



# RESIDENTIAL TO FARM & RANCH

What Texas Agents Need to Know Before Taking  
the Deal

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A 60-Minute Training for Texas Residential Real Estate Agents

# Farm & Ranch Is Not a House With More Land

- ★ Acreage, minerals, water, wells, septic, fences, livestock, crops
- ★ Agricultural valuation, wildlife valuation, hunting leases, grazing leases
- ★ Access easements, surveys, roads, drainage, floodplain
- ★ Barns, equipment, and family ownership issues going back generations

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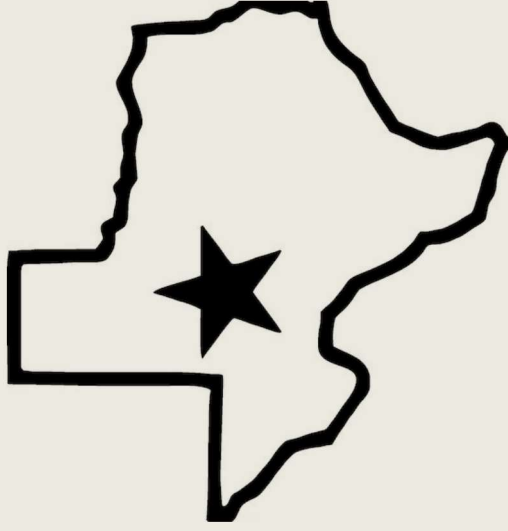
**Your land may also have value that is not reflected in the market. It is important to have a professional valuation to determine whether you should sell the land on your own or through a professional.**



# What We're Covering Today

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- ① Can a Texas residential agent work farm & ranch?
  - ② Why competency matters  
TREC rules
  - ③ Why you need guidance on your first few rural deals
  - ④ What makes farm & ranch different from residential
  - ⑤ What issues to watch for
  - ⑥ What questions to ask
  - ⑦ When to bring in your broker, mentor, attorney, or specialist
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# TREC Says: Know What You're Doing

- ✓ **TREC Rule §531.4 — Competency** requires an agent to be knowledgeable and competent in the *specific type* of transaction.
- ✓ Farm & ranch is a specialized type of real estate.
- ✓ A subdivision resale agent is **NOT automatically** qualified to represent a seller in acreage, minerals, water, and leases.
- ✓ **TREC Farm & Ranch Contract, Form 25-16** (effective 1/1/2025) — a separate form for these transactions.



**"If TREC has a specific form for farm & ranch transactions, that's a clue these transactions are different."**

# Your First Three Farm & Ranch Deals Should Be Guided

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- ✓ This is a brokerage risk-management best practice and professional standard.
- ✓ Involve your sponsoring broker's knowledge from the start.
- ✓ Get guidance from an experienced farm & ranch agent, land specialist, mentor, or co-broker.
- ✓ There is no shame in getting guidance — it protects your client and protects you.

**THE PROFESSIONAL STANDARD**  
**FIRST THREE FARM & RANCH TRANSACTIONS SHOULD BE GUIDED, SUPERVISED, MENTORED, PARTNERED, OR REFERRED.**

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***Don't let your ego  
check your experience  
cash.***”

