

Summary of Revisions to the 1-4 Family Contract

The changes listed below, recommended by the Broker-Lawyer Committee, were adopted by the Texas Real Estate Commission during its November 4 meeting. These apply to all contract forms unless specified otherwise.

Keep in mind, the updated Condominium Resale Certificate (TREC No. 32-5) is a voluntary-use form. All remaining contract forms adopted by reference are available for voluntary use until January 3, 2025, when their use becomes mandatory.

The Adopted Changes

- **Paragraph 4** is amended to add the term "geothermal" to the definition of Natural Resource Leases because of a 2023 law change that stipulates property owners own the geothermal energy below the surface of their land and can drill or produce that energy and associated resources.
- To be consistent with a recently updated Texas Department of Insurance procedural rule, **Paragraph 6C(1)** is amended to include the option of providing the **T-47.1 Declaration** (which does not need to be notarized)—in lieu of the T-47 Affidavit—when the Seller furnishes the Buyer an existing survey. In lieu of providing a "no survey required" option, **Paragraph 6C(2)** is amended to read "Buyer may obtain a new survey" instead of "Buyer shall obtain a new survey", and adds that if the Buyer ultimately fails to obtain the survey, the Buyer does not have the right to terminate the contract under **Paragraph 2B** of the Third Party Financing Addendum because the survey was not obtained.
- Because Texas law requires a seller to provide a buyer a copy of any mold remediation certificate issued during the five years preceding the sale of the property, new **Paragraph 6E(11)** is added to provide information regarding this requirement (except in the Unimproved Property Contract).
- **Paragraph 6E(12)** is modified to add specific examples of the types of notices that should be listed in the paragraph and to add a caution that Seller's failure to provide required notices may provide Buyer with certain remedies, like the ability to terminate the contract.
- In light of recent discussions surrounding broker compensation, **Paragraph 12A(1)(a)** and **12A(2)** adds that each party pays the brokerage fees that they each have agreed to pay. **Paragraph 12A(1)(b)** is amended to allow for a specific seller contribution to the buyer's brokerage fees. A new **Paragraph 12A(1)(c)** has been added to separately address other seller contributions (that was previously in **Paragraph 12A(1)(b)**) and the prior language that specified the order in which any contribution was to be paid, as well as a limitation on the type of fee that could be paid, is removed. Conforming changes are also made in the Amendment to Contract.
- The title of **Paragraph 20** is changed to "Federal Requirements" from "Federal Tax Requirements." In new **Paragraph 20B** of the Farm and Ranch contract, information regarding the obligations related to the federal Agriculture Foreign Investment Disclosure Act has been added.
- The compensation disclosure in the Broker Information section of the contracts (except for the Farm and Ranch Contract) has been modified to remove the parenthetical referencing the MLS and to add checkboxes to allow for the fee to be reflected either as a percentage or a dollar amount.
- In the **Third Party Financing Addendum**, to ensure the buyer is terminating appropriately, **Paragraph 2A**, Buyer Approval, has been changed to require both a notice of termination and a copy of a written statement of the lender's determination like in **Paragraph 2B**, Property Approval. The language in **Paragraph 2B** is modified because the language related to notice of termination timing was different than in other contract provisions and was causing confusion.
- "Requirements" in **Paragraph 4** is made singular, and a conforming change is made to a paragraph citation.
- The Condominium Resale Certificate is amended to conform the language in **Paragraphs K and L** with **section 82.157**, Texas Property Code.
- In the Unimproved Property contract, **Paragraph 3D** is amended to include the same sales price adjustment language as in the Farm and Ranch contract. A dollar sign is also added to **Paragraph 3D** in the Farm and Ranch contract.
- Out of concern about confusion and improper use of **Paragraph 11**, Special Provisions, by license holders, the Addendum for "Back-Up" Contract is modified to provide more clarity on the timing and payment of the earnest money and option fee by incorporating similar language from **Paragraph 5** of the contract and by addressing timing and payment of additional fees.
- The committee drafted a new **Addendum for Section 1031 Exchange** that allows the seller or buyer to disclose an intent to use the subject property as a 1031 exchange and includes a statement that the parties will reasonably cooperate with one another. Providing this as an addendum, rather than in the contract, allows the parties to use it when applicable without causing unnecessary confusion. A reference to the new **Addendum for Section 1031 Exchange** is also added to **Paragraph 22**.

TREC Website: <https://www.trec.texas.gov/article/trec-form-changes-effective-january-3-2025>

