TEXAS STATE LAW WORKBOOK

Texas Real Estate State-Law Master Guide

All six state-law areas in one study guide, with key distinctions, 18 original questions, complete explanations and direct official sources.

40	6	18	70%
SCORED STATE ITEMS	OFFICIAL AREAS	PRACTICE QUESTIONS	OFFICIAL MINIMUM

Reviewed September 24, 2026 | Version 3.0

STATE-LAW MAP

Know which rulebook controls

Texas versus national
Read every stem for jurisdiction. Texas questions may turn on TRELA, TREC Rules, TREC forms or another Texas statute. National questions test general principles unless the stem supplies a state-specific rule.

LEARN THE CONCEPT

www.passtexasrealestate.com/texas-state-law-cheat-sheet

PRACTICE THIS TOPIC

www.passtexasrealestate.com/texas-real-estate-state-portion-practice-test

TEXAS STATE LAW AREA 1

Agency and Brokerage (Texas)

This is the largest Texas state-law area. It tests IABS delivery, representation, intermediary practice, minimum services, broker supervision, and the proper use of unlicensed assistants.

- Agency disclosure, IABS timing and its three exceptions, and what the notice does not create
- Intermediary consent, the compensation-source requirement, appointments, and limits on advice
- Duties to clients, minimum services, and the confidential-information boundary
- Broker-sales-agent relationships, sponsorship, and compensation routing
- The broker's responsibility for a sales agent's acts, which delegation does not move
- Appropriate use of unlicensed assistants, and the 2026 showing and written-agreement rules

> **Start with this distinction**
> Draw the relationships. Identify the broker, the represented party, any appointed license holder, and the written consent before deciding who may advise whom.

TEXAS STATE LAW AREA 2

Standards of Conduct

Standards of Conduct contributes 9 scored Texas state-law items. It tests professional ethics, discipline, unauthorized practice of law, trust money, compensation, rebates, and advertising through fact patterns where one detail changes the lawful response.

- A. Professional Ethics and Conduct: fidelity, integrity, competence, honesty, fair dealing, and timely response
- B. Grounds for Discipline: negligence, dishonesty, misrepresentation, nondisclosure, money violations, required forms, and misleading ads
- C-D. Unauthorized Practice of Law and Trust Accounts: form boundaries, legal advice, receipt, deposit, separation, records, and disbursement
- E-G. Splitting Fees, Rebates, and Advertising: licensed activity, compensation channels, consent, settlement-service limits, identity, size, and misleading impressions

> **Start with this distinction**
> Name the conduct before choosing the consequence. Ask whose interest, money, words, payment, or public impression the rule protects.

TEXAS STATE LAW AREA 3

Contracts and Promulgated Forms (Texas)

This 9-item Texas state-law area tests current promulgated contracts, forms and addenda, the Statute of Frauds, and seller disclosures. Expect form-selection, deadline, exemption, and legal-drafting-boundary questions rather than simple form-number recall.

- A. Promulgated Contracts, Forms, and Addenda: mandatory and voluntary use, Rule 537.11 exceptions, form selection, current 2026 forms, informational items, amendments, notices, and legal-drafting limits
- B. Statute of Frauds: the writing and signature rule for a real estate sale and a lease longer than one year under Business and Commerce Code Section 26.01
- C. Seller Disclosure Requirements: Property Code Section 5.008 coverage, exemptions, delivery timing, the seven-day late-delivery remedy, Form 55-1, and the separate 2026 Seller's Water Disclosure

Start with this distinction
Name the official subtopic first. Then identify the governing rule, statute, form, paragraph, deadline, or exemption before choosing an answer.

TEXAS STATE LAW AREA 4

Special Topics (Texas Law)

Special Topics is the 5-item Texas state-law area covering community property, homestead, DTPA, wills and estates, landlord-tenant law, foreclosure and short sales, recording, improvement liens, the Veterans Land Board, property owners associations, and equitable interest.

- A Community Property; B Homestead Protections and Tax Exemptions; C Deceptive Trade Practices Act
- D Wills and Estates; E Landlord-Tenant Issues; F Foreclosure and Short Sales
- G Recording Statutes; H Mechanic's and Materialman's Liens; I Veterans Land Board
- J Home Owners Associations; K Equitable Interest

> **Start with this distinction**
> Name the official outline row before applying a rule. Most wrong answers borrow a true statement from a neighboring system, such as using a tax-exemption rule to answer a creditor-protection question.

TEXAS STATE LAW AREA 5

Commission Duties and Powers (TREC)

TREC Duties and Powers is 3 scored Texas state-law items covering General Powers, Handling of Complaints, and Penalties for Violation.