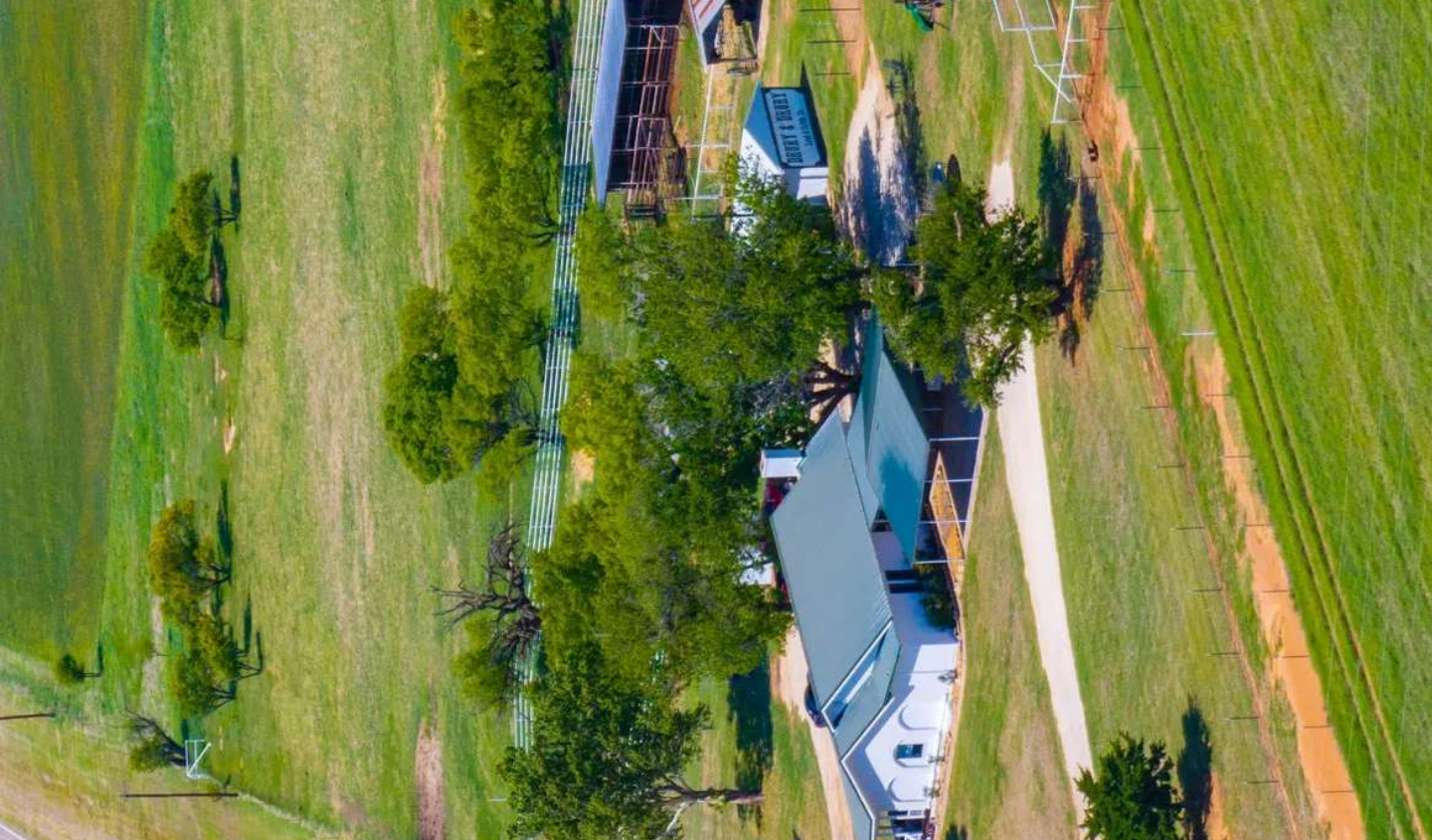
# Farm & Ranch Opportunities Already Inside Your Business

## YOUR CLIENTS MAY ALREADY WANT:

- ✓ A house on acreage or land for horses
- ✓ A weekend pro hunting place
- ✓ Land to build outside the city
- ✓ Inherited rural need to sell
- ✓ Cattle, goats, chickens, or hay land
- ✓ Recreational pro family use

## THE BOTTOM LINE

Farm & ranch can lead to larger deals, deeper relationships, landowner referrals, estate listing luxury ranch opportunities.





# FARM & RANCH MISTAKES HIDE UNTIL IT'S TOO LATE

## 🏠 In Residential, Problems Are Often Visible

Bad roof, old HVAC, cracked foundation, or outdated plumbing

## 🏡 In Farm & Ranch, Problems Hide In:

- ▲ Title commitment and survey
- ▲ Mineral reservation
- ▲ Easement language
- ▲ Water availability



**"The buyer may not discover the problem until it's too late after closing."**

# Fences Are Not Surveys

**Residential:** Lot and block in a recorded subdivision

**Farm & Ranch:** **Metes and bounds** from a survey

## QUESTIONS TO ASK:

- ? How many acres are included?      ? Where are the actual boundaries?
- ? Does the fence match the boundary?      ? Are there encroachments or easements?
- ? Is the survey current?

