



Tennessee State Portion Exam Study Guide

Aligned with the PSI State Content Outline

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Section 1: Duties and Powers of the Real Estate Commission

Purpose of the Tennessee Real Estate Commission (TREC)

The Tennessee Real Estate Commission (TREC) exists to protect the public by ensuring real estate licensees follow state laws, behave ethically, and maintain professional standards. TREC's mission is public protection, not to advocate for brokers or agents.

 **Exam Tip: TREC always protects the public, never the licensee.**

Matters NOT Under TREC Jurisdiction

Some disputes are outside of TREC's authority and must be handled by courts or other entities. Examples include:

- Commission disputes between brokers or affiliates.
- Contract disputes between buyers and sellers.
- Landlord-tenant issues unrelated to real estate licensing.
- Personal conduct not related to a real estate transaction.

Complaints, Notifications, and Hearings

TREC handles complaints about real estate licensees through a structured process. The steps and timelines are critical for both licensees and the public to understand.

Timeline Overview

Timeline Event	Deadline
Complaint filing deadline	2 years
TREC notifies licensee	10 days
Licensee responds to TREC	10-15 days
Hearing notice before hearing	30 days
TREC final decision issued	30 days

 **Memory Trick: 2 - 10 - 15 - 30 - 30**

2 years → File a complaint

10 days → TREC notifies licensee

10-15 days → Licensee responds

30 days → Notice before hearing

30 days → Decision after hearing

Example: Complaint Process Timeline

Jane's closing took place on March 1, 2023. She believes her agent misrepresented the property condition.

- March 1, 2025 → Deadline to file a complaint (2 years)
- 10 days after filing → TREC must notify the agent
- 10-15 days after notification → Agent must respond
- 30-day minimum notice → Before a hearing
- 30 days after hearing → Final decision issued by TREC

Disciplinary Actions

TREC can impose several types of discipline, depending on the severity of the violation:

- Letter of warning for minor first-time violations.
- Monetary fines ranging from \$50 to \$1,000 per violation.
- Additional education requirements.
- License suspension (temporary removal).
- License revocation (permanent removal).
- Payment from the Education and Recovery Account, which results in automatic revocation.

Education and Recovery Account

The Education and Recovery Account helps consumers recover money when they have been financially harmed by a licensee's illegal or unethical actions. This account protects the public—not the licensee.

Payout Limits:

- \$15,000 maximum per transaction.
- \$30,000 maximum total per licensee across all transactions.

Example: Recovery Account Payout

Alice wins a \$20,000 judgment against Bob, a real estate agent. TREC pays Alice \$15,000 from the account, which is the maximum allowed for one transaction. Alice must collect the remaining \$5,000 directly from Bob.

If Bob already has previous claims totaling \$20,000 paid out, only \$10,000 more can be paid, reaching the \$30,000 total limit.

 **Exam Tip: \$15,000 per transaction, \$30,000 maximum total per licensee.**

Key Takeaways for Section 1

- TREC exists to protect the public.
- Complaints must be filed within 2 years of the incident or discovery.
- TREC must notify licensee within 10 days of complaint receipt.
- Licensee has 10–15 days to respond.
- Hearing notice must be sent at least 30 days before the hearing.
- Final decision issued within 30 days after the hearing.
- Recovery Account limits: \$15,000 per transaction, \$30,000 total per licensee.



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Section 2: Licensing Requirements

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Section 2: Licensing Requirements

Licensing Examination

To become a licensed real estate professional in Tennessee, you must meet certain eligibility requirements, including pre-licensing education, fingerprinting, and a background check. The licensing exam is divided into two parts: the national portion and the state portion.

Exam Portion	Questions	Passing Score
National	80	70% (56 correct)
State	40	70% (28 correct)

 **Exam Tip:** You must pass both the national and state portions. If either portion is failed, you only retake the failed portion within 6 months.