- A. General Powers: nine-member composition, duties, powers, and real estate advisory committees
- B. Handling of Complaints: initiation, investigation, processing, SOAH hearing, Final Order, and appeal
- C. Penalties for Violation: unlicensed activity, disciplinary authority, refunds, and the Recovery Trust Account

Start with this distinction
Name the institution and the process before choosing a consequence. The Legislature enacts TRELA, TREC administers it, SOAH conducts specified hearings, the Commission renders the final agency decision, and courts handle judicial review.

TEXAS STATE LAW AREA 6

Licensing

Licensing is 3 scored Texas state-law items covering licensed activity and exemptions, the sales-agent application and denial process, and license maintenance through renewal, sponsorship, inactive status, and registered names.

- A. Activities Requiring License: scope of practice, exemptions, business entities, inspectors, and appraisers
- B. Licensing Process: general and fitness requirements, education, examination, application denial, and appeal
- C. License Maintenance and Renewal: continuing education, sponsorship changes, inactive status, and assumed names

> **Start with this distinction**
> Sort actor, activity, expected payment, exemption, and current authority. Then decide whether the item asks about getting the license or keeping it active.

HIGH-YIELD REVIEW

The Six State-Law Areas (40 Scored Items)

- Agency / Brokerage (11): intermediary, IABS, appointments, duties to clients, fiduciary duties.
- Standards of Conduct (9): trust money, advertising, misrepresentation, discipline.
- Contracts and Forms (9): promulgated forms, addenda, no unauthorized practice of law.
- Special Topics (5): deeds of trust, foreclosure, homestead, community property.
- Commission Duties and Powers (3): TREC's role, TRELA, rulemaking, enforcement.
- Licensing (3): education, sponsorship, renewal, license status.

HIGH-YIELD REVIEW

Agency and IABS

- Texas uses intermediary, not dual agency, with the written consent of both parties.
- Appointments are optional, and never the same license holder to both parties.
- The ordinary IABS trigger is first substantive communication about a proposed transaction involving specific property. Separate 2026 duties can require it before a showing.
- Ordinary IABS exceptions cover the specified open-house communication, a party known to be represented, and a residential lease under one year with no sale contemplated. An outside open-house host not representing the owner has separate 2026 IABS and written-agreement duties.
- Fiduciary duties (OLD CAR) run to a client, not a customer.

HIGH-YIELD REVIEW

Standards of Conduct

- Commingling is mixing trust money with the broker's funds. Conversion is unauthorized use of money belonging to another.
- Keep trust money in a separate account and disburse only as authorized.
- A blind ad with no broker name violates the TREC Rules, including on social media.
- TREC enforces TRELA and adopts the Rules (22 TAC Ch. 535). The Legislature writes the statute.

HIGH-YIELD REVIEW

Contracts and Promulgated Forms

- Use an applicable mandatory TREC form unless a Rule 537.11 exception applies. A TREC-approved form is not necessarily mandatory; distinguish voluntary forms.
- The Broker-Lawyer Committee drafts the forms and TREC adopts them.
- Rule 537.11 permits informational items and a conspicuous change at a principal's specific written instruction. It does not permit an agent to invent legal language or advise on legal effect.
- Form 20 is the One to Four Family Residential Contract (Resale), the most common contract.

HIGH-YIELD REVIEW

Special Topics (Texas Law)

- Texas commonly uses a deed of trust, a three-party instrument with a trustee who holds a power of sale.
- A power-of-sale foreclosure follows statutory and other applicable requirements. Sales generally occur on the first Tuesday, but move to the first Wednesday if that Tuesday is January 1 or July 4 (Property Code 51.002).
- Texas is a community-property state. Both spouses generally must join a conveyance or encumbrance of the homestead.
- Homestead is protected from most creditors, but not a purchase-money loan, taxes, or a valid home-equity lien.

HIGH-YIELD REVIEW

Key Texas Figures

- 120 scored items: 80 National and 40 Texas State. Pass each portion separately: 56 of 80 National and 28 of 40 State (about 70 percent each).
- For a Texas property-tax calculation, apply the rate per $100 to taxable value after applicable exemptions. Texas has no statewide real estate transfer tax.
- The school-district homestead exemption is $140,000, plus an additional $60,000 for age 65 and older or disabled ($200,000 total), effective 2025.
- Pre-license requires 180 hours of qualifying education, and a sponsoring active broker is required to practice.
- Fair housing protects seven classes: race, color, religion, national origin, sex, familial status, and disability.

CLOSED-BOOK CHECKPOINT

18 original Texas-law questions

QUESTION 1 | TEXAS AGENCY & INTERMEDIARY

1. A broker agrees to represent both the seller and the buyer in the same transaction. Which requirement must be met for the broker to act as intermediary?