**FENCES ARE NOT SURVEYS.**





# In Farm & Ranch, the Home is Often Outvalued, the Home is



**Residential question:** "What is the home value?"



**Farm & Ranch question:** "What is the land worth *of?*"

## VALUE DRIVERS IN RURAL PROPERTY



Acres, location, road frontage, access



Water, soil, topography, pasture



Hunting, minerals, agricultural productivity



Development potential, recreational use

# Not Every Ranch Buyer Qualifies Like a Home Buyer

## 🏠 Traditional Financing

Some acreage properties may qualify for traditional residential financing, depending on the property, lender, and intended use.

- ✓ Standard mortgage underwriting
- ✓ Conventional loan terms
- ✓ Typical down payment requirements

## 🌾 Rural Financing – What Lenders Evaluate

Many farm & ranch properties require land loans, agricultural lenders, Farm Credit lenders, or different underwriting.

### LENDERS LOOK AT:

- ✓ Acreage size
- ✓ Improvements
- ✓ Income potential
- ✓ Down payment
- ✓ Home habitability
- ✓ Utilities
- ✓ Property use
- ✓ Access
- ✓ Borrower strength
- ✓ Residential vs. ag use
- ✓ Water & septic
- ✓ Appraisal complexity



**"Get a rural lender involved early – not just any lender."**

# Farm & Ranch Due Diligence Goes F Beyond the Home Inspection

## RESIDENTIAL STANDARD

- 🏠 Inspections
- 🏠 Financing
- 🏠 Appraisal
- 🏠 Title & Survey
- 🏠 Insurance
- 🏠 HOA documents
- 🏠 Seller disclosures

## FARM & RANCH ADDS

- + Survey & Title
- + Access & Easements
- + Water & Wells
- + Septic systems
- + Minerals & Surface rights
- + Oil & gas leases
- + Ag & Wildlife valuation
- + Rollback tax risk
- + Floodplain & Soil
- + Drainage & Fencing
- + Road maintenance
- + Utilities & Restrictions
- + Hunting/Grazing
- + Livestock & Equipment
- + Barns & Outbuildings
- + Ponds, tanks, creeks

# Use the Right Form for the Right Transaction



## TREC Farm & Ranch Contract, Form 25-16

- ▶ **Effective January 3, 2025**
- ▶ Designed specifically for rural properties with **metes and bounds descriptions** from a survey.
- ▶ Contains provisions for farm & ranch items **not addressed** in other contract types.
- ▶ Do not use forms by habit — use forms because they **match the transaction**.



When in doubt, ask your broker and advise your client to involve an attorney.

# Minerals: Don't Guess, Don't Promise Get Help

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- i** In Texas, **surface ownership** and **mineral ownership** can be separated.
- i** The seller may own all, some, or none of the minerals.
- i** Minerals may be conveyed, reserved, or subject to an oil & gas lease.

## **QUESTIONS TO ASK**

- ?** Does the seller own any minerals?
- ?** Are minerals being conveyed or reserved?
- ?** Are there existing oil & gas leases?
- ?** Are there pipelines, tanks, pads, roads or equipment?
- ?** Are there surface-use concerns?
- ?** Has the buyer reviewed the title commitment?
- ?** Does the buyer need an attorney or