Educational Requirements

License Type	Required Hours	Additional Requirements
Affiliate Broker	90 hours (60 hours fundamentals + 30 hours new affiliate course)	Must be 18+ and have high school diploma or GED
Broker	120 hours total (includes affiliate hours)	3 years active experience as affiliate broker
Continuing Education	16 hours every 2 years	6 hours must be TREC Core course

 **Memory Trick:** Affiliate Broker = 90 hours, Broker = 120 hours + 3 years, Continuing Education = 16 hours every 2 years (6 Core hours)

Other Qualifications

- Must be at least 18 years old.
- Must have a high school diploma or GED.
- Must submit fingerprints for a criminal background check.
- Must demonstrate good moral character (reviewed by TREC).

Change of Status, Name, or Address

Licensees must notify TREC within 10 days of any change to:

- Legal name
- Mailing address
- Email address
- Firm affiliation

 **Warning:** Failure to update TREC within 10 days can result in fines or disciplinary action.

Firm Licenses

Each firm must maintain a current firm license with TREC and employ a principal broker. If a principal broker leaves, the firm has 10 days to appoint a new broker or stop all real estate activity.

License Display

Licenses must be available at the principal place of business and must be visible to the public and available for TREC inspection. While digital copies can be shown online, physical display is no longer required.

Renewal of a License

Licenses must be renewed every 2 years. To renew, you must:

- Pay renewal fees.
- Provide proof of completed 16 hours of CE (including 6 Core).
- Maintain current Errors & Omissions (E&O) insurance.
- Maintain firm affiliation if active.

Late Renewal Penalty:

- \$50 per month late, up to \$500 maximum.

 **Warning:** Failure to renew on time automatically places your license in inactive status.

Errors & Omissions (E&O) Insurance

E&O insurance protects licensees and consumers from financial harm caused by mistakes or negligence. All active licensees must maintain current E&O coverage.

Days Lapsed	Consequence
Day 1 – Day 30	Immediate automatic suspension of license
Day 31 – Day 60	\$200 fine + suspension remains in effect
Day 61 or later	Additional fines + possible license revocation

 **Exam Tip:** Even if you're not actively selling, you must keep E&O coverage to keep your license active.

E&O Lapse Flowchart

Start → E&O coverage lapses



Immediate suspension (Day 1)



Day 31: \$200 fine added



Day 61+: Additional fines, risk of revocation



Proof of coverage submitted → License reinstated



Failure to provide proof → License remains inactive or revoked

Key Takeaways for Section 2

- National Portion = 80 questions → 70% (56 correct)
- State Portion = 40 questions → 70% (28 correct)
- Renewal every 2 years, 16 hours CE required (6 Core)
- Notify TREC of changes within 10 days
- E&O lapse = automatic suspension, fines, and possible revocation



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Section 3: Advertising and Marketing Rules

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Section 3: Advertising and Marketing Rules

Advertising is the most heavily tested topic on the Tennessee state portion of the PSI exam. The Tennessee Real Estate Commission (TREC) enforces strict rules to ensure honesty and protect the public.

💡 Exam Tip: If a question involves advertising, think truthfulness, transparency, and consumer protection first.

General Advertising Rules

All advertisements must include:

1. The firm's name as registered with TREC.
2. The firm's registered telephone number.
3. The licensee's name exactly as it appears on their license.
4. Disclosure of license status when the licensee has an ownership interest in the property.

Advertising must not:

- Be misleading or contain false information.
- Guarantee outcomes such as a sale within a specific time.
- Hide the identity of the firm (blind ads are prohibited).

Firm Telephone Number Requirement

Every advertisement must prominently display the firm's registered telephone number along with the firm name. The firm's phone number must be the same size or larger than any individual agent or team phone number.

Digital and internet advertising must include the firm name and phone number on every page or within one click.

💡 Exam Tip: Missing the firm phone number or firm name makes the ad a blind ad — a serious violation.

Owner/Agent Disclosure

If a licensee owns or has a personal interest in the property being advertised, this must be clearly disclosed using terms like 'Owner/Agent' or 'Broker/Owner'. This disclosure must be immediately visible in all ads.

Signs and Yard Signage

Before placing any yard sign, written permission from the property owner or authorized representative is required.

Signs must include:

- Firm name
- Firm telephone number

- Licensee name
- Owner/Agent disclosure if applicable

Teams and Team Names

Team names must not mislead the public into believing the team is a separate brokerage.

