

TEXAS REAL ESTATE TRAINING

Residential to Farm & Ranch

What Texas Agents Need to Know Before Taking the
Deal

Participant Training Manual

Designed for Texas Residential Real Estate Agents

Approximately 60-Minute Training Session

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Important Notice: This training manual is educational and practical in nature. It is not legal advice, tax advice, lending advice, environmental advice, or survey advice. Agents should consult their broker, legal counsel, tax professionals, inspectors, lenders, and other subject-matter experts when appropriate. Always verify current TREC forms, rules, and local requirements before advising clients.

INTRODUCTION

Farm & Ranch Is Not Just Residential With More Acreage

A Texas residential agent may be able to handle farm and ranch transactions under their license. Farm and ranch is a specialized area of real estate. The agent must be competent in the specific type of real estate being brokered. Rural property has issues that do not usually appear in a standard residential sale.

TREC Rule §531.4, Competency, requires a license holder to be knowledgeable and competent, informed on local market issues, exercise judgment and skill, and be educated in the characteristics involved in the specific type of real estate being brokered.

TREC also has a specific Farm and Ranch Contract, Form 25-16, effective January 3, 2025. This form is generally used for rural properties with metes and bounds descriptions from a survey. TREC describes the form as including provisions for farm and ranch items not specifically addressed in other contract types.

The goal of this training is to help you recognize when a rural transaction is different, what questions to ask, and when to get experienced help.

Farm and ranch can involve acreage, minerals, water, wells, septic systems, fences, gates, livestock, crops, agricultural valuation, wildlife valuation, hunting leases, grazing leases, access easements, surveys, roads, drainage, floodplain, barns, equipment, and sometimes family ownership issues going back generations.

SECTION 1

TREC Competency Rule and Guidance

TREC Rule §531.4 requires competency, including education in the characteristics involved in the specific type of real estate being brokered. Farm and ranch is a specialized type of real estate. A residential agent who only knows subdivision resales may not automatically be competent to handle acreage, minerals, water, access, leases, and agricultural valuation issues.

A Texas real estate license may allow you to work farm and ranch transactions. It does not automatically make you competent in farm and ranch. Competence has to be developed through education, experience, supervision, mentorship, and knowing when to bring in the right experts.

Professional Best Practice: Your first three farm and ranch transactions should be guided by your sponsoring broker, an experienced farm and ranch agent, a land specialist, a co-broker, or another appropriate subject-matter expert.

There is no shame in getting guidance. There is no shame in co-brokering. There is no shame in referring a transaction and staying close to the relationship. A guided transaction is not a sign of weakness. It is a sign of professionalism.

Your license may allow you to participate. Competence determines whether you should lead the transaction alone.

MY NOTES

SECTION 2

Why Residential Agents Need to Understand Farm and Ranch

Residential agents run into farm and ranch opportunities more often than they expect. Clients may want acreage, horses, hunting land, a weekend place, a custom homesite, or land for agricultural use. Farm and ranch can lead to larger transactions, landowner referrals, estate and inheritance referrals, builder and developer relationships, luxury ranch opportunities, and recreational property opportunities.

Farm and ranch mistakes can be expensive. Many issues are not visible during a normal showing. In residential real estate, you may walk into a house and see obvious problems like a bad roof or foundation cracks. In farm and ranch, the problem may be hidden in the title commitment, survey, tax records, mineral reservation, easement language, water availability, septic condition, or agricultural valuation history. The buyer may not discover the problem until after they are deep into the transaction or after closing.

Warning: Farm and ranch requires different questions. The quality of your questions will determine the quality of your representation.

SECTION 3

The Big Differences Between Residential and Farm and Ranch

Difference 1: The Property Description Matters More

In a standard residential subdivision sale, the legal description may refer to a lot and block in a recorded subdivision. In farm and ranch, you may be dealing with acreage described by metes and bounds from a survey. The TREC Farm and Ranch Contract is generally used for rural properties with metes and bounds property descriptions from a survey.

You need to think about what exactly is being sold, how many acres are included, where the boundaries are, and whether the fence matches the boundary. Verify if there are encroachments, easements, or legal access issues. Confirm whether the survey is current and whether the contract description matches what the parties believe they are buying and selling.

