

# Basic Manual Update Series

Countdown to November 1

by Roland Love, TLTA Regulatory Committee Chair

## INSTALLMENT 1

### RESIDENTIAL REAL PROPERTY REDEFINED

As part of the November 1 change to the Basic Manual, the following changes will be made to

#### **P-1.u. Residential Real Property:**

1. Property being acquired with immediately contemplated residential improvements will be considered residential real property.
2. The acreage changes will be up to 10 acres for urban and 10-200 for rural.
3. The agricultural production requirement for rural property will be removed.

[Review the revised P-1 definition here »](#)

#### **WHY IS THIS BEING DONE?**

The new residential improvement rule aligns with common title insurance and lending practices. The updated acreage limits now match Texas homestead and home equity loan laws. The previous requirement for agricultural production was inconsistent with Texas laws and hard to apply consistently.

For rural properties, the owner or borrower must still be a natural person, and the property must have improvements designed primarily for occupancy by one to four families. These changes help escrow operations easily identify and handle properties under a TREC contract, including 1-4 family homes, condos, or undeveloped land with planned residential improvements.

This definition change allows for easier application of **Rate Rule 16** for amendment of the survey exception in Schedule B, paragraph 2. All other title insurance endorsements depend upon the character of the property, so this rule should be no different. While an individual can receive a T-1R Owner's Policy, entities or trusts receiving a T-1 Owner's Policy for residential property should not be charged differently for the amendment to the survey exception. The prior practice also made application of R-29 a common opportunity for error, but this change should correct that.

[Review the amended Rate Rule 16 here »](#)

P-38 and R-29 are unchanged. The update to the definition in P-1.u may provide rate relief to buyers of residential real estate, since some additional properties may now qualify.