Examples:

- ☑ The Smith Group at Fast Track Realty (Compliant)
- ✗ Smith Real Estate Company (Misleading, appears to be an independent firm)

Internet and Social Media Advertising

Online advertising follows the same rules as print advertising. Social media posts must display:

- Firm name
- Firm telephone number
- Clear identification of the poster as a licensed real estate professional

Hyperlinks are not enough — the firm name and phone number must be directly visible.

Social Media Advertising Examples

Scenario	Compliant?	Reason
Instagram post with firm name and phone number visible.	Yes ☑	Meets TREC disclosure rules.
Post with only agent logo, no firm info.	No ✗	Missing firm name and phone number.
Listing with clickable link but no visible firm name or phone number.	No ✗	Information must be on the post itself.

Gifts, Prizes, and Promotions

Gifts and prizes are allowed if fully disclosed in writing before participation. The disclosure must include:

- Description of the prize
- Fair market value
- Rules and eligibility requirements

Example:

- ✗ 'Win a free TV!' (No disclosure or rules)
- ☑ 'Enter to win a 50-inch TV. No purchase necessary. Drawing July 1.'

Prohibited Advertising Practices

- Blind ads (missing firm name or phone number)
- False or misleading property details

- Guaranteed outcomes
- Advertising another agent's listing without permission
- Unlicensed assistants publishing ads without oversight

Advertising Compliance Checklist

Use this checklist to verify ad compliance:

- ☐ Firm name clearly visible and prominent
- ☐ Firm phone number included and equal or larger than agent/team numbers
- ☐ Licensee name as on license
- ☐ Owner/Agent disclosure when required
- ☐ Written owner permission for yard signs
- ☐ Social media posts meet all rules
- ☐ Team names do not imply independent firm
- ☐ Prize/gift rules fully disclosed in writing

Top 5 Most Common Advertising Violations



Top 5 Violations:

1. Blind ads: Missing firm name or phone number.
2. Not disclosing Owner/Agent status.
3. Yard signs without written permission.
4. Social media posts missing required info.
5. Misleading team names.



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Section 4: Broker-Affiliate Relationships

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Section 4: Broker–Affiliate Relationships

The relationship between a principal broker and affiliate brokers is critical for ensuring compliance with Tennessee Real Estate Commission (TREC) rules and protecting the public. Principal brokers are ultimately responsible for supervising their affiliates and managing the firm's operations.

💡 **Exam Tip:** The principal broker is always legally responsible for the firm's activities and the actions of affiliates.

Compensation Rules

In Tennessee, strict rules govern how commissions and other compensation are paid:

- Compensation must always flow through the principal broker.
- Affiliates cannot receive direct payments from clients, other agents, or affiliate brokers.
- All commission payments must be made to the firm, then distributed by the broker.

Compensation Flowchart

Client/Customer → Firm → Principal Broker → Affiliate Broker

Permitted Affiliations

A licensee may only be affiliated with one firm at a time. Dual affiliations are prohibited unless specifically approved by TREC.

Broker's Supervisory Responsibilities

The principal broker must provide proper supervision to ensure compliance with TREC rules and state law.

Area	Broker Responsibility
Advertising	Approve all advertising before publication.
Escrow Funds	Ensure timely deposits and prevent commingling or misuse.
Training	Provide education, mentoring, and oversight to affiliates.
Record Keeping	Maintain accurate files for all transactions.
Compliance	Monitor for adherence to TREC rules and state laws.

Change of Affiliation

When an affiliate broker changes firms, specific steps must be followed:

1. Notify TREC within 10 days of the change.
2. Submit TREC forms and pay any required fees.
3. Old firm must immediately remove the departing agent's access to listings and company accounts.

⚠ **Warning:** Until TREC updates its records, the license remains tied to the previous broker, creating potential liability.

Action	Timeline
Notify TREC of affiliation change	Within 10 days

Ownership of Affiliate's Listings

All listings are the property of the firm, not the individual affiliate broker. If an affiliate leaves the firm, listings stay with the firm unless released in writing by the principal broker.

