

2021 Contract Changes

WHEN WILL THE UPDATED CONTRACTS BE AVAILABLE?

Because corresponding changes need to be made to two additional forms – the Notice of Buyer's Termination of Contract (TREC No. 38-6) and the Short Sale Addendum (TREC No. 45-I)—the updated contract forms discussed below will not be available for use until after the February 2021 Commission meeting. Once published on the Commission's website, the use of these forms is voluntary until April 1st when they become mandatory.

CHANGES WERE ADOPTED TO THESE FORMS

The Unimproved Property Contract, One to Four Family Residential Contract (Resale), New Home Contract (Incomplete Construction), New Home Contract (Complete Construction), Farm and Ranch Contract, Residential Condominium Contract (Resale), Addendum for Property Subject to Mandatory Membership in a Property Owners Association.

MAJOR CHANGES INCLUDE: The following is a list of some of the changes made to the contract forms. Changes apply to all contract forms unless specified otherwise (paragraph numbers referenced are from the One to Four Family Residential Contract (Resale).

PARAGRAPH 2

Paragraph 2.C is amended to add "security systems that are not fixtures" to the list of accessories, and a definition for the term "controls" (for garage doors, entry gates, and other improvements and accessories). These changes apply to all forms except the Unimproved Property Contract and the New Home Contracts (both complete and incomplete).

PARAGRAPH 4

Language was added to Paragraph 4 to address leases in which the Seller is a party:

- Paragraph 4 includes language regarding disclosure of existing leases, including residential leases, fixture leases, and natural resources leases, and prohibits the seller from executing any new lease or amending any lease without the buyer's written consent after the effective date of the contract. Note that the residential and fixture lease language is not included in the Unimproved Property Contract or the New Home Contract (Incomplete).

- For a natural resources lease, the seller either acknowledges that they have delivered a copy of the lease to the buyer or that the seller will deliver a copy of the lease within 3 days after the effective date. If the latter is selected, the buyer may terminate the contract after receipt of the lease within a period of days set in the contract. This language is not included in the Residential Condominium Contract (Resale).

- The previous "License Holder Disclosure" language is moved to Paragraph 8.

PARAGRAPH 5

Paragraph 5 is amended to authorize payment of the option fee to the escrow agent separately or combined with earnest money in a single payment, of funds (to be credited first to the option fee, then to earnest money, and then any additional earnest money). The language also authorizes the escrow agent to release the option money to the seller without further consent from the buyer. Paragraph 5 also incorporates language previously found in Paragraph 23 relating to the termination option and the failure to timely deliver the option fee.

PARAGRAPH 8

The language originally in Paragraph 4 regarding "License Holder Disclosure" is added to Paragraph 8, which is retitled "Brokers and Sales Agents."

PARAGRAPH 10

Paragraph Io.B is amended to make conforming changes with Paragraph 4 by striking all language except "After the Effective Date, Seller may not convey any interest in the Property without Buyer's written consent." A new paragraph Io.C is added to all contract forms except the Unimproved Property Contract to include a definition of a "Smart Device" and to add language requiring that the seller, at the time the seller delivers possession of the property to the buyer, must deliver any access codes, usernames, passwords, and applications to the buyer that the buyer will need to access or control the smart devices. The language also adds that the seller must remove or terminate their access or connections to any of the property's improvements and accessories.

PARAGRAPH 18

Paragraph 18. A is amended to allow the escrow agent to require any disbursement made under the contract to be conditioned on the collection of good funds.Paragraph 18.B is amended to further define expenses that an escrow agent may deduct.

PARAGRAPH 21

To provide sufficient space, the language in Paragraph 21 has been amended so both the fax and email line will read "Email/Fax."

PARAGRAPH 22

The two new addenda referenced in Paragraph 4—the Addendum Regarding Residential Leases and the Addendum Regarding Fixture Leases—have been added. This language is not included in the Unimproved Property Contract or the New Home Contract (Incomplete).

PARAGRAPH 23

The existing language in Paragraph 23 has been deleted in light of the changes made to Paragraph 5. Previous paragraph 24 is renumbered.

Broker Information Page. A blank for "Team Name" was added to the page. The existing language regarding compensation was amended in all forms except the Farm and Ranch Contract. Language was added to make clear that the sentence is for informational purposes to disclose there is a separate commission agreement between the Listing Broker and Other Broker.

Option Fee Receipt. The language is amended to strike a reference to "Seller/Broker" and replace it with "Escrow Agent."

New Home Contract (Incomplete Construction). Language was added to Paragraph 7. to mirror the language in Paragraph 7.I. of the New Home Contract (Complete Construction) regarding residential service contracts.

Residential Condominium Contract

(*Resale*). All references to a survey were removed from Paragraph 6, and language was amended in Paragraph 12 as follows: "Buyer shall pay any and all Association fees, deposits, and reserves and other charges resulting from the transfer of the Property not to exceed \$ and Seller shall pay excess."

Addendum for Property Subject to Mandatory Membership in a Property Owners Association. The addendum was amended to add deposits and reserves to the list of payments the Buyer will make in association with the transfer of the property.

IN ADDITION TO THE CHANGES TO THE EXISTING FORMS, TWO NEW FORMS WERE ALSO ADOPTED:

Addendum Regarding Residential Leases (TREC No. 51-0). This new form supplements changes made to Paragraph 4 regarding required consent to enter into any new leases, amendments to exiting leases, or conveyance of an interest in the property.

Addendum Regarding Fixture Leases (TREC No. 52-0). This new form protects the parties regarding fixture leases in place on the property at the time of contract execution.



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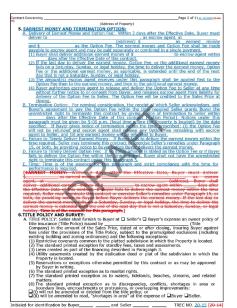
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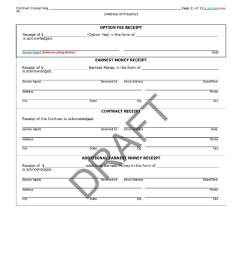
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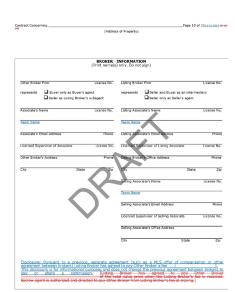
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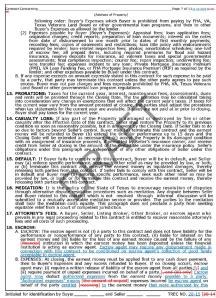












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led for identification by Buyer and Seller

https://www.trec.texas.gov/article/rules-and-contract-updates-november-commission-meeting www.austintitle.com

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