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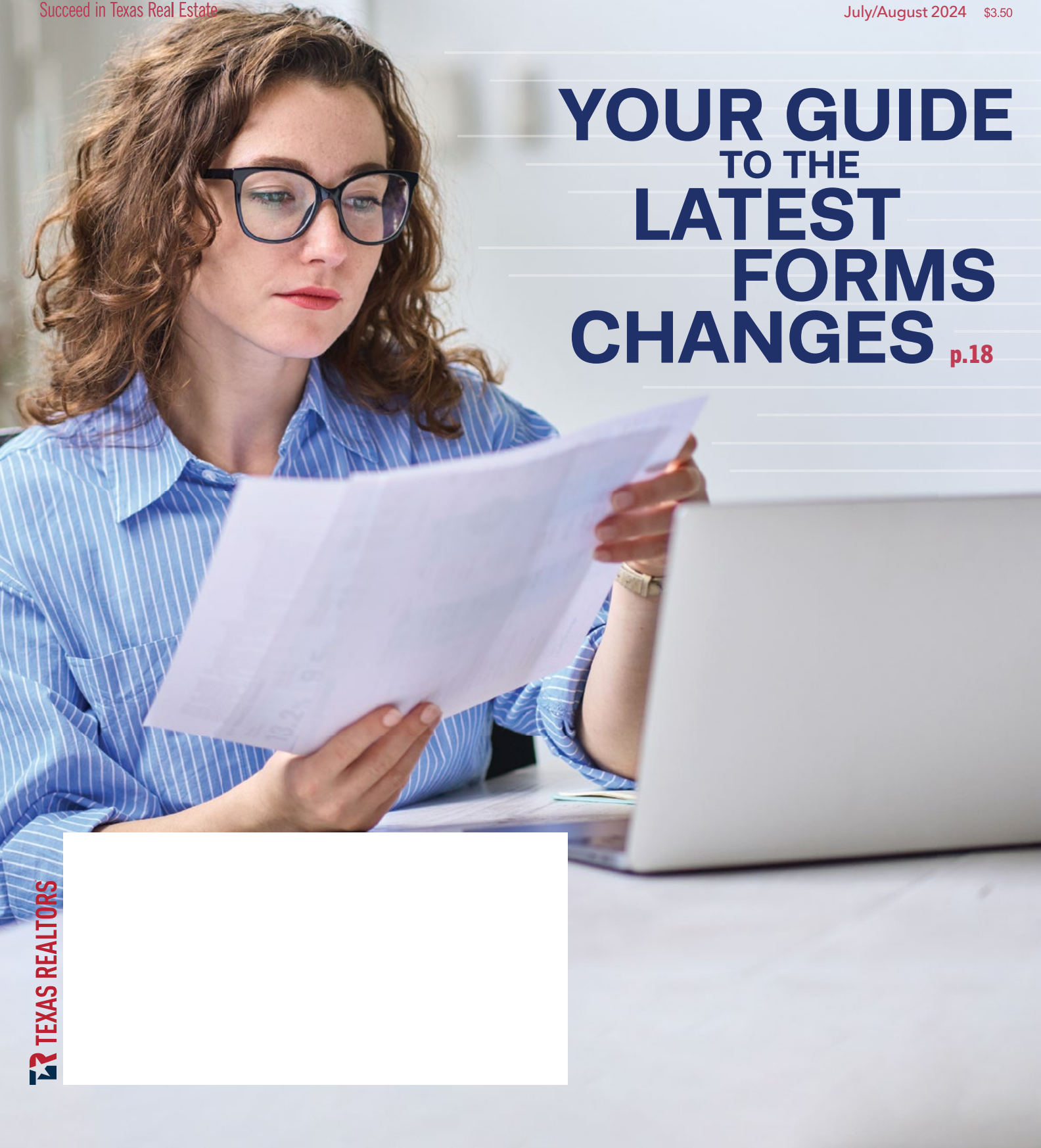
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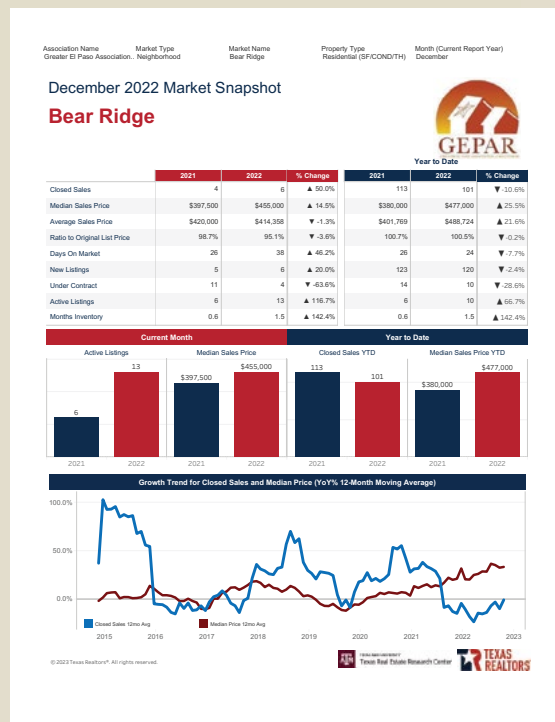
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Your Guide to the Latest Forms Changes

NAR's lawsuit settlement requires changes to the agreements you and your clients use. Here's the information you need on the 16 revised and three new forms.



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When the Appraisal is Below the Sales Price

by Brent Bowen

If you want to ask the appraiser to revisit the value placed on the property, you'll need the right approach.



INSIGHTS



“One of my favorite takeaways was just seeing Texas REALTORS® in action. Our members care. You show up and are engaged.”

Chairman’s message

There’s nothing I like more than meeting you—the REALTORS® of Texas—in your communities, eating at your restaurants, and getting that boots-on-the-ground feel for what’s happening in your markets. So these past months taking part in the Texas REALTORS® 360 – Real Insights regional meetings have been a real highlight—and education—for me.

On behalf of the entire Texas REALTORS® Leadership Team, thank you! Your tremendous hospitality made for memorable events across the state. Here are a few things that stood out to me:

We have great local associations that care about their members. It didn’t matter if we were visiting small associations or large ones, you rolled out the red carpet for us and for your members. It was incredible. Local association staff, regional vice presidents, and local leaders and volunteers worked hard to make sure the meetings were enjoyable and informative. I thank you all!

Our local associations have great leaders. Local association leadership teams showed up and worked together. The collaboration gives me great confidence in our association’s future. We will make stronger connections each time we get together.

We were able to talk through the NAR settlement. Every meeting started out the same: apprehension about the compensation litigation and settlement. By listening to your concerns, and explaining the knowns and unknowns, we observed a turning point in each meeting. Members began to see that there is a light at the end of the settlement tunnel. It was fun to see that transition where the comfort level grew and we were able to start

thinking about other things beyond the lawsuit. I’m confident that those who attended were able to share that information to help other members see what life after the settlement looks like.

REALTORS® are deeply involved with the people in their communities. Each regional meeting showcased variations from place to place. Despite differences in the meeting spaces, sponsors, market conditions, and local issues, the outcome was the same: REALTORS® and our affiliates came together to put on a great event for all who attended, which is sure to make a difference in our local areas.

One of my favorite takeaways from the meetings was just seeing Texas REALTORS® in action. Our members care. You show up and are engaged.

Seeing our leaders at the state and local levels is like looking into the future. I can say with complete confidence that Texas REALTORS® is in good hands. Every member of our state Leadership Team was prepared to share great information with attendees. (I also saw them reconnecting with many friends and meeting newly engaged members, too.) To those who serve on the Leadership Team with me—Travis, Marcus, Christy, Jennifer, Tony—thank you for caring for our members and stepping up to lead our organization.

I once again want to thank each member who attended our regional meetings. Your participation made a difference! And if you didn’t make it this time, don’t worry: We’re already getting dates on the calendar for next year. Hope to see you in 2025!

Looking for information about materials you can share with prospects and clients about the recent changes from the NAR settlement? Visit texasrealestate.com/toolkit.