Firm Policies and Procedures Manual

Each firm should maintain a comprehensive policies and procedures manual to guide affiliates and maintain compliance. Key topics to include:

- Advertising policies
- Office conduct and expectations
- Record-keeping rules
- Complaint handling procedures
- Escrow account management
- Fair Housing compliance

📌 Exam Tip: A written manual protects both the firm and broker during audits and disputes.

Independent Contractor Agreement

Most affiliates operate as independent contractors, not employees. The agreement should clearly outline:

- Commission split terms
- Responsibilities of both parties
- Termination procedures
- Non-compete or confidentiality clauses (if applicable)
- Requirement to comply with TREC rules and state laws

Even as independent contractors, brokers remain legally responsible for their affiliates' actions.

📌 Exam Tip: Independent contractor status does NOT remove the broker's legal responsibility.

Key Takeaways for Section 4

- Compensation must always flow through the principal broker.
- Affiliates may only be affiliated with one firm unless TREC approves otherwise.
- Listings belong to the firm, not the affiliate broker.
- Brokers must supervise affiliates and approve all advertising.
- Notification to TREC of affiliation changes must occur within 10 days.
- A strong policies and procedures manual ensures compliance.



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Section 5: Handling of Documents and Record-Keeping

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Section 5: Handling of Documents and Record-Keeping

Proper record-keeping is essential for compliance with Tennessee Real Estate Commission (TREC) rules. It protects both the public and licensees while ensuring accountability during audits or disputes.

 **Exam Tip:** The principal broker is always ultimately responsible for maintaining firm records, even if affiliates help with day-to-day tasks.

Responsibility for Records

The principal broker is legally responsible for maintaining all records. This includes ensuring that records are accurate, complete, and accessible to TREC upon request.

Affiliate brokers must promptly submit all transaction documents to their principal broker and cannot keep separate, private files.

Record Retention Timeline

TREC requires records to be kept for a minimum of three (3) years.

Document Type	Retention Period
Transaction Records (contracts, closing statements, offers, counteroffers)	3 years
Escrow and Trust Account Records	3 years
Advertising Files	3 years
Independent Contractor Agreements	3 years

 **Important:** If a transaction is under investigation, records must be kept until the investigation is complete, even if this exceeds three years.

Required Records to Maintain

The following documents must be kept in firm files:

- Signed contracts and purchase agreements
- Listing agreements
- Buyer representation agreements
- Offers and counteroffers (including rejected offers)
- Closing statements and HUD-1 forms
- Earnest money receipts and escrow records
- Advertising samples
- Independent contractor agreements
- Policies and procedures manuals

 **Exam Tip:** Even rejected offers must be kept — TREC audits them for fair housing compliance.

Handling Offers and Transaction Documents

Proper handling of offers is a key part of compliance:

1. All offers must be presented promptly to the seller or seller's agent.

2. Offers cannot be withheld or delayed for any reason.
3. Even rejected offers must be kept on file for three years.
4. Electronic records are allowed if they are secure, complete, and easily retrievable.

Offer Handling Flowchart

Offer Received → Present Immediately to Seller → Store in Firm Records (keep for 3 years, even if rejected)

Commission's Access for Audits

TREC has the authority to audit a firm's records at any time. During an audit:

- Brokers must provide immediate access to all requested documents.
- Records must be organized and easily retrievable.
- Failure to produce records can result in fines, suspension, or other disciplinary action.

Storage and Security of Records

Records must be stored securely, either physically at the firm's office or digitally using secure, password-protected systems.

Confidentiality must always be maintained:

- Do not share files with unauthorized individuals.
- Do not leave files unsecured in public or common areas.

TREC Audit Readiness Checklist

Use this checklist to ensure your firm is ready for a TREC audit at any time:

- ☐ All transaction files are complete and stored securely.
- ☐ Records include signed contracts, offers, and rejected offers.
- ☐ Earnest money receipts and escrow records are current.
- ☐ Advertising samples are included and compliant.
- ☐ Independent contractor agreements are current for all affiliates.
- ☐ Policies and procedures manual is updated and available.
- ☐ Digital files are password-protected and easily retrievable.
- ☐ Records are organized by transaction for quick access.
- ☐ Records are kept for at least 3 years from closing or signing date.
- ☐ Records under investigation are not destroyed until cleared by TREC.
- ☐ All offers are presented immediately and documented.
- ☐ Rejected offers are clearly labeled and stored.