A. Oral consent from both parties, with compensation disclosed at closing

B. Written consent from each party stating the source of expected compensation

C. Written consent from the party paying the broker, with notice to the other

D. Separate IABS acknowledgments from both parties, with no additional consent

QUESTION 2 | TEXAS AGENCY & INTERMEDIARY

2. Both parties have given compliant written intermediary consent authorizing appointments. The broker selects a different associated license holder for each party. What must the broker also provide?

A. A revised IABS signed only by the two appointed license holders

B. An oral introduction to the appointees when negotiations begin

C. A notice to the buyer only because the seller signed the listing

D. Written notice of the appointments to all parties in the transaction

QUESTION 3 | TEXAS AGENCY & INTERMEDIARY

3. At an office meeting, an unrepresented buyer and a Texas license holder begin their first substantive discussion about purchasing a particular house. No IABS exception applies. When is IABS due?

A. At this first substantive communication about the specific property

B. When the buyer later signs a written representation agreement

C. When the buyer makes an offer on the house under discussion

D. At the first contact, even if it was only a general introduction

QUESTION 4 | STANDARDS OF CONDUCT

4. A seller's property is not under contract. The listing agent prefers a quick cash closing and hides a higher financed offer solely to avoid extra work. Which answer best applies the fidelity canon?

A. The agent may screen out offers whenever financing could delay closing.

B. The agent put personal convenience above the client's interest.

C. The agent may withhold the offer if the advertised price was already met.

D. The agent fulfilled fidelity by choosing the easiest transaction to close.

QUESTION 5 | STANDARDS OF CONDUCT

5. An agent experienced only with urban homes takes a remote ranch listing without learning the local market or the property's specialized characteristics. Which canon most directly addresses those gaps?

A. Fidelity, which makes the client's interests the agent's primary duty.

B. Integrity, which calls for care to avoid misrepresentation by act or omission.

C. Fidelity, because it requires fair treatment of other parties in the transaction.

D. Competency, which requires local-market and property-type knowledge.

QUESTION 6 | STANDARDS OF CONDUCT

6. While marketing a house, a license holder knows of a serious latent foundation defect that would matter to a reasonable buyer. The license holder tells a prospective buyer there are no known structural problems. Which statement is correct?

A. The false statement is a material misrepresentation and a ground for discipline.

B. The statement is protected sales opinion because an inspection is available.

C. Only failing to provide an inspection report could support discipline here.

D. Only the seller can face discipline because the seller owns the defective house.

QUESTION 7 | TEXAS CONTRACTS & FORMS

7. A Texas sales agent is negotiating the resale of an existing duplex for a buyer. It is not a condominium or a farm and ranch transaction, and no Rule 537.11 exception applies. Which base contract should the agent use?

A. TREC Residential Condominium Contract (Resale).

B. TREC One to Four Family Residential Contract (Resale), Form 20-19.

C. TREC New Home Contract (Completed Construction), for a builder's sale.

D. TREC Unimproved Property Contract, with an attachment describing the duplex.

QUESTION 8 | TEXAS CONTRACTS & FORMS

8. A buyer plans to build one single-family residence on an unimproved residential lot. No farm or ranch use or Rule 537.11 exception is involved. Which TREC base form fits?

A. The residential resale form, because the buyer intends to live there.

B. The Farm and Ranch Contract, because there is no house on the lot.

C. The completed new-home form, because a house will eventually be built.

D. The Unimproved Property Contract, Form 9-18.

QUESTION 9 | TEXAS CONTRACTS & FORMS

9. A buyer asks a sales agent who is not an attorney to create a new cancellation right. No applicable approved addendum addresses it. What should the agent do?

A. Advise the buyer to consult an attorney rather than draft the clause.

B. Write it in Special Provisions after the buyer confirms approval by email.

C. Recommend wording from a prior transaction after changing the names.

D. Explain the clause's legal effect and let the buyer select the final wording.

QUESTION 10 | SPECIAL TOPICS (TEXAS)

10. A married buyer purchases a Texas home entirely with wages earned during the marriage. No separate-property tracing or marital-property agreement is involved. How is the home classified under the ordinary community-property rules?

A. As the earning spouse's separate property because that spouse supplied the wages.

B. As separate property if only one spouse is named on the deed.

C. As community property, not separate property merely because one spouse earned the wages.

D. As a survivorship estate automatically passing to the other spouse without further documents.

QUESTION 11 | SPECIAL TOPICS (TEXAS)

11. Which statement correctly distinguishes Texas homestead creditor protection from a residence homestead property-tax exemption?

A. Creditor protection limits forced sale; a tax exemption reduces taxable value.

B. Both prevent a lender from enforcing any debt secured by the home.

C. Both reduce the property's market value in the appraisal district's records.

D. The tax exemption grants creditor protection only after a successful appraisal protest.

QUESTION 12 | SPECIAL TOPICS (TEXAS)

12. While acting as a broker, a license holder knowingly hides recurring structural movement to induce a consumer to buy a home. The consumer would not have bought it if told. Which DTPA statement fits?