INSIGHTS

Virginia Cook

1940 – 2024

Virginia Cook, 1989 President of Texas REALTORS® and co-founder of Virginia Cook, REALTORS®, died in July at the age of 84. Cook, who worked in Dallas real estate for over 50 years and started her own firm in 1999 with a business partner, was the first female to serve as president of Texas REALTORS®. Her brokerage was one of the largest independent North Texas real estate sales firms at the time of its closing in 2019. “Virginia was a trailblazer and an icon in the DFW market,” said Texas REALTORS® President and CEO Travis Kessler. “She was ahead of her time and was responsible for changing the landscape of Texas real estate for the betterment of us all.”



Congratulations to Shad Bogany, who was elected as a Texas REALTORS® regional vice president for Region 14 (Houston) to serve a two-year term on the Executive Board that begins December 1, 2024.

Financial planning tailored for REALTORS®

You can find a lot of general financial advice online, but if you want information created specifically for REALTORS®, check out the Center for REALTOR® Financial Wellness. This website from NAR contains a wealth of articles, interactive tools, and calculators developed to help you with investing, budgeting, taxes, retirement, and other financial topics—all with the circumstances that pertain to REALTORS® in mind. Visit the site at financialwellness.realtor (your NAR login is required).



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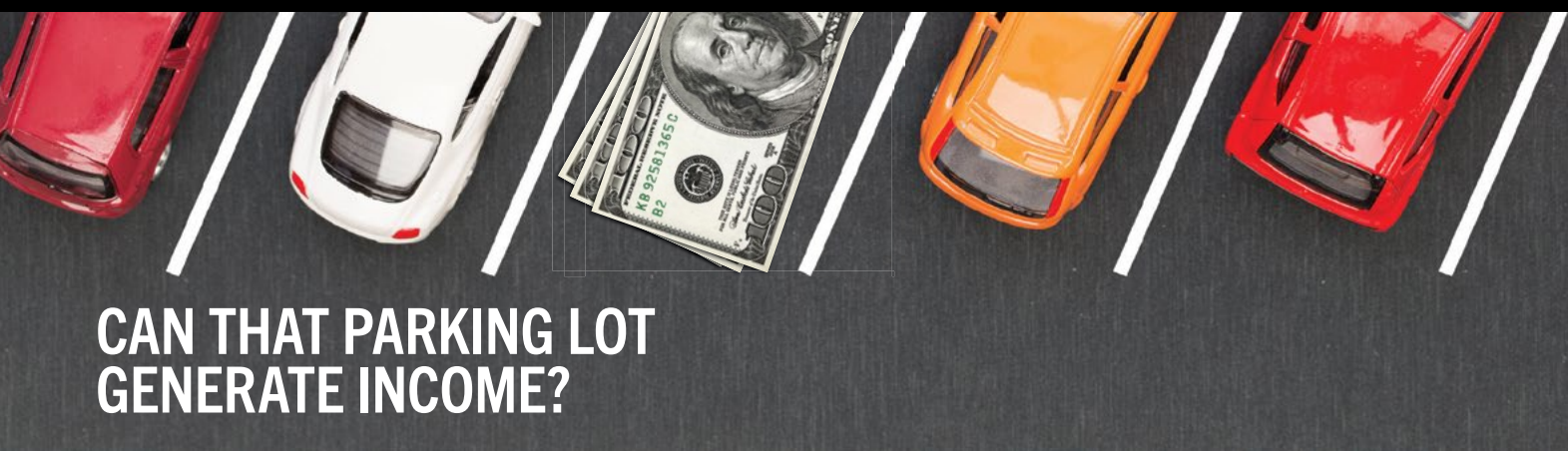
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BUSINESS



CAN THAT PARKING LOT GENERATE INCOME?

These days, your commercial clients could use additional revenue streams. Some are turning to unconventional tenants or new uses for their facilities. Others are looking right outside their door. Your client's parking lot—or a portion of it—could be rented out to other businesses, seasonal vendors, overflow parking, or special events. Quenton Rockwell, sales associate with Coldwell Banker Commercial in Cypress, has seen commercial properties bring in extra cash this way. Rockwell serves on the board of directors of CommGate, the Houston Association of REALTORS®, and Texas REALTORS®. Before your clients make room in their lots, discuss the following topics with them.

What space is available?

Not every parking lot is suitable for rent. "Is it flat and stable?" Rockwell asks. "Is it large enough to accommodate another use? If needed, could a tenant connect to electricity for resources such as lighting, electronic security, or pay stations?"

Obviously, location matters. Is the lot near another business or organization that needs overflow parking? Could it attract foot traffic if need be?

Is the property zoned for this?

Your clients should investigate if the property's zoning would support another use and if so, what type.

Can the site accommodate both needs?

Rockwell gives the example of a church and a nearby business. The church parking lot is empty except for Sunday and one weeknight. A nearby business's peak hours are not during those times. The two organizations could easily share the parking lot.

Would a future tenant complement—or at least not detract from—your client's business? A restaurant may not want a food truck outside, but a nightclub or an office full of hungry employees may welcome it.

What's your clients' exposure?

Rockwell says your clients' first call should be to their insurance provider. Would their insurance cover guests visiting the property for another purpose? If someone slips and falls, who is liable? Are your clients covered in the event of theft or vandalism?

How would the deal be arranged?

The safest course of action for you and your clients is to advise your clients to contact an attorney to draw up a formal lease agreement. That way, all details and contingencies are spelled out, just with like any other tenant.

How do your clients attract tenants?

Rockwell says that often prospective tenants interested in parking lot space will just walk in or call the building's management. "It's very casual," he says. The prospective tenant may think your client's location would be perfect for their business. If your clients think a particular type of tenant would be well suited to their site, they can start having conversations.

Even if renting lot space has never occurred to your clients, it could be worth discussing. "Interest rates are cooling slightly, but people have to maximize their income by whatever means necessary," Rockwell says. "The land could be profitable if it's just sitting there."

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SCAMS TARGETING NEW HOMEOWNERS

There's no shortage of schemes to defraud new homeowners. Here are a handful to warn your clients about:

Partner Companies

A letter from a company claiming to be a partner with the homeowner's mortgage lender requests additional information for the loan. It is merely an attempt to gain personal or financial information.

Deed Processing Notice

A bill stating that the homeowner owes money for a copy of the deed or property assessment profile is a scam. Property deeds are mailed for free after a sale or transfer. Additional copies can be ordered from the county clerk's office.

Business Imposters

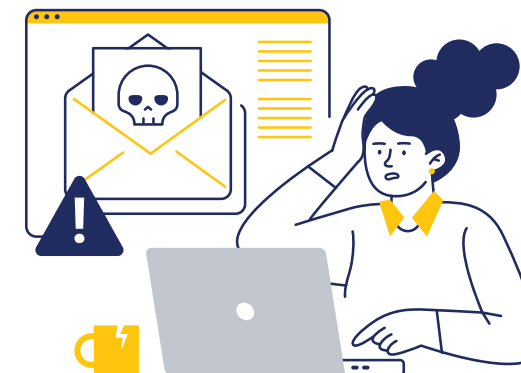
Legitimate utility companies do not show up at a homeowner's door asking for payment through a money order, cryptocurrency, or other untraceable forms. They also will not ask to see the homeowner's bill or account information.

Loan Scams

Companies that contact homeowners to refinance shortly after closing may be making money on excessive loan fees—possibly even putting the homeowner in a loan with a higher interest rate. It's always best for the homeowner to research refinancing options instead of responding to a cold call or letter.

Fake Wiring Instructions

Emails that arrive last-minute with new money-wiring instructions are almost certainly fraudulent. You can provide your clients *Wire Fraud Warning* (TXR 2517)—one of 140-plus forms exclusively for Texas REALTORS®—so they know what to expect and what not to do with downpayment funds.



BUSINESS

Free Texas maps, travel guides, and more

TxDOT does more than highways. The Texas Department of Transportation has resources you and your clients might find helpful, like its 250-plus page *Texas State Travel Guide* and official Texas travel map, a *Texas Wildflowers* brochure, and a quarterly events calendar. Find online versions in the *Travel Publications* section of [txdot.gov](https://www.txdot.gov) or order free printed copies at [texastravelleads.com](https://www.texastravelleads.com).



If you haven't yet figured out what to do when you see a QR code—those square grids you find on ads, signs, and even the pages of this magazine that promise additional information—don't stress: They're easier to use than you think.