- [] Principal broker and staff understand TREC audit procedures.
- [] Records can be produced immediately upon TREC request.
- [] Back-up copies are stored securely off-site or in the cloud.

📌 Exam Tip: Failure to produce requested records during a TREC audit is a serious violation that can lead to fines or license suspension.

Key Takeaways for Section 5

- Principal broker is always responsible for record-keeping.
- Minimum retention period is three years from closing or signing.
- Even rejected offers must be kept.
- TREC has full authority to audit records at any time.
- Records must be secure, organized, and immediately accessible.



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Section 6: Handling of Trust/Escrow Funds

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Section 6: Handling of Trust/Escrow Funds

Trust and escrow funds are among the most sensitive areas of real estate practice. TREC enforces strict rules to ensure these funds are protected and handled ethically.

💡 Exam Tip: Anytime client funds are involved, think SAFETY, ACCURACY, and COMPLIANCE.

General Requirements of Trust Fund Accounts

A trust account is a special bank account used to hold client funds, separate from the firm's operating accounts.

Key rules include:

- Managed only by the principal broker.
- Used exclusively for client funds.
- Clearly labeled as 'Trust Account' or 'Escrow Account.'
- Separate records for each transaction.
- Funds may never be used for business or personal expenses.

Acceptable vs. Unacceptable Funds

Acceptable Funds	Unacceptable Funds
Earnest money deposits	Broker's personal funds
Rent collected for owners	Firm operating funds
Security deposits	Affiliate broker commissions

Depository and Account Requirements

Trust accounts must be maintained in a federally insured depository, such as a bank or credit union. The account must be in the firm or broker's name and separate from all operating accounts.

🚩 Important: TREC requires trust account documentation to be readily available during audits.

Permissible Disbursements of Trust Funds

Trust funds can only be released under specific circumstances:

1. At closing, per the settlement statement.
2. With written consent of all parties.
3. By court order.
4. In earnest money disputes, funds are held until mutual agreement or court ruling.

Timeline Requirements for Depositing Trust Funds

Action	Timeline
Deposit earnest money into trust account	By the next business day after receipt

💡 Exam Tip: Earnest money received on Friday must be deposited by Monday if Monday is a business day.

Commingling and Conversion

Issue	Definition	TREC Action
Commingling	Mixing client funds with broker or firm funds.	Fine, suspension, or revocation
Conversion	Spending client funds for unauthorized purposes.	Immediate revocation + fines

💡 Exam Tip: Conversion is more serious than commingling because it involves stealing client funds.

Interest-Bearing Accounts

Trust accounts may be interest-bearing, but all parties must consent in writing and specify who receives the interest.

Non-Liquid Valuables as Earnest Money

Sometimes earnest money may be non-cash items, like jewelry or vehicles. These must be:

- Securely stored.
- Documented with a receipt describing the item.
- Handled with the same care as cash deposits.

Broker Record-Keeping for Trust Funds

Each trust account must have:

- A ledger for each transaction with dates, amounts, and purposes.
- Records of all disbursements and deposits.
- Monthly reconciliation reports.

Trust Account Compliance Checklist

Use this checklist to ensure compliance with TREC trust fund rules:

- ☐ Trust account maintained only by principal broker.
- ☐ Account is in federally insured depository.
- ☐ Account is separate from operating accounts.
- ☐ Account clearly labeled as 'Trust Account' or 'Escrow Account.'
- ☐ Earnest money deposited by next business day.
- ☐ Non-cash valuables securely stored and documented.
- ☐ Ledger maintained for each transaction.
- ☐ Monthly reconciliation completed and documented.
- ☐ Records kept for at least three years.
- ☐ Funds only disbursed at closing, with written consent, or by court order.

- ☐ No commingling of client funds with firm funds.
- ☐ No conversion of client funds for other purposes.
- ☐ Written consent obtained for interest-bearing accounts.
- ☐ Audit readiness: Records organized and immediately accessible.
- ☐ Staff trained on TREC trust account rules.

📌 Exam Tip: The 'next business day' deposit rule is one of the most frequently tested trust fund questions.