**Do not casually explain mineral rights if you do not understand them. Get help.**

# In Rural Texas, Water Can Make or Break the Deal

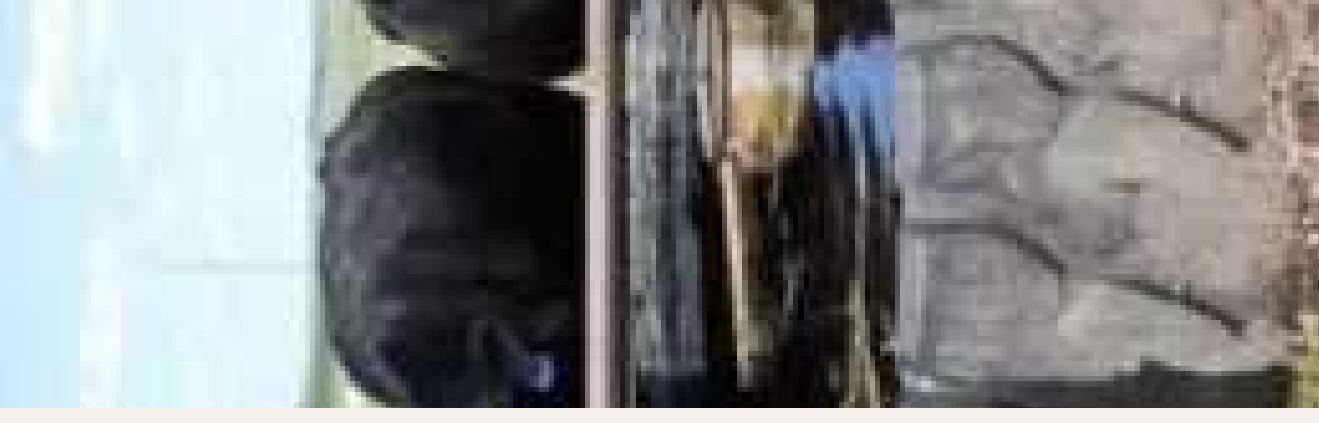
## Water Sources

Private wells, shared wells, co-op water, municipal water, stock tanks, ponds, creeks, springs.

## QUESTIONS TO ASK

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- ❓ Where does the water come from?    ❓ Is there a well? Has it been inspected and tested?
- ❓ How many gallons per minute does it produce?    ❓ Is there a written shared-well agreement?
- ❓ Is there enough water for the buyer's intended use?



# Rural Properties Often Have On-Site Sewage – Inspect It

Many rural properties are **not connected to city sewer**.

A failing septic system can be expensive and affect **financing and habitability**.

## Q QUESTIONS TO ASK

Is there a septic system?

When was it installed?

Is it sized properly?

Are there known problems?

Is it permitted?

Has it been inspected?

Were additions made after installation?



"On rural properties you may need separate septic inspection and well inspection."

# Low Taxes May Come With Strings Attached

- ❗ Often called an "ag exemption" — but it's actually a **special valuation method**, not a simple exemption.
- ❗ Reduces taxable value based on qualifying agricultural or open-space use.
- ❗ **Rollback taxes** can be triggered if land use changes.

## 📋 QUESTIONS TO ASK

- ❓ Is the land under agricultural or wildlife va
- ❓ What use qualified the property?
- ❓ How long has it been qualified?
- ❓ What must the buyer do to maintain it?
- ❓ Is the buyer's intended use compatible wit maintaining it?
- ❓ Could a change in use trigger rollback tax
- ❓ Who should the buyer speak with at the co appraisal district?



**"Don't promise the buyer will keep t valuation. Tell them to verify with t appraisal district."**



# A Road Is Not the Same Thing as Legal Access

A property can be **physically accessible** but have **legal access** issues. A road or driveway people have used for years may not be enforceable access.

## QUESTIONS TO ASK

- ? Does the property front a public road?
- ? Is access by private easement?
- ? Is the easement wide enough?
- ? Does the easement intended use?
- ? Who maintains the road?
- ? Is there a road maintenance agreement?
- ? Are gates locked?
- ? Are there shared driveway agreements?
- ? Does the survey show access?
- ? Does title show legal access?








**! Don't assume driving there means legal access.**

# Leases Can Affect Possession, Income, and After Closing

## FARM & RANCH PROPERTIES MAY HAVE:

-  Grazing leases
-  Crop leases
-  Cell tower leases
-  Tenant occupancy
-  Hunting leases
-  Oil & gas leases
-  Wind or solar agreements
-  Storage or equipment agreements

## Questions to Ask

-  Are there any leases? Written or oral?
-  When do they expire? Can they be terminated?
-  Will they survive closing?
-  Does the buyer receive income from the leases?
-  Do they limit the buyer's intended use of the property?
-  Are copies available?
-  Has the buyer reviewed them with appropriate counsel?



