



Agenda Item 16:

Discussion and possible action to adopt amendments to 22 TAC, Chapter 537, regarding Standard Contract forms as follows:

- a. §537.20, Standard Contract form TREC No. 9-13 (Unimproved Property Contract);
- b. §537.28, Standard Contract form TREC No. 20-14 (One to Four Family Residential Contract (Resale));
- c. §537.30, Standard Contract form TREC No. 23-15 (New Home Contract (Incomplete Construction));
- d. §537.31, Standard Contract form TREC No. 24-15 (New Home Contract (Completed Construction));
- e. §537.32, Standard Contract form TREC No. 25-12 (Farm and Ranch Contract);
- f. §537.37, Standard Contract form TREC No. 30-13 (Residential Condominium Contract (Resale));
- g. §537.43, Standard Contract form TREC No. 36-8 (Addendum for Property Subject to Mandatory Membership in a Property Owners Association);
- h. §537.58, Standard Contract form TREC No. 51-0 (Addendum Regarding Residential Leases) (NEW); and
- i. §537.59, Standard Contract form TREC No. 52-0 (Addendum Regarding Fixture Leases) (NEW)

Summary:

The proposed amendments to Chapter 537 and the forms adopted by reference were published in the August 28, 2020, issue of the *Texas Register* (45 TexReg 6018).

The Broker-Lawyer Committee recommended revisions to the contract forms adopted by reference under the amendments and new rules to Chapter 537 to address issues that have arisen since the last contract revisions. Prior versions of these rules changes and new forms were posted in the June 12, 2020, issue of the *Texas Register*. At its July 17, 2020, meeting, the Broker-Lawyer Committee considered comments submitted by members of the public and made significant revisions to these items. Because such changes were substantive in nature, the Broker-Lawyer Committee withdrew the prior version of these items posted in the June 12, 2020, issue of the *Texas Register* and now adopts these items as amended. The changes listed below apply to all contract forms unless specified



otherwise. Paragraph numbers referenced are from the *One to Four Family Residential Contract (Resale)*.

Paragraph 2 is amended to remove quotes and add a parenthetical around the word "Property."

Paragraph 2.C is amended security systems and "Controls" as Accessories and defines "Controls."

The language of Paragraph 4 was moved to the end of Paragraph 8, which is retitled "License Holders."

Language was added to Paragraph 4 to address leases to which the Seller is a party. The Buyer may terminate the contract after receipt of the Leases within a period of days set in the contract.

Paragraph 4 is also amended to include language regarding disclosure of existing leases and prohibits, without Buyer's consent, any new leases, amendments to exiting leases, or conveyance of interest in the property. Language also requires disclosure of Residential Leases, Fixture leases, or Natural Resources Leases within 3 days after the effective date.

Paragraph 5 is amended is authorize payment of option fee to escrow agent separately or combined with earnest money in single payment. Clarifies order application of funds to be credited first to Option Fee and then to earnest money. Authorizes release of option money without further consent from Buyer. Paragraph 5 also now incorporates language previously found in Paragraph 23 relating to remedy for failure to timely deliver Option Fee and earnest money.

Paragraph 10.B is amended to remove redundancies found in 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."

Paragraph 10.C is amended to include definition of Smart Device and require delivery of access codes to Buyer and removal of seller access points.

Paragraph 18.A is amended to allow escrow agent to require any disbursement made under the contract to be made in good funds.

Paragraph 18.B is amended to further define expenses that an escrow agent may deduct.

Paragraph 23 is deleted in its entirety.



Paragraph 24 is renumbered to Paragraph 23.

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

Language was deleted from the Broker Information page of all forms except the Farm and Ranch Contract form: "Listing Broker has agreed to pay Other Broker ___ of the total sales price when the Listing Broker's fee is received. Escrow agent is authorized and directed to pay Other Broker from Listing Broker's fee at closing." Language was added for informational purposes to disclose there is a separate commission agreement between the Listing Broker and Other Broker.

Language was added to the Incomplete Construction Contract to mirror the language in the Complete Construction Contract Paragraph 7.I. regarding Residential Service Contracts. The language was added to the Incomplete Construction Contract as Paragraph 7.J.

In the Residential Condominium Contract, all references to a survey were removed from Paragraph 6.

The Addendum for Property Subject to Mandatory Membership in a Property Owners Association adopted by reference in §537.43 is amended to add deposits and reserves to the list of payments the Buyer will make in association with the transfer of the property.

The Addendum Regarding Residential Leases is adopted by reference in §537.58 is a new form that supplements changes made to Paragraph 4 regarding required consent to enter into any new leases, amendments to existing leases, or conveyance of interest in the property.

The Addendum Regarding Fixture Leases adopted by reference in §537.59 is a new form protects the parties regarding fixture leases in place on the property at the time of contract execution.

Comments:

One hundred twenty-four Comments were received. The Broker Lawyer Committee (committee) met on October 16, 2020 and addressed each comment received.