Key Takeaways for Section 6

- Deposit earnest money by the next business day after receipt.
- Never commingle or convert client funds.
- Only permissible disbursements: closing, written consent, or court order.
- Interest-bearing accounts require written consent from all parties.
- Brokers must maintain detailed records and be ready for TREC audits.



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Section 7: Other Improper Activities and Consumer Protections

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Section 7: Other Improper Activities and Consumer Protections

This section covers improper activities prohibited by Tennessee law and TREC rules, as well as measures in place to protect consumers. These rules are critical for ensuring fairness, transparency, and professionalism in real estate transactions.

 Exam Tip: If behavior seems dishonest or misleading, it is probably a violation.

Misrepresentation and Fraud

Misrepresentation occurs when false or misleading information is provided, whether intentional or not.

Fraud occurs when there is deliberate deception for personal gain.

Behavior	Misrepresentation?	Fraud?
Agent mistakenly says lot is 0.5 acres when it's 0.4 acres.	Yes	No
Agent knowingly lies about a roof leak to make a sale.	Yes	Yes

 Fraud can lead to criminal prosecution in addition to TREC penalties.

Unauthorized Practice of Law

Licensees may not give legal advice or draft legal documents beyond pre-approved standard forms. Clients needing legal advice must be referred to an attorney.

Conflicts of Interest

Conflicts of interest must be disclosed to all parties in writing. Examples include:

- Representing both buyer and seller without written consent.
- Failing to disclose when a licensee has a financial interest in a property.
- Accepting referral fees without broker approval.

Situation	Violation?
Agent buys property without disclosing license status.	Yes
Agent represents buyer and seller with written consent.	No
Agent takes referral fee directly from title company.	Yes

Fair Housing and Discrimination

Federal Fair Housing laws protect against discrimination based on:

Race, Color, Religion, Sex, National Origin, Disability, Familial Status.

Tennessee adds protections for Creed, Gender Identity, and Sexual Orientation.

Examples of violations include:

- Refusing to show property based on a protected class.

- Steering clients toward or away from neighborhoods.
- Advertising that expresses preference or limitation.

Tennessee Consumer Protection Act

The TCPA protects consumers from unfair or deceptive practices in commerce. Real estate licensees must always provide truthful information and disclose known material facts about properties.

Inducements and Kickbacks

Licensees may not offer illegal inducements or receive kickbacks without disclosure and broker approval. Examples include secret payments from lenders or offering gifts without clear, written rules.

Complaint Handling and Timeline

Step	Timeline
Complaint filed	No strict limit, but must be timely
TREC notification to licensee	Within 10 days of receipt
Licensee response to TREC	Within 10 days of notice
Formal hearing scheduled	Within 90 days

Complaint to Disciplinary Action Flowchart



Disciplinary Actions

Violation	Possible Penalty
Misrepresentation or Fraud	Suspension or revocation, fines up to \$1,000 per violation
Commingling of funds	Immediate suspension or revocation
Fair Housing violation	Revocation plus federal penalties

Failure to respond to TREC	Additional fines and suspension
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Education and Recovery Account

The Education and Recovery Account compensates consumers harmed by licensee misconduct.

- \$15,000 per transaction limit.
- \$30,000 total limit per licensee.
- Licensee must repay the fund before reinstating their license.

Consumer Protection Quick Reference Guide

Use this guide to quickly review common violations, timelines, and penalties.

- ☐ Misrepresentation (false info, even accidental).
- ☐ Fraud (intentional deception).
- ☐ Unauthorized practice of law.
- ☐ Undisclosed conflicts of interest.
- ☐ Fair Housing discrimination.
- ☐ Illegal inducements or kickbacks.
- ☐ Failure to respond to TREC complaint notifications.
- ☐ Commingling or conversion of funds.

Key Takeaways for Section 7

- Always disclose conflicts and material facts.
- Never give legal advice — refer clients to an attorney.
- Misrepresentation and fraud are major violations.
- Fair Housing laws must be followed at all times.
- TREC protects consumers through complaint handling, penalties, and the recovery account.