Simply open the camera app on your phone and point it at the QR code. Wait a few seconds—and *don't* take a picture. You'll get a small popup you can tap to visit the web page or other content promised.

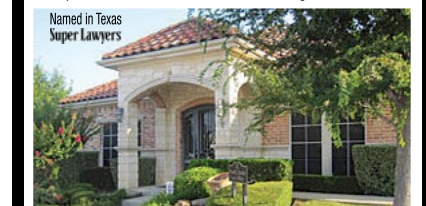
And if you've been snapping QR codes for years and are ready to make use of them in your business, learn more by—you guessed it—scanning this code.



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WHAT TO DO BEFORE AND AFTER A CYBERATTACK

Real estate brokerages are potential targets for cyber-crimes. Knowing what to do before and after a cyberattack can help minimize your costs.

John Mondics is President of Mondics Insurance Group, a Texas REALTORS® risk management partner. Here are seven steps he recommends for addressing these threats.

Before: Get help before you need it

Before anything happens to your business, reach out to an attorney who specializes in cybercrime who could help you respond to an attack, Mondics says.

“A family lawyer or real estate lawyer may not be the best person to contact,” he clarifies. “You need someone who specializes in this field and knows what to do about notifying customers.”

Set up this relationship ahead of time. An hour of an attorney’s time will be a small price to pay in retrospect, he says.

Before: Build a strong defense

Make sure your computer systems are secure and have strong defenses in place. Train everyone who accesses your systems to use them safely. Dual authentication is now a standard procedure, Mondics says.

A cybersecurity firm can advise you about the best measures to put in place. Just like with the attorney, Mondics recommends connecting with a firm before something happens. That way, in your hour of need, experts will know your systems and be able to respond quickly.

Before: Consider cyber insurance

Cyber insurance is often a separate policy. Some carriers offer cyber endorsements to existing policies.

“Cyber coverage is like selecting a limit of liability insurance,” Mondics says. “You don’t know what limit you may need until after an occurrence. I would get multiple quotes. You may not need the broadest coverage. It does help to rebuild and pay expenses. For most small businesses, they can afford a little higher premium to prevent that big cost.”

Your business may not need comprehensive coverage. Mondics recommends reviewing your systems and budget and considering what potential losses could look like.

Some firms skip cyber insurance altogether. He says their logic is based on the assumptions of insurance costing \$2,000 to \$3,000 a year and the business making it 10 to 15 years without an incident. They may refer to it as self-insurance, but it’s really being uninsured, he adds.

Mondics remembers one small business that was hacked and didn’t have any cyber coverage. The costs totaled tens

of thousands of dollars, but could easily have been far more, especially if the business had incurred multiple losses.

Self-insuring could be a valid choice for your business, but it is a bad decision if you choose it out of ignorance of your needs and options, he says.

After: Close the gate

Many businesses give remote access to their agents, vendors, suppliers, or other trusted partners. If you believe your firm has been attacked, immediately disconnect remote access, he recommends. “Your servers or network could be compromised,” he explains. “Close it off to stop any further problem.” Then your experts can try to figure out what happened and how the criminals got into your systems.

After: Don’t try to fix it yourself

Maybe you or your agents consider yourselves tech-savvy. In the case of cybercrimes, do not attempt to fix problems yourself, Mondics cautions. Hire a qualified cybersecurity company to ensure that any problems are fixed, any vulnerabilities are addressed, and better systems are in place going forward.

After: Call the authorities

Next, notify local, state, and federal authorities, including the FBI. “The authorities will then tell you what to do,” Mondics says. If the data breach affects 250 or more Texans, you are required to report the event to the Office of the Texas Attorney General within 30 days of the discovery of the breach.

Reach out to the cyber attorney you connected with beforehand. Also call your insurance carrier to keep them in the loop.

After: Contact affected parties

Your attorney will advise you on how and when to notify those who were affected or potentially exposed by the cybercrime, Mondics says.

When you contact stakeholders, be clear about what happened and what steps you are taking. There is nothing to be ashamed of when admitting your firm has been hacked, Mondics says.

Your liabilities should be limited if you’ve prepared in advance and taken the correct steps to protect yourself and notify stakeholders.

Your Forms

Property managers may use *Report of Incident Occurring on Property* (TXR 2215) to document events such as crimes, deaths, personal injuries, or other incidents that may occur on property they manage. The report includes space to detail who initially called first responders, contact information for witnesses, injuries sustained, property damage descriptions, and follow-up actions. Additional documents may be attached to the report. *Report of Incident Occurring on Property* can be used with residential and commercial properties. It is one of 140 forms exclusively available to members of Texas REALTORS®.



Fact or Fiction?

Like homesellers, my commercial clients must provide a disclosure form when selling a commercial property.

FICTION. While commercial sellers are required by law to disclose material facts and defects related to the property, there is no mandatory form that must be used. When your client is using either the *Commercial Contract – Improved Property* (TXR 1801) or the *Commercial Contract – Unimproved Property* (TXR 1802), your clients have two options for how to make any necessary disclosures. The first option is to check the box to attach, as an addendum, a completed *Commercial Property Condition Statement* (TXR 1408) to document the state of the property, including any structural damage or improvements, as of the date signed. The second option is to check the box listing items that your seller is not aware of, with a description of exceptions to that list stated in special provisions or a separate addendum attached to the sales contract. You can offer your clients the option to disclose at the time of listing but adhere to your client’s preference on the matter.

Visit the FBI’s Internet Crime Complaint Center at ic3.gov for more information.

HOW TO AVOID BREACH OF CONTRACT CLAIMS

A contract is not just a way to transfer property—it’s a shared understanding about the property’s condition and everyone’s responsibilities during the real estate transaction.

Breach of contract claims are very common and can take many forms, according to The Herbert H. Landy Insurance Agency, a Texas REALTORS® risk management partner.

A buyer may accuse a seller of not completing, or poorly completing, agreed-upon repairs before the close of escrow. Perhaps a seller has agreed to deliver a rental property without tenants and then runs into trouble when the tenants hold over.

Buyers and sellers often make breach of contract claims against their own agents. “Most breach of contract and negligence claims involve, at their core, an undisclosed defect or condition with the property being sold or purchased,” says Betsy Magnuson, President of The Herbert H. Landy Insurance Agency.

The claimant will usually add a breach of contract claim alongside other claims, such as negligence and breach of fiduciary duty. These claims can also include failing to properly list or market properties, allowing due diligence periods to lapse, and failing to adequately explain the terms and conditions of the purchase agreement, she adds.

More generally, breach of contract claims can arise from a client’s perception that the agent was not looking out for the client’s best interest, according to Magnuson.

In the example of the buyer accusing the seller of incomplete or poorly completed repairs, the seller may try to shift blame to the agent, claiming the agent recommended the contractor who made the repairs, Magnuson says. In another example, a buyer may claim to have been unaware of a property’s problems because the agent discouraged getting a home inspection or other testing.

There are a few steps you can take to protect yourself when it comes to breach of contract issues.

Do your due diligence

“Agents should sit down with their clients and go through the provisions of the contract

with them before signing, and to the extent possible document this,” Magnuson says. “Make sure clients are aware of and agree to the critical deadlines set forth in the contract, and that the client is aware of repercussions of missing certain deadlines.” Make sure your clients fully understand and agree to any contract addenda, she says.

Show your work and everyone else’s
Keep the transaction fully transparent, Magnuson advises. “Share all communications with clients. Ensure that they receive all inspection reports and other documents,” she says.

She also recommends thoroughly documenting all material communications with clients and events that happen during escrow. “Document conversations with clients and, whenever possible, have them acknowledge in writing that they reviewed the material in question and that they understand the contents, information, and implications,” she says.

Leave decisions to the client whenever possible

The agency recommends that agents avoid recommending or endorsing contractors. If agents choose to do so, they should provide a list of contractors and advise the client to independently research their work and reputation, Magnuson continues.

Keep opinions to yourself

Magnuson advises agents to avoid offering opinions on matters outside of their expertise or without adequate information, such as whether certain inspections are needed.

Reach out ASAP

Your errors-and-omissions insurance can help you if you are facing a breach of contract complaint or claim. Magnuson says to notify your broker and E&O insurance provider as soon as possible. Your insurance provider will work with you on how to proceed with the claim, such as involving an attorney.