A. The broker exemption protects the omission because it occurred in a licensed transaction.

B. The omission is protected professional opinion because the buyer could order an inspection.

C. The omission matters under the DTPA only if the broker owns the property personally.

D. The intentional nondisclosure falls outside the broker exemption.

QUESTION 13 | TREC DUTIES & POWERS

13. A study outline separates the Texas Real Estate License Act from the TREC Rules. Which statement correctly identifies the lawmaker and the regulator?

A. TREC enacts the Act; the Legislature decides individual disciplinary cases.

B. The Broker-Lawyer Committee enacts the Act; TREC publishes it.

C. The Legislature enacts the Act; TREC administers it and adopts authorized rules.

D. TREC and SOAH jointly enact the Act through contested-case decisions.

QUESTION 14 | TREC DUTIES & POWERS

14. A consumer submits a timely, signed, written complaint about a license holder. The complaint and supporting evidence provide reasonable cause within TREC's authority. What follows under Section 1101.204(b)?

A. TREC must investigate; the complaint does not itself establish a violation.

B. TREC must suspend the license until the holder proves the complaint false.

C. TREC must send the consumer directly to SOAH without investigating the facts.

D. TREC must wait for a civil damages judgment before reviewing the records.

QUESTION 15 | TREC DUTIES & POWERS

15. A consumer has an unpaid final civil judgment based on qualifying licensed conduct. What is the Real Estate Recovery Trust Account's role?

A. It pays any unpaid judgment once the consumer sends TREC a complaint number.

B. It guarantees every license holder's contract debts, including unpaid commissions.

C. It replaces the civil judgment with a disciplinary fine paid to the consumer.

D. It may pay a qualifying claim after the statutory recovery requirements are met.

QUESTION 16 | LICENSING

16. An individual negotiates a property purchase for another person expecting a fee. No statutory exemption applies. What authority is required before performing that brokerage?

A. Only the buyer's written authorization to negotiate the purchase.

B. Only registration with a local real estate association.

C. The appropriate Texas real estate license and, for a sales agent, active broker sponsorship.

D. An appraiser credential plus the buyer's written fee agreement.

QUESTION 17 | LICENSING

17. Which situation falls outside the brokerage-license requirement because the person is acting as principal rather than for another?

A. A sole owner negotiates the sale of the owner's own property.

B. A neighbor negotiates the owner's sale for an expected referral payment.

C. A co-owner negotiates another owner's interest as that owner's paid agent.

D. An assistant negotiates a client's price while the broker is away.

QUESTION 18 | LICENSING

18. An applicant has met TREC's licensing requirements and received an inactive sales agent license. What must happen before the person performs brokerage?

A. The person must wait for the first renewal date before requesting activation.

B. The person may begin after signing a private employment agreement alone.

C. The person may begin once a client signs a representation agreement.

D. Sponsorship with an active Texas broker must be established through TREC's process.

ANSWER WORKSHOP

Rules, traps and source cues

1 B. Written consent from each party stating the source of expected compensation

Section 1101.559(a) requires each party's written consent and identification of the source of any expected broker compensation. Consent is not supplied just by delivering IABS. If the broker represents both sides, Texas requires the intermediary framework rather than ordinary dual agency.

> **Common trap:** Written consent, source of compensation and impartial conduct are separate requirements. Consent does not authorize the broker to favor either party.

Rule: TRELA 1101.559(a)-(c); 1101.561(b)

Check the source: TRELA 1101.559: intermediary consent and impartiality; TRELA 1101.561: intermediary duties prevail

2 D. Written notice of the appointments to all parties in the transaction

The parties' written consent must authorize appointments, and the broker must give written notice of the appointments to all parties. Those are distinct steps. Each properly appointed license holder may advise the party to whom that person is appointed; the broker remains the intermediary.

> **Common trap:** An agent cannot appoint themself, and notifying only the appointees does not satisfy notice to all parties.

Rule: TRELA 1101.560(a)-(c)

Check the source: TRELA 1101.560: appointment authority and written notice

3 A. At this first substantive communication about the specific property

Section 1101.558(b-1) ties IABS delivery to the first substantive communication about a proposed transaction involving specific property. The question rules out the exceptions in subsection (c). First-contact disclosure of whom an agent represents is a different obligation, and the 2026 showing rules can require IABS before a showing.

> **Common trap:** Do not turn the ordinary IABS timing rule into an exception-free rule for every conversation.

