rule you missed, not the question.