YOU Know What You're Worth. Do Others?

Prospects and clients need to understand why your expertise and guidance is worth what they agree to pay you. Here are some ideas to demonstrate your value.

by Joe Olivieri

The way you do business is changing. The NAR lawsuit settlement removes offers of cooperating compensation from the MLS and requires written agreements when you work with buyers.

Along with these new requirements, today's clients may take a closer look at what you bring to the real estate transaction. If you want to continue succeeding in this business, it's never been more important to demonstrate to each client why you are worth the cost.

All agents and brokers can benefit from improving their value proposition. Here's what three experts advise.

"Right now, the public is looking at us and asking, 'What do you really do?'" says coach and instructor Pat Strong. "They're saying, 'Let me see your credentials. Let me see your marketing plan. What's in it for me?' If we don't express what's in it for them, we miss the mark."

WHAT DO YOU DO?

So why should a client hire *you*? If you haven't spent a lot of time with this question, start here.

"If you have any hope that clients will understand your value, you have to understand it first," says Angela Brutsché, Vice President of Communications and Marketing for Texas REALTORS®. "You must know your strengths, how those strengths relate to what customers need, and what makes you uniquely qualified to meet the needs of those customers."

A longtime educator, Strong asks her students to brainstorm the top things they do that bring value to clients. "Then take it to the next level and discuss feature, benefit, and close," she says. "So often the benefit is left out. Let's say I'm a seller's agent and my feature is that I will put your listing on 10 websites. OK, what's the benefit? The benefit is that we will get this many more hits by doing that."

From there, agents should internalize their scripts so their value proposition becomes second nature, Strong says. "If you're just going to put a sign in the yard and take some pictures, anyone can do that," she says. "What else are you going to do for me?"

Brian Boero of marketing and branding firm 1000watt recommends an exercise called First, Best, Only. "Sit down and think to yourself: What was I the first to do in my market? It doesn't have to be big. Next, what is the thing that I am convincingly the best at? Maybe I offer strategy or have great relationships with listing agents. Then, what do I do that nobody else in the market does?"

If you have a niche or if you specialize in a client base, highlight it, he advises. There were over 230,000 licensed agents and brokers in Texas in April, according to TREC. Differentiation is essential.

Identifying where your ideal audience is and thinking about where and how they can be reached is also important, Brutsché says.

DO YOU DO WHAT CLIENTS VALUE?

Two of the most important things a good buyer's agent does are mitigate risk and help buyers do their due diligence in the transaction, Boero says.

"A home is a big, scary, expensive purchase," he notes. "If I buy a house that could bankrupt me, I've messed up my entire life. I can't afford to make a mistake." A good buyer's agent helps buyers find the best house that meets the buyer's criteria.

A good buyer's agent also helps the client navigate the complexities of the deal, from explaining the contracts to negotiating price. Agents can help buyers avoid overpaying

WHY THIS MATTERS NOW

The terms of NAR's proposed settlement to a class action lawsuit take effect by August 17 (local MLSs may adopt the proposed changes before then). The terms include prohibiting the inclusion of offers of compensation on the MLS and requiring written agreements between buyer's agents and buyers when the agent is working with the buyer and showing a home.

While cooperative compensation will still be allowed outside of the MLS, there may be a greater emphasis on the negotiation of compensation. The best way to continue to thrive in real estate is to ensure that prospects and clients understand all the ways you help them reach their goals, simplify a complex process, and protect their interests.



YOU NEED TO BE CONFIDENT IN ADDRESSING WHAT YOUR CLIENTS ARE HEARING OUT THERE IN THE MEDIA OR ELSEWHERE.

— BRIAN BOERO

“
DURING LISTING PRESENTATIONS, I WOULD SAY THAT NOT ALL REAL ESTATE AGENTS ARE REALTORS®. WE ARE HELD TO A HIGHER STANDARD CALLED THE CODE OF ETHICS.
 —PAT STRONG

and guide them toward competitive offers.

“When an agent or broker demonstrates real value, that person may be doing these things without thinking about it,” Boero says. “It’s important to focus on communicating these things that are most important to clients. I don’t recommend that you say, ‘I’m available all hours of the day and night and will drive you around all day Saturday in my Lexus.’ That’s not the important stuff.”

By matching your brand and services to your clients’ needs, you make clients more receptive to hearing positive information about you, such as customer success stories and testimonials, Brutsché notes.

BUILD TRUST THROUGH HONESTY AND CONSISTENCY

Communicating your value is not merely a speech to recite at your first substantial meeting with a client. You live it and express it throughout the transaction.

Strong recommends sending information packets before meeting with clients. These packets can include testimonials from past clients, a list of your credentials and a bio, and other relevant information. It sets the tone, she explains.

“The very first thing you do when you’re face-to-face is ask them, ‘What are your expectations of me as your agent?’” she says. “Lay it on the table, then shut your mouth and let them tell you. If you don’t know who they are and what they want, you won’t be able to fulfill their needs.”

Engrossing yourself in serving customers and exceeding their expectations can position you as a valuable, trustworthy resource, Brutsché says.

Boero emphasizes that you must be authentic in your marketing. “You want to create a connection with them,” he says. “Creating a connection requires recognizing a truth that they are feeling.”

He says buyers in many markets—especially younger buyers—are not feeling optimistic about buying homes. Home prices and mortgage rates remain high and inventory is growing but still tight in many areas. “Marketing that says something like ‘I make dreams come true’ will fall flat with these buyers. Acknowledging that ‘It’s really tough out there but I can help you because I have these skills’ will connect.”

MAINTAIN TRUST THROUGH TRANSPARENCY AND LISTENING

It’s crucial that you do what you say you will do, Boero continues. At the beginning of the transaction, explain how you create value and how much you expect to be compensated, then deliver on your promises.

“For some people, their value package becomes a checklist,” Strong says. “They explain what they’re going to do and give a sheet to the client. They ask the client to check off what the agent has done. It works well with clients who are very meticulous.”

You can get past preconceived notions and client concerns through complete openness, Boero recommends. Don’t avoid conversations about tough topics, including recent news about the lawsuits, he adds.

“Surveys say that only about half of consumers are even aware of the class action verdict and proposed settlement,” Boero says. “For younger buyers, the percentage is even less. You need to be confident in addressing what your clients are hearing out there in the media or elsewhere.” Being willing to answer questions builds trust.

WHY CO-BRANDING MATTERS

Many agents are part of teams, brokerages, or franchises with existing branding. Their branding may offer you name recognition and confer some credibility, but there are advantages to having your own branding in addition to theirs.

“I say to brokers, ‘You need to have a company value package,’” Strong says. “Give this company value package to each of your agents and tell them to add to it. Add their personalized value package over and above, but keep it all consistent within the company.”

Your own branding is valuable because it can follow you throughout your career and it allows you to further differentiate in the market, Strong says.

“
CONSIDERING WHAT MATTERS MOST TO EACH PROSPECT AND HOW YOU CAN SERVE THEIR NEEDS IS ESSENTIAL INFORMATION YOU SHOULD BE COMMUNICATING.
 —ANGELA BRUTSCHÉ

HOW CAN BEING A REALTOR® HELP?

Your membership as a REALTOR® is another way you can distinguish yourself from other real estate license holders. Tell your prospects and clients about the advantages your membership provides. Members of Texas REALTORS® enjoy dozens of additional forms, can access the most accurate market data, benefit from advocacy that helps the industry and consumers, and adhere to higher ethical standards.

“I teach tying in the Code of Ethics in every listing and buyer presentation,” Strong says. “During listing presentations, I would say that not all real estate agents are REALTORS®. We are held to a higher standard called the Code of Ethics. I love to hand out three or four passages from the Code of Ethics specific to listings and buyers.”

HOW DO YOU KNOW IF IT’S WORKING?

Identifying key performance indicators can help you determine what is working best and how you can improve, Brutsché says.

This could include customer surveys, social media interactions and impressions, and referrals. Consider establishing goals for your improved communication and a plan for how to achieve them, she advocates. *Improve my scripts to get more business* is too vague of a goal.