Section 8: Agency and Disclosure Issues

Overview

Agency and disclosure are among the most heavily tested areas on the Tennessee State Exam. This section explains how agency relationships are created, what must be disclosed, and the duties of licensees when representing clients.

EXAM TIP: When in doubt, disclose, disclose, disclose — lack of disclosure is one of the most common violations!

General Agency Duties and Creation of Agency Relationships

When an agency relationship is formed, the licensee owes fiduciary duties to the client. Remember the acronym OLD CAR:

Duty	Meaning
Obedience	Follow lawful instructions of the client.
Loyalty	Put the client's interests first.
Disclosure	Tell the client all material facts and information.
Confidentiality	Keep the client's information private.
Accounting	Handle money and property carefully.
Reasonable Care	Use skill, care, and diligence in all actions.

Memory Trick: Think of OLD CAR as the "vehicle" that drives fiduciary duty.

Disclosure of Agency Relationships

Tennessee law requires licensees to disclose who they represent at the first substantial contact with any party. The disclosure must be in writing before an offer is prepared or presented.

Example Disclosure Language:

"I am working with you as a facilitator, not as your agent, and therefore do not represent your interests."

Disclosure of Material Facts and Misrepresentation

Licensees must disclose all known material facts about a property that could affect a buyer's decision.

Type	Description	Example
Innocent	False statement made without knowing it was wrong.	Agent says roof is 10 years old but it's actually 15, based on seller info.
Negligent	False statement made carelessly without checking facts.	Agent fails to verify HOA fees and gives wrong amount to buyer.
Fraudulent	Knowingly making a false statement to deceive.	Agent lies about a flooding problem to close a deal.

EXAM TIP: Fraud = intentional deception and carries the most severe penalties.

Quick Reference Checklist

- ☐ Written agency disclosure provided at first substantial contact.
- ☐ Fiduciary duties (OLD CAR) explained to client.
- ☐ All material facts disclosed.
- ☐ Latent defects identified and shared with buyer.
- ☐ Stigmatized property rules followed.
- ☐ Owner/Agent status disclosed in writing.
- ☐ All offers presented promptly and kept for 3 years.
- ☐ Designated agent agreements in writing.
- ☐ Facilitator relationship clarified to all parties.
- ☐ Dual agency written consent obtained before proceeding.

RULES OF CONDUCT

- (c) The licensee shall keep a detailed and accurate accounting of the precise sum of the interest earned for each separate deposit.

1260-02-.10 CLOSING STATEMENTS.

If a broker acts as closing agent he shall provide copies of the closing documents to each customer or client.

1260-02-.11 PERSONAL INTEREST.

- (1) No broker or affiliate broker shall, either directly or indirectly through a third party, purchase for himself or attempt to purchase or acquire any interest in or option to purchase property listed with him or with his company, or property regarding which he or his company has been approached by the owner to act as broker, without first making a full disclosure of his true position to the owner of the property or to any prospective purchaser for which he has acted for as a client or customer. After acquiring any such personal interest, either directly or indirectly, the broker or affiliate broker shall make a full disclosure of his true position to prospective purchasers who tender offers to buy the property.
- (2) All licensees shall identify themselves as a licensee when buying or selling property for themselves.

1260-02-.12 ADVERTISING.

- (1) All advertising, regardless of its nature and the medium in which it appears, which promotes either a licensee or the sale or lease of real property, shall conform to the requirements of this rule. The term advertising," for purposes of this rule, in addition to traditional print., radio, and television advertising, also includes, but is not limited to, sources of communication available to the public such as signs, flyers, letterheads, e-mail signatures, websites, social media communications, and video or audio recordings transmitted through internet or broadcast streaming. Advertising does not include promotional materials that advertise a licensee such as hats, pens, notepads, t-shirts, name tags, business cards, and the sponsorship of charitable and community events.
- (2) For purposes of this rule, the term "firm name" shall mean either of the following:
 - (a) The entire name of the real estate firm as licensed with the Commission; or
 - (b) The d/b/a name, if applicable, of the real estate firm as licensed with the Commission.
- (3) General Principles
 - (a) No licensee shall advertise to sell, purchase, exchange, rent, or lease property in a manner indicating that the licensee is not engaged in the real estate business.
 - (b) All advertising shall be under the direct supervision of the principal broker and shall list the firm name and the firm telephone number as listed on file with the Commission. The

RULES OF REAL ESTATE COMMISSION

firm name must appear in letters the same size or larger than those spelling out the name of a licensee or the name of any team, group or similar entity.