**"A buyer may expect to close immediately use the land and may complicate that."**

# If It Matters, Get It in Writing

## Common Personal Property Items

Gates, panels, troughs, feeders, deer blinds, game cameras, tractors, implements, portable buildings, fuel tanks, water tanks, livestock equipment, saddles, appliances, security systems, barn equipment, irrigation equipment, hunting stands.

**Some items may be leased. Some may belong to tenants, hunters, ranch hands, or neighbors — not the seller.**

## QUESTIONS TO ASK

- ? What conveys with the sale?
- ? What is the seller taking?
- ? Is there a Non-Realty Items Addendum?
- ? Are there fixtures the seller intends to remove?



**"If the buyer wants the tractor, write it into the contract. Don't rely on a handshake."**



# 10 Mistakes That Get Residential Agents in Trouble

**1** Treating acreage like a normal residential sale.

**2** Assuming fences equal property lines.

**3** Failing to verify legal access.

**4** Mishandling mineral rights.

**5** Misunderstanding ag or wildlife valuation and rollback taxes.

**6** Ignoring water sources and wells.

**7** Overlooking septic systems.

**8** Not identifying leases (grazing, hunting, mineral).

**9** Failing to clarify what personal property conveys.

**10** Going it alone without guidance or support.



**THE BIGGEST MISTAKE IS NOT ASKING FOR HELP**

# The Basic Farm & Ranch Transaction Process

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## THE FIRST CONVERSATION

Slow down and ask better questions. Understand the buyer's intended use and the seller's property details before anything else.

2

## BROKER AND MENTOR CHECK

Involve your broker or mentor early. Share property details, the issues you see, and the issues you don't yet understand.

3

## FORM SELECTION AND CONTRACT GUIDANCE

Determine if the TREC Farm & Ranch Contract (Form 25-16) is appropriate. Ask your broker. Advise the client to involve an attorney.

4

## DUE DILIGENCE

Survey, title, access, well, septic, agricultural rollback taxes, leases, minerals, floodplain soil, insurance, and financing. This is where the deal is won or lost.

5

## CLOSING AND POSSESSION

Clarify possession timing, livestock removal, crops, hunting rights, tenant arrangements, keys, personal property, leases, and equipment. Get it in writing.

# Start Small, Build Your Team, Get Guided



## START SMALL

- ▶ Begin with a house on 2 to 5 acres.
- ▶ A small homesite outside the city.
- ▶ A simple rural resale or small recreational tract.
- ▶ Properties with clear access, utilities, survey, and no major lease or mineral issues.



## BUILD YOUR TEAM

- ▶ Identify a rural lender or Farm Credit lender.
- ▶ Find a title company experienced in farm & ranch.
- ▶ Connect with well and septic inspectors.
- ▶ Locate a surveyor who does rural boundaries.



## GET GUIDED

- ▶ Partner with an experienced farm & ranch agent.
- ▶ Ask your broker for a mentorship.
- ▶ Co-broker your first deal.
- ▶ Protect your client's interests by acknowledging what you don't know.

# Keep Learning – Farm & Ranch Rewards

## the Prepared Agent

### Formal Education

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- ▶ **Accredited Land Consultant (ALC)** designation from the Realtors Land Institute (RLI).
- ▶ **Texas Realtors (TAR)** Farm & Ranch courses.
- ▶ Local board classes on rural contracts, water rights, and mineral issues.

### Practical Experience

- ▶ Attend **RLI** chapter meetings to network with specialists.
- ▶ **Shadow** an experienced land agent on property tours.
- ▶ Build relationships with **rural appraisers and lenders**.



**Education reduces risk. The more you know, the more value you bring to the landowner.**

# PURSUE THE OPPORTUNITY – BUT EARN THE RIGHT TO LEAD IT

- ✓ Farm & ranch real estate is a rewarding, **relationship-driven business**.
- ✓ It requires specialized knowledge, different contracts, and a **unique team of experts**.
- ✓ Protect your clients, protect your license, and **protect your reputation**.