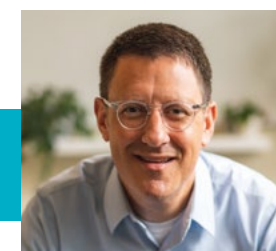
COMMUNICATING VALUE ISN’T OPTIONAL

“Considering what matters most to each prospect and how you can serve their needs is essential information you should be communicating,” Brutsché says. “While the way you present and deliver value will differ, you must be able to articulate why customers should work with you.”

For Boero, the benefits of working on communicating your value are clear. “I read thousands of listings. Ninety five percent of the information is the same,” he says. “To the extent you can differentiate yourself and tell a compelling story, you will win more often.

“Buyer’s agents who do not convincingly articulate their value proposition will struggle to survive in this business,” he says. “You have to explain why you’re worth your compensation and why you’re different.” ★

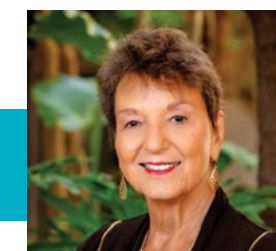
JOE OLIVIERI is a business writer who frequently writes for Texas REALTOR®.



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ANGELA BRUTSCHÉ is Vice President of Communications and Marketing for Texas REALTORS®. She serves on the Department of Marketing’s Advisory Board at the McCoy College of Business at Texas State University.



PAT STRONG, a Senior Consultant and Coach working independently, resides in Tarpley, Texas. During her 40-plus-year career in real estate, she has received the Educator of the Year, Excellence in Education, and Distinguished Service awards from Texas REALTORS®, and has been inducted into the REBAC Hall of Fame from NAR.

LEARN MORE

Texas REALTORS® offers courses on topics related to communicating your value, such as *Prepare to Win the Listing*. Visit texasrealestate.com/findacourse to see upcoming sessions.

NAR is offering a free, eight-hour Accredited Buyer’s Representative course through the end of 2024. Learn more at abr.realtor.

NAR has published *179 Ways Agents Who Are REALTORS® Are Worth Every Penny of Their Compensation*. You can share this list with clients and prospects to demonstrate your value.

1000watt offers a free newsletter on strategy and marketing at 1000watt.net.

Learn more about the NAR settlement and the new practice changes at nar.realtor/the-facts/narsettlement-faqs.

Visit texasrealestate.com/toolkit for resources about the NAR settlement that help you explain your value to prospects and clients.

THE APPRAISAL CAME IN LOWER THAN THE SALES PRICE. NOW WHAT?

How to handle
a reconsideration
of value when you
think information
supports a
higher number.

by Brent Bowen

There are some messages you just hate to get. An appraisal that comes in below the contract price certainly springs to mind. You get a sinking feeling in your gut, and your first instinct may be to jump to a response.

Don't.

Pause to consider the full picture. You may have a realistic shot at getting the appraiser to revise the value, but you won't accomplish anything by challenging the appraisal without doing your research and providing supporting information.

Step back to gain perspective

A so-called low appraisal isn't an indictment of your skill as an agent. Consider the situation from the side of the listing agent. Part of a listing agent's role is to obtain the highest possible price for your seller. It is a component of your fiduciary duty.

The appraiser on the other hand has a different responsibility. The appraiser's target is not the highest possible price; it is the most probable price. Those two concepts are different.

Furthermore, the appraiser's value does not take into account the circumstances, knowledge, and motivation of the specific buyer and seller in that transaction. Instead, the context is dictated by the definition of market value that extends well beyond that particular buyer and seller. The difference between *highest possible* and *most probable* means that, as a listing agent, a "low" appraisal may indicate you have done your job well! You may have achieved an above-market price for the property. It's possible that the appraiser and the agent both did their jobs well.

Does this mean you don't respond to the appraisal? Not necessarily. Your fiduciary duty demands that you press onward, which may mean helping to prepare a request for a reconsideration of value (ROV) from the appraiser. It could also mean other things, of course, such as further negotiations or evaluation of other offers—especially evaluation of offers from buyers willing and able to close the transaction regardless of the appraised value.

Does an appraisal below the offer amount indicate a failure of fiduciary duty by the buyer's agent? No. The buyer's agent should not be concerned with the *typical* buyer. The duty of the buyer's agent is to a *specific* buyer: the client. Part of serving your buyer well is understanding that client's specific needs, desires, motivations, and situation. That means that sometimes circumstances exist when the amount a specific buyer is willing to offer is higher than the market value, which is the value a *typical* buyer will pay in a given market.

Consider an example: You have a client in the market for a home, and at the top of her list of priorities is a pool. She would love to find a home with a pool but will pay to install one if she can't find the right home that already has one. The cost to build a new pool is \$75,000. What if the majority of the market doesn't have the same preference level for pools? This makes things tough for your buyer, as there aren't as many available properties with pools. As the buyer's agent, you find two perfect homes. They are identical except that one has a newly installed pool and the other has no pool. The sellers of both homes are firm on their price.

You may have to help your buyer understand how the true market for certain features differs from your buyer's preference for what those features are worth.

| | HOUSE #1 | HOUSE #2 |
|--------------------|-----------|-----------|
| PRICE | \$500,000 | \$550,000 |
| POOL | No | Yes |
| COST TO BUILD POOL | \$75,000 | \$0 |
| TOTAL PRICE | \$575,000 | \$550,000 |

RECONSIDERATION OF VALUE DO'S AND DON'TS

DO

- Do read the appraisal thoroughly. Try to understand the appraiser's perspective.
- Do objectively consider whether there is a valid reason why the contract price and market value may differ.
- Do your own due diligence to assess the impact of potential additional data.
- Do consult with the lender regarding their process for submitting an ROV or disputing an appraisal.
- Do contact your client and discuss the implications and options. Develop a strategy for moving forward with your client's direction and consent.
- Do be respectful, courteous, and thorough in preparing your ROV.
- Do be prepared to accept the results of the ROV.

DON'T

- Don't be prejudicial or assume negative intent on the part of the appraiser.
- Don't search for additional sales by price alone.
- Don't submit your ROV directly to the appraiser or call the appraiser to argue for a specific value.
- Don't ignore the data already addressed in the appraisal. It is just as important to address the comparability or analysis of the sales already considered in the appraisal as it is to suggest the use of additional or alternate sales.

The house with a pool (House #2) costs \$50,000 more to purchase. However, the buyer would need to spend \$75,000 to build a pool for House #1, bringing the total spend to \$575,000. House #2 thus saves this buyer \$25,000.

Now here is where it gets interesting: What if the contributory value of the pool is only \$30,000? This reflects the fact that the majority of buyers in the area have a preference level for pools that is not as high as the cost to build a new one.

After contracting to purchase House #2 at \$550,000, it might only appraise for \$530,000. Does that indicate a failure to meet the fiduciary duty by the buyer's agent? No. Does it mean the appraiser inaccurately valued the property? No. The buyer's preference exceeds the market value. Therefore, regardless of the appraised value, the buyer is still making the best possible decision given these circumstances.

Again, this doesn't necessarily mean the buyer's agent shouldn't respond to the appraisal. Your fiduciary duty demands that you consider whether a reconsideration of value is beneficial to your client. You should also consider whether pressing for further price negotiations on the basis of the appraisal might be more beneficial to your client. You may also have to help your buyer understand how the true market for certain features—in this case, a pool—differs from your buyer's preference for what those features are worth. You should be able to explain how that preference compares to what is in the appraisal.

Guess what? The appraiser may be disappointed, too

When an appraiser arrives at a value conclusion below the contract price, the appraiser may get that same sinking feeling that you do. Why? Because appraisers are people, too. Appraisers are aware of the consequences of an appraised value below the contract price. They know it can be a disappointing roadblock for everyone involved in the transaction.

It's likely when the appraised value comes in under the contract amount that the appraiser spent a good deal of time reviewing and reconsidering all factors before signing the report. The appraiser knows the report will be scrutinized and questioned, and no appraiser relishes the idea of their credibility being called into question.

Mistakes do happen, but so do justifiable discrepancies

Just like all other humans, appraisers sometimes make mistakes. Even in the absence of actual errors, appraisals rely on interpretations of data, and interpretations differ among people. Sometimes it's necessary—even helpful—to correct an error or offer a different perspective on the data.