Fences are not surveys. If the boundary matters, the buyer needs to rely on the survey and appropriate professionals, not assumptions.

Difference 2: The Land May Be More Valuable Than the House

In residential real estate, the house is often the main value driver. In farm and ranch, the land may be more important than the house. The value may be driven by acreage, location, road frontage, access, water, soil, topography, trees, pasture, hunting, minerals, agricultural productivity, development potential, and recreational use.

A residential agent may look at the house and think it needs updating. A ranch buyer may look past the house and see great water, good pasture, strong access, and excellent long-term potential. In residential real estate,

the question is often what the home is worth. In farm and ranch, the question is what the land is capable of.

MY NOTES

Difference 3: Financing May Be Different

Farm and ranch financing is not always the same as a standard residential mortgage. Some acreage properties with homes may qualify for traditional residential financing, depending on the property, lender, and use. Other properties may require land loans, agricultural lenders, Farm Credit lenders, or different underwriting.

FACTOR	WHAT THE LENDER EVALUATES
Acreage Size	Whether the size fits standard or agricultural loan programs
Property Use	Residential, recreational, agricultural, or investment
Improvements	Condition and type of structures on the property
Access	Whether legal access exists and is documented
Income Potential	Lease income, agricultural income, or other revenue
Borrower Strength	Credit, income, and financial profile of the buyer
Down Payment	Rural loans often require larger down payments
Home Habitability	Whether the residence meets minimum standards

FACTOR	WHAT THE LENDER EVALUATES
Water and Septic	Availability and condition of water supply and sewage
Appraisal Complexity	Whether the property is unique or difficult to appraise

Key Point: Get a lender involved early who understands rural property. Do not assume that if your buyer can buy a house, they can automatically buy a ranch.

Difference 4: Due Diligence Is Broader

In residential real estate, due diligence often focuses on inspections, financing, appraisal, title, survey, insurance, HOA documents, and seller disclosures. In farm and ranch, due diligence can be much broader. A buyer may need to investigate:

- Survey, title, access, and easements
- Water, wells, and septic
- Minerals, surface rights, and oil and gas leases
- Agricultural valuation, wildlife valuation, and rollback tax risk
- Floodplain, soil, and drainage
- Fencing, road maintenance, and utilities
- Restrictions, hunting leases, grazing leases, and crop leases
- Livestock, equipment, barns, outbuildings, ponds, tanks, creeks, and springs
- Condition of roads, gates, and cattle guards

Difference 5: The Contract Has Different Issues

TREC's Farm and Ranch Contract exists because farm and ranch properties have issues that standard residential forms may not fully address. TREC describes Form 25-16 as containing provisions for farm and ranch items not specifically addressed in other contract types. You need to understand

why the form exists, when it may be appropriate, and when to get broker or attorney guidance.

Do not use forms by habit. Use forms because they match the transaction. When in doubt, ask your broker.

MY NOTES

SECTION 4

Critical Farm and Ranch Issues Agents Must Understand

You do not need to be an expert in all of these areas. You do need to know they exist and know the right questions to ask.

Minerals

Mineral rights are a major area where residential agents can encounter problems. In Texas, surface ownership and mineral ownership can be separated. The person selling the land may own all, part, or none of the minerals. They may reserve them, convey them, or be subject to an oil and gas lease.

QUESTIONS TO ASK ABOUT MINERALS

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

Warning: Do not casually explain mineral rights if you do not understand them. Get help from your broker, title company, attorney, or appropriate expert.

Water

In rural property, water can make or break the deal. Water issues may include private wells, shared wells, co-op water, municipal water, stock

tanks, ponds, creeks, springs, water rights, livestock water, irrigation, drought concerns, water quality, and water quantity.

QUESTIONS TO ASK ABOUT WATER

- Where does the water come from? Is there a well? Is it permitted or registered?
- Has the well been inspected? Has the water been tested? How many gallons per minute does it produce?
- Is the water shared? Is there a written shared-well agreement?
- Is there co-op water available? Is the meter included?
- Is there enough water for the buyer's intended use?