Rule: TRELA 1101.558(b), (b-1), (c); 1101.562(b)

Check the source: TRELA 1101.558: first-contact disclosure, IABS and exceptions; TRELA 1101.562: showing without representation; TREC IABS 1-2: effective January 1, 2026

4 **B. The agent put personal convenience above the client's interest.**

Rule 531.2 makes the client's interests primary and prohibits putting personal interests first. The seller decides which offer to accept. Rule 535.156(a)'s written-instruction exception for later offers after a client enters a contract does not apply: this property is not under contract.

> **Common trap:** An offer with financing is not automatically better or worse. The violation is hiding it for the agent's convenience.

Rule: TREC Rules 531.2(1)-(3), 535.156(a)-(b); TRELA 1101.557(b)

Check the source: TREC Rule 531.2: fidelity; TREC Rule 535.156: client duties and the later-offer exception; TRELA 1101.557: minimum services

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5 **D. Competency, which requires local-market and property-type knowledge.**

Rule 531.4 requires knowledge of the local market, industry developments and the characteristics of the property type, together with judgment and skill. The agent is not permanently barred from ranch work, but needs the competence to perform it.

> **Common trap:** Distinguish an unfamiliar assignment from a prohibited assignment. A license alone does not establish competence in every market.

Rule: TREC Rules 531.2, 531.3, 531.4(1)-(4)

Check the source: TREC Rule 531.4: competency; TREC Rule 531.2: fidelity; TREC Rule 531.3: integrity

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6 **A. The false statement is a material misrepresentation and a ground for discipline.**

Section 1101.652(b)(3) addresses a material misrepresentation about a known significant defect, including a latent structural defect. Subsection (b)(4) separately addresses failure to disclose it. The integrity canon also requires care to avoid misrepresentation. A buyer's opportunity to inspect does not excuse the false statement.

> **Common trap:** A known significant defect is a material fact, not puffing. Do not assume that a ground for discipline means an automatic, predetermined penalty.

Rule: TRELA 1101.652(b)(3)-(4); TREC Rule 531.3

Check the source: TRELA 1101.652: grounds for discipline; TREC Rule 531.3: integrity

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7 **B. TREC One to Four Family Residential Contract (Resale), Form 20-19.**

Rule 537.11 requires the appropriate mandatory form unless an exception applies. Form 20-19 covers the resale of a single-family home, duplex, triplex or fourplex. TREC lists this version as effective July 1, 2026. Select any needed addenda separately.

> **Common trap:** Two dwelling units do not make the property a condominium. Use the ownership and transaction facts, not just the number of doors.

Rule: TREC Rules 537.11(a), 537.28; TREC Form 20-19

Check the source: TREC Rule 537.11: required forms and limits on legal drafting; TREC Form 20-19: residential resale contract and current version

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8 **D. The Unimproved Property Contract, Form 9-18.**

Rule 537.20 adopts Form 9-18 for unimproved property intended for one to four family residences. The proposed use matters. A vacant tract is not automatically a farm and ranch transaction, and a planned house is not an existing improvement.

> **Common trap:** Match the property being sold now and its intended use. Do not choose a house contract merely because construction is planned.

Rule: TREC Rules 537.11(a), 537.20

Check the source: TREC Rule 537.20: Unimproved Property Contract 9-18; TREC Rule 537.11: required forms and limits on legal drafting

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9 **A. Advise the buyer to consult an attorney rather than draft the clause.**

Rule 537.11(b)(5) prohibits drafting or recommending language that defines or affects legal rights, obligations or remedies, including contingency clauses. Subsection (e) calls for advising the principal to consult an attorney about unusual matters. A client's approval does not authorize the agent to invent legal language.

> **Common trap:** Special Provisions is not a license to practice law. Distinguish recording a factual detail from creating a legal right.

Rule: TREC Rule 537.11(b)(2)-(5), (e)

Check the source: TREC Rule 537.11: required forms and limits on legal drafting

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10 **C. As community property, not separate property merely because one spouse earned the wages.**

Family Code 3.002 defines community property as property acquired during marriage other than separate property. Section 3.003 presumes property possessed during marriage or at dissolution to be community property; proving separate character requires clear and convincing evidence. Deed names alone do not resolve that classification.

> **Common trap:** Identify the source of the funds and any applicable exception. Management rights and survivorship are separate questions.

Rule: Texas Family Code 3.001-3.003

Check the source: Family Code 3.001-3.003: separate property and community presumption

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11 **A. Creditor protection limits forced sale; a tax exemption reduces taxable value.**

Article XVI, Section 50 limits forced sale for debts but lists permitted exceptions. Tax Code 11.13 separately exempts qualifying residence-homestead value from taxation. A tax exemption is not a discharge of debt or permission to ignore a valid mortgage.

> **Common trap:** The shared word 'homestead' does not make these rules interchangeable. Ask whether the question concerns a creditor or a tax calculation.