**WHEN YOU  
DON'T KNOW,  
ASK. WHEN YOU  
NEED HELP,  
PARTNER.**

# First Farm & Ranch Deal Safety Checklist

<input checked="" type="checkbox"/> Have I notified my broker?	<input checked="" type="checkbox"/> Is this one of my first three farm and ranch transactions?	<input checked="" type="checkbox"/> Do I have a mentor, co-broker or experienced guide?
<input checked="" type="checkbox"/> Do I understand the buyer's or seller's objective?	<input checked="" type="checkbox"/> Do I know whether the Farm and Ranch Contract may be appropriate?	<input checked="" type="checkbox"/> Is there a current survey?
<input checked="" type="checkbox"/> Does the property have legal access?	<input checked="" type="checkbox"/> Are there easements?	<input checked="" type="checkbox"/> Are there mineral rights?
<input checked="" type="checkbox"/> Is there a well?	<input checked="" type="checkbox"/> Is there septic?	<input checked="" type="checkbox"/> Is there agricultural or water rights?
<input checked="" type="checkbox"/> Could rollback taxes be an issue?	<input checked="" type="checkbox"/> Are there hunting, grazing, crop, mineral, wind, solar, or other leases?	<input checked="" type="checkbox"/> Do fences match the survey?
<input checked="" type="checkbox"/> What personal property or equipment conveys?	<input checked="" type="checkbox"/> Has the buyer been advised to use appropriate inspectors and professionals?	<input checked="" type="checkbox"/> Has the client been advised of legal, environmental, and other issues with proper expertise?
<input checked="" type="checkbox"/> Am I staying within my area of competence?	<input checked="" type="checkbox"/> Do I need to partner, refer, or get more guidance?	

 **FIRST THREE FARM & RANCH TRANSACTIONS SHOULD BE GUIDED, SUPERVISED, MENTORED, PARTNERED, OR REFERRED.**

# Key Terms Every Agent Should Know

<p><b>FARM AND RANCH CONTRACT</b> A TREC contract form (Form 25-16) designed for rural property transactions involving farm and ranch issues not fully addressed in other contract types.</p>	<p><b>METES AND BOUNDS</b> A legal property description that defines boundaries using distances, directions, and physical or survey markers rather than a subdivision lot and block description.</p>	<p><b>AGRICULTURAL VALUATION</b> A special property tax valuation for agricultural productivity or use exemption" — but agents should understand a simple exemption.</p>
<p><b>WILDLIFE VALUATION</b> A special valuation that may apply when qualifying land is managed for wildlife under applicable Texas requirements.</p>	<p><b>ROLLBACK TAXES</b> Additional taxes triggered when land under special valuation changes to a non-qualifying use. Buyers should verify the risk with the county appraisal district and tax professionals.</p>	<p><b>MINERAL RIGHTS</b> Rights associated with mineral surface ownership and mineral separated in Texas.</p>
<p><b>SURFACE RIGHTS</b> Rights associated with the use of the surface of the land, which may be affected by mineral ownership or mineral leases.</p>	<p><b>EASEMENT</b> A legal right for someone to use another person's land for a specific purpose, such as access, utilities, pipelines, or roads.</p>	<p><b>LEGAL ACCESS</b> A legally enforceable right to a property. A road or driveway on the property mean legal access exists.</p>
<p><b>ON-SITE SEWAGE FACILITY</b> A septic system or similar wastewater system used when property is not connected to a public sewer system.</p>	<p><b>SHARED WELL AGREEMENT</b> An agreement governing the use, maintenance, costs, and responsibilities for a well shared by multiple properties or users.</p>	<p><b>GRAZING LEASE</b> An agreement allowing another party to graze livestock on the property.</p>
<p><b>HUNTING LEASE</b> An agreement allowing another party to hunt on the property, often for a season or specific time period.</p>	<p><b>SURVEY</b> A professional drawing and report that identifies property boundaries, improvements, easements, encroachments, and other important land features.</p>	