Septic

Many rural properties are not connected to city sewer. They may have an on-site sewage facility, commonly called septic. A failing system can be expensive and may affect financing, habitability, and future use.

QUESTIONS TO ASK ABOUT SEPTIC

- Is there a septic system? Is it permitted? Where is it located?
- When was it installed? Has it been inspected? Is it sized properly for the house?
- Were additions made to the house after the system was installed?
- Are there maintenance records or known problems?

MY NOTES

Agricultural or Wildlife Valuation

This is a major Texas-specific issue. People often call it an "ag exemption." It is not usually an exemption from property taxes. It is a special appraisal

or special valuation method that may reduce taxable value based on qualifying agricultural or open-space use. If the land has agricultural or wildlife valuation, the buyer needs to understand what is required to maintain it.

QUESTIONS TO ASK ABOUT AG OR WILDLIFE VALUATION

- Is the land currently under agricultural or wildlife management valuation?
- 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 with maintaining it?
- Could a change in use trigger rollback taxes?
- Who should the buyer speak with at the county appraisal district?

Do not promise that the buyer will keep the ag valuation. Tell them to verify with the county appraisal district and appropriate tax professionals.

Access and Easements

Access is one of the most important issues in rural property. A property can be physically accessible but still have legal access problems. A road is not the same thing as legal access.

QUESTIONS TO ASK ABOUT ACCESS

- Does the property front a public road? Is access by private road or recorded easement?
 - Is the easement wide enough? Does it allow the buyer's intended use?
 - Who maintains the road? Is there a road maintenance agreement?
 - Are gates locked? Are there shared driveways?
 - Does the survey show access? Does the title show access?
-

Survey and Boundaries

Surveys are critical in farm and ranch. The buyer may need to know how many acres are actually included, where the boundaries are, and whether fences are inside or outside the boundary. They should verify if there are encroachments, easements, or roads across the property, and whether neighbors are using part of the land.

Fences are not surveys. A seller may say, "The property goes to that fence." Let the survey, title company, and appropriate professionals answer that.

Leases and Occupancy

Farm and ranch property may have lease issues that residential agents do not usually deal with. Examples include grazing leases, hunting leases, crop leases, oil and gas leases, cell tower leases, wind or solar agreements, tenant occupancy, storage agreements, and equipment agreements. These can affect possession, income, liability, use, and value.

QUESTIONS TO ASK ABOUT LEASES

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

Personal Property and Improvements

Farm and ranch properties often have many items on-site. Some may be leased, and some may belong to tenants, hunters, ranch hands, or neighbors. Items might include 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, and hunting stands.

Do not assume everything conveys. Clarify it in writing. If the buyer wants the tractor, write it into the contract. Do not rely on a handshake.

MY NOTES

SECTION 5

Basic Farm and Ranch Transaction Process

This process will vary by deal, but here is the general flow for a farm and ranch transaction.

1

THE FIRST CONVERSATION

Slow down and ask better questions. For a buyer, ask what they want to use the property for. The intended use drives the due diligence. Ask about acreage needs, water, fencing, barns, road frontage, legal access, ag valuation, minerals, financing, and whether they have talked to a rural lender. For a seller, ask about acreage, survey, minerals, leases, ag valuation, wells, septic, restrictions, easements, personal property, boundary issues, and any tenants or hunting arrangements.

2

BROKER AND MENTOR CHECK

If this is one of your first farm and ranch deals, involve your broker or mentor early. Share the property details, the intended use, the issues you see, and the issues you do not understand. Do not wait until you have a problem.

3

FORM SELECTION AND CONTRACT GUIDANCE

TREC's Farm and Ranch Contract may be the appropriate form for many rural property transactions, especially where the property is rural, uses a metes and bounds description, and involves farm and ranch issues. Ask your broker. When needed, tell your client to involve an attorney.

4

DUE DILIGENCE

Farm and ranch due diligence can include survey review, title review, easement review, access verification, well inspection, septic inspection, property inspection, ag valuation verification, rollback tax investigation, lease review, mineral review, environmental review, floodplain review, soil and drainage review, road maintenance

review, insurance review, and financing review. This is where the deal is won or lost.