Rule: Texas Constitution Article XVI, Section 50; Texas Tax Code 11.13

Check the source: Texas Constitution Article XVI, Section 50: forced-sale protection and exceptions; Tax Code 11.13: residence homestead tax exemptions

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12 **D. The intentional nondisclosure falls outside the broker exemption.**

Section 17.46(b)(24) addresses known information withheld to induce a transaction the consumer would not otherwise enter. Section 17.49(i)(2) excludes that conduct from the broker and sales-agent exemption. Whether a claimant recovers damages still depends on the applicable claim requirements and proof.

> **Common trap:** The question identifies knowledge and intent. Do not assume either blanket immunity or automatic treble damages from the label 'DTPA.'

Rule: Texas Business and Commerce Code 17.46(b)(24), 17.49(i)(2)

Check the source: Business and Commerce Code 17.46(b)(24): intentional nondisclosure; Business and Commerce Code 17.49(i): broker and sales-agent exemption

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13 **C. The Legislature enacts the Act; TREC administers it and adopts authorized rules.**

The Texas Legislature enacts the Texas Real Estate License Act, in Occupations Code Chapter 1101. Section 1101.151 gives TREC authority to administer Chapters 1101 and 1102 and adopt and enforce necessary rules. A rule must stay within delegated authority; it is not an amendment to the Act.

> **Common trap:** Keep legislation, rulemaking and enforcement separate. A regulator does not acquire legislative power by publishing a rule.

Rule: Texas Occupations Code 1101.151

Check the source: Occupations Code 1101.151: TREC's delegated powers

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14 **A. TREC must investigate; the complaint does not itself establish a violation.**

Section 1101.204(b) requires an investigation when the signed, written complaint and evidence provide reasonable cause. Staff evaluates jurisdiction and evidence. A case can be dismissed if no violation exists or proof is insufficient; filing a complaint is not a disciplinary finding.

> **Common trap:** Investigation is a fact-finding step, not an automatic punishment or promise of compensation.

Rule: Texas Occupations Code 1101.204(b); 22 TAC 535.142

Check the source: Occupations Code 1101.204: complaint investigation and limits; TREC Rules: 531.18, 533.7, 535.142 and related provisions

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15 **D. It may pay a qualifying claim after the statutory recovery requirements are met.**

The account addresses qualifying actual damages, not every loss involving real estate. The ordinary claim process requires a final judgment, unsuccessful execution, a perfected judgment lien and proof of eligibility. Bankruptcy and multiple-defendant provisions can affect the steps. Payment is subject to statutory limits and is not automatic.

> **Common trap:** An unpaid judgment is a starting point, not a guarantee. A license holder cannot use this account to recover transaction compensation, including a commission.

Rule: Texas Occupations Code 1101.601, 1101.606-1101.607

Check the source: Occupations Code 1101.601: purpose of the Recovery Trust Account; Occupations Code 1101.606: judgment and collection requirements; Occupations Code 1101.607: eligibility and proof for recovery

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16 **C. The appropriate Texas real estate license and, for a sales agent, active broker sponsorship.**

Texas law treats negotiating a purchase for another with the expectation of valuable consideration as brokerage. The appropriate real estate license is required unless an exemption applies. A sales agent acts for a sponsoring broker, not independently. The requirement does not begin only when the fee is paid.

> **Common trap:** An expected fee can trigger the rule. Waiting to collect payment does not make unlicensed negotiation permissible.

Rule: Texas Occupations Code 1101.004, 1101.351

Check the source: Texas Occupations Code 1101.004; Texas Occupations Code 1101.351

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17 **A. A sole owner negotiates the sale of the owner's own property.**

An owner may sell or lease the owner's own property as principal without a broker license. That is different from acting as another owner's agent for compensation. Rule 535.5 expressly distinguishes conveying one's own co-ownership interest from acting for a co-owner.

> **Common trap:** Ownership is not a blanket exemption for paid representation of other owners.

Rule: 22 TAC 535.5; Texas Occupations Code 1101.004

Check the source: TREC Rules: licensing, renewal, sponsorship and names; Texas Occupations Code 1101.004

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18 **D. Sponsorship with an active Texas broker must be established through TREC's process.**

TREC issues an inactive sales agent license after the applicant satisfies the licensing requirements. The holder must establish sponsorship with an active Texas broker before practicing. Passing the exam or holding an inactive license does not authorize independent brokerage.

> **Common trap:** A signed agreement with a broker is not a substitute for completing the required sponsorship and activation process.

Rule: 22 TAC 535.55(c), 535.122; Texas Occupations Code 1101.351(c)

Check the source: TREC: Become a Sales Agent; TREC Rules: licensing, renewal, sponsorship and names; Texas Occupations Code 1101.351

SOURCE REGISTER

Sources and edition notes

Edition reviewed September 24, 2026 against the exam outline and rules effective September 23, 2026. References include controlling authorities and supporting explanations. For a changing rule, form or appointment policy, check the current official source.