So, if the circumstances point you in the direction of preparing a request for an ROV, what is the best strategy?

Read before you react

Before you request a reconsideration of value, take the time to read through the appraisal. Try to understand how the appraiser arrived at that value conclusion.

Appraisers frequently receive ROVs with "additional" sales that were included in the appraisal to begin with. That tells the appraiser you didn't even read the appraisal or attempt to understand how the appraiser derived the value. When that happens, it becomes apparent that the ROV was not made in good faith based on a genuine disagreement with the analysis of the property and market. Even if you have valid points elsewhere in the ROV, you have damaged the credibility of the request.

Even if you provide additional or alternate sales, it is just as important that you evaluate the analysis of the existing comparables in the appraisal. Were there substantive differences between the subject and comparables that didn't get addressed?

Was the magnitude of the consideration for the differences that did get addressed sufficient to reflect the market reaction?

These questions are important because they should guide you toward the kind of additional sales data to support your assertion. For instance, if you see a locational difference that didn't get addressed (or was addressed in a manner inconsistent with market data), you can focus on the location component when researching additional potential sales. It is important to then explain in your ROV request that the additional sales you submitted provide support for a locational consideration that wasn't made or wasn't sufficient to reflect the market accurately.

Focus on quality more than quantity


Merely submitting a list of sales with higher prices may be tempting, but this type of cherry-picking is rarely fruitful.

Many ROVs simply include sales in the neighborhood with the highest price per square foot without regard to significant differences in the property. It's possible, though, that when differences are considered, those sales may even support a lower opinion of value! Appraisers can't "aim" for a price, so search for properties which are objectively better comparables in some way. By searching for that—instead of focusing on the metric of price, or price per square foot—you also give yourself the opportunity to look objectively at the pool of data which the appraiser must consider.

In the example of the buyer contracting on House #2 with the pool, you might focus on the pool feature. If you find that the appraiser's conclusion of the \$30,000 contributory value of the pool was based on properties where the pools were all older or smaller than the pool of House #2, that could be an important detail to point out. You could then focus on finding sales with similar pools and making an argument that those sales could support a premium valued at \$50,000. This shows the appraiser your thought process and perspective and allows the appraiser to consider whether the initial appraisal might indeed be worthy of reconsideration.

When you broaden your perspective, your emotions can take a step back, and your professional analysis can stand out. That analysis may demonstrate that a reconsideration of value isn't really the best course of action after all, but if you *do* pursue the option of an ROV, you will know it is based on supporting data and gives you a higher chance of success. ✪

BRENT BOWEN is a Texas Certified Residential Appraiser and President of Texas Valuation Professionals, Inc. (txvaluepro.com) in Plano. After graduating from Baylor University with an enthusiasm for both economics and real estate, appraisal became a perfect fit and has continued to be his focus for the past 25 years.



Merely submitting a list of sales with higher prices may be tempting, but this type of cherry-picking is rarely fruitful.

YOUR GUIDE TO THE LATEST FORMS CHANGES

NAR's lawsuit settlement requires changes to the agreements you and your clients use. Here's the information you need on the 16 revised and 3 new forms.



Smooth real estate transactions are built on clarity and transparency, and nothing fosters these conditions more than properly used written agreements. Many of the Texas REALTORS® contracts and forms you and your clients rely on have recently been revised to handle changes related to NAR's compensation-lawsuit settlement. Read on for the list of revisions, information on three new forms, and details about their proper use.

NEW FORMS

Residential Buyer/Tenant Representation Agreement – Short Form (TXR 1507)

This one-page version of the *Residential Buyer/Tenant Representation Agreement – Long Form* (TXR 1501) is essentially two forms in one. It can be used in residential transactions for full representation of a buyer or tenant from showing properties all the way through closing, or it can be used to provide showing services only.

This form includes the provisions to comply with the recent NAR policy changes and has the flexibility for buyers and tenants who are not ready to commit to a long-term, exclusive relationship with an agent. The duration of the agreement can be as short as one day, and the market area can be as limited as one property.

FAQS FOR THE NEW SHORT BUYER-REPRESENTATION AGREEMENT

What do I do if a buyer signs the *Residential Buyer/Tenant Representation Agreement – Short Form* (TXR 1507) for showing services but then wants me to provide additional services, such as writing an offer to purchase a property?

Under the showing services option, brokers have only agreed to provide clients with access to properties in the defined market area. Any additional services desired by clients, including activities like drafting offers, advising on terms of offers, or negotiating with sellers on the client's behalf, must be agreed to by the client. There are a couple of options the broker and client can consider to add full services. The broker and client can amend the *Residential Buyer/Tenant Representation Agreement – Short Form* to full services using *Amendment to Buyer/Tenant Representation Agreement* (TXR 1505) if the original agreement for showing services is still in place. Alternatively, the parties can choose to execute a new *Residential Buyer/Tenant Representation Agreement – Short Form* or *Residential Buyer/Tenant Representation Agreement – Long Form* (TXR 1501) to provide a full range of services. The parties should also determine if intermediary authorization is needed and what the broker's fee should be.

How can I use the *Residential Buyer/Tenant Representation Agreement – Short Form* (TXR 1507) and only provide showing services in compliance with minimum duty requirements under Texas law?

Association lawyers and the task force took a close look at the minimum duties required under section 1101.557 of the Texas Occupations Code

while drafting the showing services option. The Occupations Code requires license holders to, at minimum, answer the party's questions and present any offer to or from the party. This simply means the agent is required to give the offer to the intended party. This does not require the agent to write the offer or negotiate the terms for the buyer or seller. This requirement is intended to prevent agents from withholding information from their clients. If the seller sends an offer to an agent, the agent cannot hold onto the offer but must forward the offer to the buyer. Likewise, if a buyer has an offer to send to the seller, the agent must forward the offer to the seller.

So, if buyers give their agent an offer under a showing services agreement, the agent will have to forward the offer to the seller. Keep in mind that the agency relationship exists only for the term of the agreement. If the showing services agreement is for one day or a weekend, many buyers will not provide an agent with an offer during that short period of time.

Note also that brokers are permitted under the law to agree on which services the broker will provide to clients. For example, there are limited-services listing brokers and there are referral agents who have agreed to provide only certain services to their clients. These brokers still have to meet their legal and ethical duties while performing the limited services agreed to in the contract.

Fiduciary duty underlies every other duty of the agent. So, when an agent is determining how to answer questions or present offers, the agent should do so in a manner that puts the client's best interests first. Yes, a broker can contractually limit the broker's services to the client, but it should be done in a manner that is abundantly clear and leaves no room for doubt. Buyers, when presented with an IABS notice and the *Residential Buyer/Tenant Representation Agreement – Short Form* (TXR 1507), won't fully comprehend that the broker is not agreeing to prepare an offer on their behalf if, for example, they fall in love with a home and want to place an offer on the spot. Buyers would most likely think that preparing an offer is part of the agent's job, despite the terms of the representation agreement.

Addendum Regarding Broker Compensation (TXR 2406)

This new form is designed to be used as an addendum to the TREC residential contracts (except the *Farm and Ranch Contract*) to document payment of brokers' fees, including from a listing broker or seller to a buyer's broker. Use this addendum if the parties have negotiated that the seller will pay any of the buyer's broker's fees under the sales contract. In that case, this form would need to be used to amend the contract, and Paragraph D2(b) can be checked to specify the amount and authorize that payment. Use this box only when the seller has agreed to pay all or part of the buyer's broker's compensation not otherwise addressed in a separate compensation agreement, as this option creates a new obligation for the seller to pay the buyer's broker. And remember, if a listing agent or seller is paying buyer broker compensation, and that compensation exceeds the amount the buyer and buyer's broker previously agreed to, a buyer's broker would need to amend the representation agreement to have the buyer authorize that the buyer broker may receive this amount to be in compliance with the updated MLS requirements.

Amendment to Representation Agreement (TXR 2701) [TEMPORARY FORM]

This amendment can be used with listing and buyer/tenant representation agreements to allow brokers under a current representation agreement to meet the requirements of the NAR settlement. It includes the disclosures and authorizations that are required beginning August 17. This form will be pulled down when no longer needed for this purpose.