CLOSING AND POSSESSION

Possession may be more complicated than a normal residential closing. Clarify when the buyer gets possession, whether livestock will be removed, whether crops remain, and whether hunting rights continue. Confirm whether a tenant stays, whether gates, keys, codes, and access devices transfer, whether personal property is removed, whether leases continue, whether equipment conveys, and whether the seller needs temporary access. Get it in writing.

MY NOTES

SECTION 6

Common Pitfalls Residential Agents Must Avoid

01

Treating Acreage Like a Normal Residential Sale

Acreage brings issues involving access, boundaries, water, septic, minerals, taxes, leases, and use that a standard residential transaction does not.

02

Assuming Fences Equal Property Lines

Fences are not surveys. The fence may be correct. It may also be wrong by 10 feet, 50 feet, or more. Let the survey answer the boundary question.

03

Failing to Verify Legal Access

If there is no legal access, the property may be extremely difficult to use, finance, or resell. Driving onto the property is not enough.

04

Mishandling Minerals

Do not guess, promise, or casually explain mineral rights. Get help from the broker, title company, attorney, landman, or appropriate expert.

05

Misunderstanding Ag or Wildlife Valuation

Low taxes may depend on continued qualifying use. The buyer must verify what is required to maintain the valuation and whether their intended use could trigger rollback taxes.

06

Ignoring Water

In rural Texas, water matters. No reliable water, poor water quality, low well production, or unclear shared-well arrangements can create major problems.

07

Overlooking Septic

A failed septic system can be expensive. The buyer needs to inspect and verify the condition, permitting, and capacity of the system.

08

Not Identifying Leases

Hunting, grazing, crop, mineral, cell tower, wind, solar, or other agreements may affect the buyer's rights after closing. Ask for copies.

09

Failing to Clarify What Conveys

Farm and ranch properties have more items on-site. If it matters to the buyer, put it in writing. Do not rely on assumptions.

10

Going It Alone

If you are new to farm and ranch, do not make the client your experiment. Get guided, supervised, mentored, partnered, or referred.

First three farm and ranch transactions should be guided, supervised, mentored, partnered, or referred.

MY NOTES

SECTION 7

How Residential Agents Should Safely Get Started

Start Small

Good entry points for new farm and ranch agents may include a house on two to five acres, a small homesite outside the city, a simple rural resale, a small recreational tract, or a property with clear access, utilities, survey, and no major lease or mineral issues.

More advanced transactions include large working ranches, complex mineral situations, hunting operations, crop-producing land, properties with multiple leases, land with development potential, properties with water rights issues, conservation easements, large acreage without clear access, and special-use rural properties.

Build Your Resource Team

PROFESSIONAL	ROLE IN FARM AND RANCH TRANSACTIONS
Farm and Ranch Broker or Mentor	Guidance on rural transactions, forms, and issues
Real Estate Attorney	Contract review, mineral issues, access, and title questions
Title Company (Rural Experience)	Title search, easements, mineral reservations, and closing
Surveyor	Boundary surveys, acreage verification, and encroachment identification
Rural or Farm Credit Lender	Financing for land, agricultural, and rural properties

PROFESSIONAL	ROLE IN FARM AND RANCH TRANSACTIONS
Well Inspector	Well condition, production, water quality, and pump assessment
Septic Inspector	Condition, permitting, and capacity of on-site sewage systems
Rural Insurance Agent	Coverage for land, structures, livestock, and rural risks
County Appraisal District Contact	Ag valuation, rollback tax risk, and property tax questions
Wildlife or Land Management Consultant	Wildlife valuation, habitat management, and land use planning
Soil, Drainage, or Environmental Consultant	Soil quality, drainage issues, and environmental concerns

Study the Farm and Ranch Contract

Read TREC Form 25-16. Take a class on it. Ask your broker to walk you through it. The form exists because farm and ranch transactions have issues that other forms do not fully address.