SOURCE	DIRECT LINK
Pearson VUE: Texas Sales Agent outline, section IV	www.pearsonvue.com/content/dam/VUE/vue/en/documents/publications/094401.pdf
TRELA 1101.559: intermediary consent and impartiality	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.559
TRELA 1101.560: appointment authority and written notice	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.560
TRELA 1101.561: intermediary duties prevail	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.561
TRELA 1101.558: first-contact disclosure, IABS and exceptions	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.558
TRELA 1101.562: showing without representation	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.562
TRELA 1101.563: residential-buyer written agreements	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.563
TRELA 1101.651: compensation and protected intermediary information	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.651
TRELA 1101.557: agency and minimum services	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.557
TRELA 1101.652: known defects and disciplinary grounds	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.652
TRELA 1101.351: license and sponsorship requirements	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.351
TRELA 1101.367: sponsorship termination	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.367
TRELA 1101.803: broker responsibility under TRELA	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.803
TREC Rule 535.2: scope, supervision and compensation controls	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.2
TREC Rule 535.3: written consent for compensation	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.3
TREC Rule 535.4: showing and other licensed acts	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.4
TREC Rule 535.5: clerical employee exception	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.5
TREC Rule 535.156: fidelity, fair dealing and offer exception	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.156
TREC IABS 1-2: effective January 1, 2026	www.trec.texas.gov/forms/information-about-brokerage-services

SOURCE	DIRECT LINK
TREC: 2026 showing agreements and open-house distinctions	www.trec.texas.gov/node/2997
TREC: advice with and without intermediary appointments	www.trec.texas.gov/what-difference-if-broker-appoint-sales-agents-represent-buyer-and-seller-or-if-broker-makes-no
TREC: payment from a former sponsoring broker	www.trec.texas.gov/i-have-moved-my-sponsorship-new-broker-can-my-prior-sponsoring-broker-pay-me-commission-directly
TREC Rule 531.2: fidelity	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section531.2
TREC Rule 531.3: integrity	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section531.3
TREC Rule 531.4: competency	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section531.4
TREC Rule 535.144: license holder acting as principal	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.144
TREC Rule 537.11: forms, legal advice and written instructions	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section537.11
TREC Rule 535.146: trust-money handling and exceptions	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.146
TREC Rule 535.20: referrals from unlicensed persons	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.20
TREC Rule 535.147: fee splitting and rebates	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.147
TREC Rule 535.148: service-provider payments and exceptions	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.148
TREC Rule 535.154: team names and registration	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.154
TREC Rule 535.155: advertisement content and size	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section535.155
TREC Form 20-19: residential resale contract and current version	www.trec.texas.gov/forms/one-four-family-residential-contract-resale
TREC Form 20-19: payment, termination, disclosure and amendment provisions	www.trec.texas.gov/sites/default/files/pdf-forms/20-19_4.pdf
TREC Rule 537.20: Unimproved Property Contract 9-18	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section537.20
TREC Form 11-9: Back-Up Contract Addendum	www.trec.texas.gov/sites/default/files/pdf-forms/11-9.pdf
Texas Business and Commerce Code 26.01: writing and signatures	tcss.legis.texas.gov/resources/BC/htm/BC.26.htm#26.01
TREC Amendment to Contract 39-11	www.trec.texas.gov/forms/amendment