If you entered into a client-representation contract with a pre-June 24 version of a representation agreement, and that client has entered into a sales contract to purchase or sell a home prior to August 17, you do not need to update your representation agreement. However, if you entered into an agreement with a pre-June 24 version of this form, and that client has *not* entered into a sales contract to purchase or sell a home prior to August 17, you either need a new agreement or you can use this amendment.



A Texas REALTORS® residential forms task force made up of brokers representing different size firms and areas of Texas met in person over several months to provide input on revisions and new forms.

HOW DID WE GET HERE?

With so much misinformation floating around, it's important to understand the basic facts that led to these forms changes. In 2019, Missouri homesellers filed a class-action lawsuit claiming that NAR and several large brokerages engaged in anticompetitive practices. The plaintiffs alleged that cooperative compensation—offers of compensation by listing brokers to cooperative brokers—created inflated commissions. In October 2023, a jury found in favor of the plaintiffs, and copycat lawsuits spread around the country, including in Texas.

While NAR leaders and lawyers felt there were sufficient grounds for an appeal, following that path would have put members at substantial risk for additional lawsuits, costs, potential liability, and uncertainty. After weighing the options, NAR began working on a settlement.

NAR announced a settlement agreement on March 15, 2024, which the court granted preliminary approval in April. Most copycat suits—including those in Texas—have been paused while the settlement agreement is finalized. The court will hold a hearing regarding final approval of the settlement in November this year.

HIGHLIGHTS OF THE SETTLEMENT TERMS

The NAR settlement agreement releases liability and ends the lawsuit—and copycat lawsuits with these types of claims—for NAR, more than 1 million members, state and local REALTOR® associations, brokerages with residential transaction volume of \$2 billion or less, and REALTOR® association-owned MLSs. Other entities had the opportunity to opt into the settlement.

NAR will pay \$418 million over four years and has pledged to not change dues in 2024 or 2025 because of the payment.

NAR updated its MLS rules in May to comply with the terms of the settlement agreement. The new rules:

- Prohibit listing brokers from offering compensation in the MLS to buyer brokers.
- Eliminate all broker compensation fields and information in the MLS.
- Prohibit filtering out or restriction of MLS listings that are communicated to customers or clients based on the existence or level of compensation offered to the cooperating broker.
- Prohibit MLSs from creating, facilitating, or supporting any non-MLS mechanism for brokers, agents, or sellers to make offers of compensation to buyer brokers.
- Require compensation disclosures to sellers and buyers:
 - Disclose to sellers and buyers that broker compensation is not set by law and is fully negotiable. Must be included in listing and buyer written agreements.
 - Disclose to sellers, and obtain sellers' authority for, payments or offer of payments that the listing broker or seller will make to buyer representatives. Must include the amount or rate of such payment.
 - Require MLS participants working with a buyer to enter into a written agreement with the buyer prior to showing a property:
 - a. Must disclose the amount or rate of compensation the broker will receive
 - b. Amount of compensation must be objectively ascertainable and not open-ended
 - c. Must include a term that prohibits the broker from receiving compensation for brokerage services from any source that exceeds the amount or rate agreed to in the agreement with the buyer.

CHANGES TO EXISTING FORMS

[LISTING AGREEMENTS]

Residential Real Estate Listing Agreement, Exclusive Right to Sell (TXR 1101)

Residential Real Estate Listing Agreement, Exclusive Right to Lease (TXR 1102)

Farm and Ranch Real Estate Listing Agreement, Exclusive Right to Sell (TXR 1201)

- Adds required disclosure that broker compensation is not set by law and is fully negotiable.
- Removes a reference to broker fees in relation to MLS participation.
- Allows the seller to authorize if and how the seller or listing broker will compensate a buyer's broker.

Named Exclusions Addendum to Listing (TXR 1402)

Exclusive Agency Addendum to Listing (TXR 1403)

- Reflects changes to *Residential Real Estate Listing Agreement, Exclusive Right to Sell* (TXR 1101) and clarifies signatures.

Amendment to Listing (TXR 1404)

- Adds required disclosure that broker compensation is not set by law and is fully negotiable.
- Provides specific provisions to amend the broker's fees paragraphs in *Residential Real Estate Listing Agreement, Exclusive Right to Sell* (TXR 1101) and *Farm and Ranch Real Estate Listing Agreement, Exclusive Right to Sell* (TXR 1201).

Seller's Authorization to Disclose and Advertise Certain Information (TXR 1412) [UPDATED NAME]

Designed to be used as written authorization from the seller that the agent may disclose and/or advertise certain information. For example, the seller can include a specific dollar amount that the seller would consider contributing towards the buyer's expenses that can be advertised to buyers and their agents on an MLS and elsewhere.

Representation Disclosure (TXR 1417)

May be used in two separate ways:

1. By a listing broker or the broker's agent to disclose to a consumer that the listing broker represents the seller of the residential property to be shown.
2. By a broker or the broker's agent to inform another party to a transaction—or another license holder who represents another party to a transaction—who the broker represents.

If your client signed a listing or buyer representation agreement on the previous version (pre-June 24) and that party has not entered into a sales contract by August 17, you need to have that client sign the new *Amendment to Representation Agreement* (TXR 2701) to comply with the new MLS rules.

Revised and new forms were available June 24 in zipForm and all other licensed Texas REALTORS® forms vendors. The updated and new forms can be used prior to your MLS updating its rules and fields to comply with the new MLS rules.

TREC is considering updates to several forms in the future. Texas REALTORS® will provide additional information as it's available.

[BUYER REPRESENTATION AGREEMENTS]

Residential Buyer/Tenant Representation Agreement – Long Form (TXR 1501) [UPDATED NAME]

- Adds the required disclosure that broker compensation is not set by law and is fully negotiable as well as the limitation that the broker is prohibited from receiving compensation for brokerage services from any source that exceeds the amounts stated in the agreement.
- Broker compensation is moved to the top of page 2, and the language is updated to allow for authorization of broker to receive additional compensation in compliance with MLS rules.

Amendment to Buyer/Tenant Representation Agreement (TXR 1505)

- Includes a paragraph to amend the broker obligation paragraph in the *Residential Buyer/Tenant Representation Agreement – Short Form* (TXR 1507) and to amend broker's fees or other compensation paragraphs in the *Residential Buyer/Tenant Representation Agreement – Long Form* (TXR 1501) and the *Residential Buyer/Tenant Representation Agreement – Short Form* (TXR 1507).

[FORMS FOR BUYERS AND SELLERS]

General Information and Notice to Buyers and Sellers (TXR 1506)

- Adds a compensation paragraph to explain compensation and provide the disclosure that broker compensation is not set by law and is fully negotiable.

[AGREEMENTS BETWEEN BROKERS AND SPONSORED SALES AGENTS]

Independent Contractor Agreement for Sales Associate (TXR 2301)

- Adds the requirement that associates (including broker associates) notify the broker in writing about any TREC complaint or NAR Code of Ethics complaint.
- Adds a requirement that associates keep files for four years from the completion of a transaction.

[COMPENSATION AGREEMENTS]

Compensation Agreement Between Broker and Owner (TXR 2401) [UPDATED NAME]

- Updates the name to reflect that the form deals with compensation and adds language to clarify the broker's fee if the owner leases the property to the broker's prospect.
- Adds language stating the agreement supersedes all prior agreements between the parties.

Compensation Agreement Between Brokers (TXR 2402) [UPDATED NAME]

- Updates the name to reflect that the form deals with compensation.
- Allows one broker to compensate a cooperating broker.

[LEASING & PROPERTY MANAGEMENT AGREEMENTS]

Residential Leasing and Property Management Agreement (TXR 2201)

- Removes a reference to broker fees in relation to MLS participation.

REFERRAL AGREEMENT BETWEEN BROKERS (TXR 2405) ALSO REVISED

The forms task force saw an opportunity to bring additional clarity to the Texas REALTORS® form for referral agreements between brokers, although the changes don't directly stem from the settlement. The revised form:

- Adds a new paragraph to clarify the length of the agreement.
- Adds a new paragraph to specify whether the agreement is for one transaction or multiple transactions.

For questions about the proper use of these forms, members can call the Texas REALTORS® Legal Hotline at 512-480-8200.