- (c) Any advertising which refers to an individual licensee must list that individual licensee's name as licensed with the Commission.
 - (d) No licensee shall post a sign in any location advertising property for sale, purchase, exchange, rent or lease, without written authorization from the owner of the advertised property or the owner's agent.
 - (e) No licensee shall advertise property listed by another licensee without written authorization from the listing agent or listing broker.
 - (f) No licensee shall advertise in a false, misleading, or deceptive manner. False, misleading, and/or deceptive advertising includes, but is not limited to, the following:
 - 1. Any licensee advertising that includes only the franchise name without including the firm name;
 - 2. Licensees who hold themselves out as a team, group, or similar entity within a firm who advertise themselves utilizing terms such as "Real Estate," "Real Estate Brokerage," "Realty," "Company," "Corporation," "LLC," "Corp." "Inc.," "Associates," or other similar terms that would lead the public to believe that those licensees are offering real estate brokerage services independent of the firm and principal broker; or
 - 3. Any webpage that contains a link to an unlicensed entity's website where said entity is engaged or appears to be engaged in activities which require licensure by the Commission.
- (4) Advertising for Franchise or Cooperative Advertising Groups
- (a) Any licensee using a franchise trade name or advertising as a member of a cooperative group shall clearly and unmistakably indicate in the advertisement his name, firm name and firm telephone number (all as registered with the Tennessee Real Estate Commission) adjacent to any specific properties advertised for sale or lease in any media.
 - (b) Any licensee using a franchise trade name on business cards, contracts, or other documents relating to real estate transactions shall clearly and unmistakably indicate his name, firm name, and firm telephone number (all as registered with the Commission).
- (5) Internet Advertising: In addition to all other advertising guidelines within this rule, the following requirements shall also apply with respect to internet advertising by licensees:
- (a) The firm name and the firm telephone number listed on file with the Commission must conspicuously appear on each page of the website.
 - (b) Each page of a website which displays listings from an outside database of available properties must include a statement that some or all of the listings may not belong to the firm whose website is being visited.
 - (c) Listing information must be kept current and accurate. This requirement shall apply to "First Generation" advertising as it is placed by the licensee and does not refer to such

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advertising that may be syndicated or aggregated advertising of the original by third parties outside of the licensee's control and ability to monitor.

(6) Social Media Advertising

- (a) For the purpose of this rule, "social media" means internet-based applications or platforms that allow the public to create and share content and information. Examples include, but are not limited to: Facebook, Twitter, Instagram and LinkedIn.
- (b) With regards to social media advertising by licensees, the firm name and firm telephone number listed on file with the Commission must be no more than one click away from the viewable page.
- (c) Listing information must be kept current and accurate. This requirement shall apply to "First Generation" advertising as it is placed by the licensee and does not refer to such advertising that may be syndicated or aggregated advertising of the original by third parties outside of the licensee's control and ability to monitor.

(7) Guarantees, Claims and Offers

- (a) Unsubstantiated selling claims and misleading statements or inferences are strictly prohibited.
- (b) Any offer, guaranty, warranty or the like, made to induce an individual to enter into an agency relationship or contract, must be made in writing and must disclose all pertinent details on the face of such offer or advertisement.

1260-02-.32 CIVIL PENALTIES.

- (1) The Commission may, in a lawful proceeding against any person required to be licensed by the Commission, in addition to or in lieu of any other lawful disciplinary action, assess a civil penalty for each separate violation of a statute, rule, or order pertaining to the Commission with the following schedule:

<i>Violation</i>	<i>Penalty</i>
T.C.A. § 62-13-103(b)	\$ 50 ---- 1000
T.C.A. § 62-13-301	50 ---- 1000
T.C.A. § 62-13-312(b)	
-1	250 ---- 1000
-2	200 ---- 1000
-3	300 ---- 1000
-4	100 ---- 1000
-5	300 ---- 1000
-6	200 ---- 1000