Consider Land-Focused Education

- **ALC (Accredited Land Consultant)** through the REALTORS® Land Institute, for agents serious about land, ranch, recreational, and development property
- **RLI (REALTORS® Land Institute)** courses for land education and networking
- **Texas REALTORS®** farm and ranch education and forms
- **TREC contract classes** focused on the Farm and Ranch Contract
- **Local mentorship** with an experienced land or ranch agent

You do not have to become the expert overnight. You do have to be honest about where you are. Pursue the opportunity. Learn it. Study it. Ask questions. Build your team. Find a mentor. Involve your broker.

MY NOTES

APPENDIX A

First Farm and Ranch Deal Safety Checklist

Before taking your first farm and ranch client, answer each of these questions. Use this checklist on every rural transaction.

Have I notified my broker?

Is this one of my first three farm and ranch transactions?

Do I have a mentor, co-broker, land specialist, or experienced guide involved?

Do I understand the buyer's or seller's objective?

Do I know whether the Farm and Ranch Contract may be appropriate?

Is there a current survey?

Does the property have legal access?

Are there easements?

Are there mineral rights or reservations?

Is there a well?

Is there septic?

Is there agricultural or wildlife valuation?

Could rollback taxes be an issue?

Are there hunting, grazing, crop, mineral, wind, solar, or other leases?

Do fences match the survey?

What personal property or equipment conveys?

Has the buyer been advised to use appropriate inspectors and professionals?

Has the client been advised to verify tax, legal, environmental, and property condition issues with the proper experts?

Am I staying within my area of competence?

Do I need to partner, refer, or get more guidance?

First three farm and ranch transactions should be guided, supervised, mentored, partnered, or referred.

APPENDIX B

Key Terms and Concepts

TERM	DEFINITION
Farm and Ranch Contract	A TREC contract form designed for many rural property transactions involving farm and ranch issues not fully addressed in other contract types.
Metes and Bounds	A legal property description that defines boundaries using distances, directions, and physical or survey markers rather than a subdivision lot and block description.
Agricultural Valuation	A special property tax valuation method based on qualifying agricultural productivity or use. Often casually called an ag exemption. Agents should avoid implying it is a simple exemption.
Wildlife Valuation	A special valuation that may apply when qualifying land is managed for wildlife under applicable Texas requirements.
Rollback Taxes	Additional taxes that may be 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.
Mineral Rights	Rights associated with minerals below the surface. Surface ownership and mineral ownership can be separated in Texas.
Surface Rights	Rights associated with the use of the surface of the land, which may be affected by mineral ownership or mineral leases.
Easement	A legal right for someone to use another person's land for a specific purpose, such as access, utilities, pipelines, or roads.

TERM	DEFINITION
Legal Access	A legally enforceable right to enter and exit the property. A road or driveway does not automatically mean legal access exists.
On-Site Sewage Facility	A septic system or similar wastewater system used when property is not connected to a public sewer system.
Shared Well Agreement	An agreement that governs the use, maintenance, costs, and responsibilities for a well shared by multiple properties or users.
Grazing Lease	An agreement allowing another party to use land for livestock grazing.
Hunting Lease	An agreement allowing another party to hunt on the property, often for a season or specific time period.
Survey	A professional drawing and report that identifies property boundaries, improvements, easements, encroachments, and other important land features.

APPENDIX C

Suggested Resources and Sources

Use these as starting points for additional learning and follow-up. Always verify current forms, rules, and local requirements before advising clients.

TREC Rules, §531.4 Competency

<https://www.trec.texas.gov/agency-information/rules-and-laws/trec-rules>

TREC Farm and Ranch Contract, Form 25-16

<https://www.trec.texas.gov/forms/farm-and-ranch-contract>

TREC Contracts Page

<https://www.trec.texas.gov/agency-information/contracts>

Texas REALTORS® Farm and Ranch Listing Agreements

<https://www.texasrealestate.com/form-category/farm-and-ranch-listing-agreements/>

REALTORS® Land Institute (RLI)

<https://www.rliland.com/>

Texas Comptroller, Property Tax and Agricultural Appraisal Resources

<https://comptroller.texas.gov/taxes/property-tax/>

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