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Changes to Leasing & Property Management Forms Adopted

Texas REALTORS®, with input from the Leasing and Property Management Forms Task Force, adopted changes to several Texas REALTORS® forms, adopted new forms, and removed forms. Changes were effective May 15. A second phase of updates to leasing and property management forms will include the *Property Management Agreement* and *Residential Lease*.



Animal Agreement (TXR 2004)

- Clarified expectation that assistance animals are still to be reported to landlord
- Added bolded note about misrepresentation of assistance animals per Texas Human Resources Code 121.006
- Clarified expectations for animals on property
- Clarified Consideration Paragraph to account for various scenarios
- Reworded tenant's liability for property damage
- Clarified Default Paragraph to include immediate removal of animal.

Residential Lease Inventory and Condition Form (TXR 2006)

- Reformatted for ease of use
- Replaced "master bedroom" with "primary bedroom"
- Replaced "drapes, blinds, shutters" with "window coverings" to maximize information provided
- Added blanks for "gate keys" and "other" in Section R. Number of Keys.

Residential Lease Guaranty (TXR 2007)

- Changed "pet" to "animal" for consistency among all Texas REALTORS® forms
- Clarified that name listed should match what is listed on proof of ID
- Replaced phones/pager with simply "phone" and "alternate phone"
- Removed height, weight, hair color, and eye color
- Added "relationship to tenant" line.

Residential Lease Amendment (TXR 2014)

- Added additional space for both landlord and tenant names
- Clarified Section C. Occupants; it now states that occupants are amended as follows with both "add" and "remove" sections
- Added instructional note on occupant changes versus tenant changes
- Switched landlord and tenant information boxes to correspond with signature boxes below

Addendum Regarding Rental Flood Disclosure (TXR 2015)

- Added informational notice at top of page for proper form usage.

Tenant and Occupant Information (TXR 2016)

- Slight reformatting
- Clarified that full legal name must be used
- Removed "age" space, as date of birth is already requested
- Added "ID number" for alternative to license number
- Removed marital status question
- Clarified locations for tenant versus occupant information.

Notice to Vacate (TXR 2208)

- Added note for B(2) effective date to ensure compliance with Property Code
- Moved disclaimers around, added note under B(2) effective date
- Added note to clarify for alternate means of delivery per Property Code 24.005(f-1).

Lease Amendment Concerning Tenant Change (TXR 2211)

- Replaced "pet" with "animal" for consistency among all forms
- Clarified Section B to account for any and all deposits.

Itemization of Security Deposit (TXR 2216)

- Replaced "pet" with "animal" for consistency among all forms
- Clarified security deposit inclusions
- Added extra space for "Other" section.

Response to Request for Assistance Animal (TXR 2225)

- Replaced "pet" with "animal" for consistency among all forms
- Changed animals "in" the property to animals "on" the property to include all areas of the property
- Moved landlord signature line to left for consistency among forms.

General Information for Landlord Regarding Assistance Animals (TXR 2226)

- Added information to definitions of assistance animals for clarity
- Replaced "pet" with "animal" for consistency among all forms

Notice of Termination Due to Casualty Loss (TXR 2229)

- Included reasonableness standard for removing items from property

NEW FORMS

Notice of Late Rent Breach of Lease (TXR 2230)

- Designed to be used by a property manager or landlord to notify a tenant of the tenant's financial breach of lease (i.e., failure to timely pay rent, notice of unpaid rent, or a payment that has been returned unpaid by the institution on which it was drawn). Though not required, this form gives the tenant an opportunity to cure the breach and is therefore not to be used as a notice terminating the tenant's right to occupy the property. Designed to be used in conjunction with *Notice to Vacate* (TXR 2208) to satisfy requirements of Texas Property Code Chapter 24.

Notice of Non-Rent Breach of Lease (TXR 2231)

- Designed to be used by property manager or landlord to notify a tenant of the tenant's breach of any other provision of the lease (not financial). Though not required, this form gives the tenant an opportunity to cure the listed breach and is therefore not to be used as a notice terminating tenant's right to occupy the property. To satisfy the requirements of Texas Property Code Chapter 24, this form should be used in conjunction with *Notice to Vacate* (TXR 2208).

REMOVED FORMS

- *Late Notice or Notice of Other Breach of Lease* (TXR 2231)
- *COVID-19 Lease Plan Payment Agreement* (TXR 2227)

DON'T OVERLOOK THESE FORMS CHANGES

Of the forms revised or created to comply with new rules from the NAR compensation lawsuit settlement, several are commonly used in leasing transactions and property management. See the article on page 18 for more information about the following forms:

REVISED FORMS

- *Residential Real Estate Listing Agreement, Exclusive Right to Lease* (TXR 1102)
- *Residential Buyer/Tenant Representation Agreement – Long Form* (TXR 1501)
- *Residential Leasing and Property Management Agreement* (TXR 2201)
- *Compensation Agreement Between Broker and Owner* (updated name) (TXR 2401)
- *Compensation Agreement Between Brokers* (updated name) (TXR 2402)
- *Referral Agreement Between Brokers* (TXR 2405)

NEW FORM

- *Residential Buyer/Tenant Representation Agreement – Short Form* (TXR 1507)

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- House Flipping 101
- Navigating Crypto & Blockchain
- Commercial Lease Contracts
- Perplexing Entrance to Commercial Real Estate

- Commercial Lease Overview for Cannabis/CBD Tenants
- The Nuts & Bolts of Commercial Lease Addenda
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RELEVANT DATA FOR YOUR TRANSACTION

REALTORS® can pull the most recent sales in a neighborhood to help buyers and sellers know market conditions. They can show you what prices and rents have been doing over time to inform your decisions. REALTORS® can show you the big picture—is it a buyer's market in your area?—and the hyperlocal picture—what are properties on that street selling for?



ACCURATE AND RELIABLE

An internet search will give you plenty of sites claiming to provide home prices in an area, the number of properties sold, days on market, housing inventory, etc. But how do you know if those numbers are accurate or recent? Thankfully, your REALTOR® has access to the most accurate, reliable data. Plus, your REALTOR® will filter out the noise, showing only what matters to you and your goal.



INTERPRETED FOR YOUR SITUATION

Not only can REALTORS® provide the data, but they can also explain how it affects your transaction. It doesn't do any good to know what a property sold for if you don't know if that should affect the price of your listing or your offer for that house. Factors such as precise location, home features, and condition all affect what a home is worth.

Work with a REALTOR® so you understand your market and avoid big mistakes when you buy, sell, or lease property.



TAKE 5

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HOW TO FORM LIFE-CHANGING AND BUSINESS-BOOSTING HABITS

Setting worthy goals isn't enough. Good habits are the drivers behind personal well-being and professional success. Saying that you want to prioritize better sleep or attract more business prospects is a good start, but developing better habits will ensure you reach your goals.

START WITH A ROUTINE

A behavior needs to be repeated regularly before it can become an automatic or unconscious response—a habit. Though the amount of time to solidify a new habit varies, the key is consistency. In the beginning, put a note on your calendar or use an alarm on your phone as a reminder to set the routine in motion.

MAKE CONNECTIONS

Bundle a new routine with an established habit, and you're more likely to follow through. This creates an easy-to-remember pattern. For example, if you drink coffee every morning, use that time to make a detailed daily to-do list.

INCLUDE POSITIVE MOTIVATION

Since you are more likely to stick with something you enjoy, follow a have-to-do task with a reward. Do you procrastinate when it comes to prospecting? Tell yourself you can watch a silly YouTube video when you're done.

BE REALISTIC

Are you struggling to keep your new habit going? You may have been too ambitious. Work your way up to your goal by creating smaller routines. Instead of trying to churn out daily TikTok videos to grow your following, start with one per week. This will not only prevent burnout but also give you time to gain confidence to continue.

RECOGNIZE THE OBSTACLES

Not all habits are productive. They may be keeping you from your goals. Regularly check your routines to make intentional adjustments. For example, if you find you're continually pulled into a time-wasting activity on your phone, it's easier to remove that specific app than test your willpower with a time limit.



Bonus Tip:

GET SUPPORT

Having the discipline to form new habits is hard—sometimes, personal motivation isn't enough. Find a mentor or coach, or reach out to your broker or other team members to hold you accountable.

This life
is not one
for pessimists.

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