

## TREC Contract Explanation

Below is an explanation of the TREC promulgated contract (Texas Real Estate Commission). A lot of legal jargon, but I have highlighted the pertinent paragraphs.

1. PARTIES: Parties to the contract:

A. Seller:

B. Buyer:

2. PROPERTY: Legal description of property.

A: Address

D: Exclusions

3. SALES PRICE: Breakdown of cash, down payment, and financing.

A. Cash portion

B. Sum of all financing

C. Sales price (A+B)

4. LICENSE HOLDER DISCLOSURE: Are any of the buyers or sellers licensed, or related to the realtor that is involved in the transaction?

5. EARNEST MONEY: General rule is 1%. Low risk to buyer. This shows the seller that the buyer is serious in their offer. Credit at closing.

1. Amount

2. Title Company

6. TITLE POLICY AND SURVEY: Title policy is required by lenders. It gives the home owner assurance that there are no other claims to the property. The seller commonly pays this.

A8: ii will be amended to read “shortages in the area” at the expense of the (commonly seller)  
– This provides additional survey coverage if an old survey is not sufficient.

C. Seller will need to furnish existing survey within \_\_\_ days. Buyer and seller will need to sign the T-47 which is an agreement to accept the survey. Gives buyer \_\_\_ days to review and accept the survey.

D. Any out of the ordinary things that need to be brought up. Can't build a pool-is a common one. Gives you \_\_\_ days to object.

E. Is the home in an HOA?

7. PROPERTY CONDITION: Has the buyer received the sellers disclosure? Does the buyer accept property as is? (pending inspection)

H. Home warranty? Doesn't hurt to ask.

9. CLOSING: Closing date

10. POSSESSION: 1. Upon closing and funding or 2. Subject to an agreed upon temporary residential lease

23. TERMINATION OPTION: Monetary amount paid in exchange for an option period to allow for an inspection and due diligence. Credited at closing. Seller keeps the cash if the buyer chooses to terminate the contract.