SOURCE	DIRECT LINK
Texas Property Code 5.008: scope, exemptions and delivery	tcss.legis.texas.gov/resources/PR/htm/PR.5.htm#5.008
TREC Rule 537.62: voluntary condition-notice form 55-1	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section537.62
TREC Rule 537.68: water-rights disclosure form 61-0	www.trec.texas.gov/agency-information/rules-and-laws/trec-rules#section537.68
Family Code 3.001-3.003: separate property and community presumption	tcss.legis.texas.gov/resources/FA/htm/FA.3.htm#3.001
Family Code 5.001: spouse joinder in a homestead conveyance	tcss.legis.texas.gov/resources/FA/htm/FA.5.htm#5.001
Texas Constitution Article XVI, Section 50: forced-sale protection and exceptions	tcss.legis.texas.gov/resources/CN/htm/CN.16.htm#16.50
Property Code 41.001: homestead creditor protection	tcss.legis.texas.gov/resources/PR/htm/PR.41.htm#41.001
Tax Code 11.13: residence homestead tax exemptions	tcss.legis.texas.gov/resources/TX/htm/TX.11.htm#11.13
Business and Commerce Code 17.46(b)(24): intentional nondisclosure	tcss.legis.texas.gov/resources/BC/htm/BC.17.htm#17.46
Business and Commerce Code 17.49(i): broker and sales-agent exemption	tcss.legis.texas.gov/resources/BC/htm/BC.17.htm#17.49
Business and Commerce Code 17.505: DTPA pre-suit notice	tcss.legis.texas.gov/resources/BC/htm/BC.17.htm#17.505
Estates Code 251.051-251.052: signatures, witnesses and holographic wills	tcss.legis.texas.gov/resources/ES/htm/ES.251.htm#251.051
Property Code 92.103-92.107: security deposits and forwarding addresses	tcss.legis.texas.gov/resources/PR/htm/PR.92.htm#92.103
Property Code 92.052-92.056: repair duties, notice and reasonable time	tcss.legis.texas.gov/resources/PR/htm/PR.92.htm#92.052
Property Code 51.002: residential cure notice and notice of sale	tcss.legis.texas.gov/resources/PR/htm/PR.51.htm#51.002
Property Code 13.001-13.002: unrecorded instruments and notice	tcss.legis.texas.gov/resources/PR/htm/PR.13.htm#13.001
Property Code 53.254: homestead improvement contract requirements	tcss.legis.texas.gov/resources/PR/htm/PR.53.htm#53.254
Texas General Land Office: VLB land and home loan programs	www.glo.texas.gov/veterans/loans-veterans
Natural Resources Code 161.011: VLB is a state agency	tcss.legis.texas.gov/resources/NR/htm/NR.161.htm#161.011
Property Code 202.001: restrictive covenants and dedicatory instruments	tcss.legis.texas.gov/resources/PR/htm/PR.202.htm#202.001
Local Government Code 211.003: municipal zoning authority	tcss.legis.texas.gov/resources/LG/htm/LG.211.htm#211.003
Texas Supreme Court: City of Austin v. Capitol Livestock Auction Co. (1970)	law.justia.com/cases/texas/supreme-court/1970/b-1290-0.html

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Property Code 5.0205: written equitable-interest disclosures	tcss.legis.texas.gov/resources/PR/htm/PR.5.htm#5.0205
TREC Form 45-2: Short Sale Addendum	www.trec.texas.gov/sites/default/files/pdf-forms/45-2_1.pdf
Property Code 207.002-207.003: subdivision information and resale certificates	tcss.legis.texas.gov/resources/PR/htm/PR.207.htm#207.003
Occupations Code 1101.151: TREC's delegated powers	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.151
Occupations Code 1101.051: Commission membership	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.051
Occupations Code 1101.155: adoption of contract forms	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.155
Occupations Code 1101.254: Broker-Lawyer Committee duties	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.254
Occupations Code 1101.158: advisory committees	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.158
Occupations Code 1101.204: complaint investigation and limits	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.204
Occupations Code 1101.657: administrative hearings	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.657
Occupations Code 1101.658: judicial review	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.658
Occupations Code 1101.601: purpose of the Recovery Trust Account	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.601
Occupations Code 1101.606: judgment and collection requirements	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.606
Occupations Code 1101.607: eligibility and proof for recovery	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.607
Occupations Code 1101.610: recovery payment limits	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.610
Occupations Code 1101.655: revocation after an unpaid recovery payment	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.655
Occupations Code 1101.656: disciplinary authority	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.656
Occupations Code 1101.702: administrative penalty ceiling	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.702
Occupations Code 1101.659: limits on consumer refunds	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.659
Occupations Code 1101.806: right to sue for brokerage compensation	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.806
Occupations Code 1101.758: unlicensed activity	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.758
Occupations Code 1101.603: administrative penalties paid into the account	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.603
Occupations Code 1101.605: deadline for a recovery-related action	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.605
TREC Rules: 531.18, 533.7, 535.142 and related provisions	www.trec.texas.gov/node/634
Texas Occupations Code 1101.004	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.004
TREC: Become a Sales Agent	www.trec.texas.gov/become-licensed/sales-agent

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TREC: Renew a Sales Agent License	www.trec.texas.gov/renew-license/real-estate-sales-agent
Texas Occupations Code 1101.358	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.358
Texas Occupations Code 1101.451	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.451
TREC: Fitness Determination	www.trec.texas.gov/forms/fitness-determination
Texas Occupations Code 1101.355	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.355
Texas Occupations Code 1101.005	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.005
Texas Occupations Code 1101.364	tcss.legis.texas.gov/resources/OC/htm/OC.1101.htm#1101.364
Pearson VUE Texas Real Estate Candidate Handbook #094400, September 2026, revision 08/2026	www.pearsonvue.com/content/dam/VUE/vue/en/documents/publications/094400.pdf
Texas Real Estate Commission rules and laws	www.trec.texas.gov/agency-information/rules-and-laws

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