
SUMMARY: Things to Consider When Buying Land

Suggested Readings:

Ken Duensing (duensing@bnr.ca) of Raleigh, NC mentioned the following books:

Finding and Buying Your Place in the Country
by Les Scher

Country Dreams by ???

There were a couple of excerpts from this one in Back Home magazine. Written by a land broker.

Elapsed time: 0:42

3661

Article 3661 (16 more) in misc.rural:

From: scotbri@flower.rosemount.com (Scott Brigham)

Subject: SUMMARY: Buying Land

Message-ID: <1992Sep1.200208.3726@rosevax.rosemount.com>

Date: 1 Sep 92 20:02:08 GMT

Sender: news@rosevax.rosemount.com (USENET News administrator)

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Well folks, here it -- the summary of responses I received on my request about buying land in the country. Thanks to all those who responded. As you can see, this is sobering advice. I was impressed with everyone's passion for the topic and the friendly, helpful attitude they approached it with.

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scotbri@rosemount.com

Scott Brigham

Rosemount, Inc.

Eden Prairie, MN

--MORE--(4%)

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\$12.00 ppd

Misty Mountain Press

Box 210B

Little Switzerland, NC 28749

1-800-533-8532

--MORE--(7%)

Steve Fox (shf@ais.org) suggests the classic:

Building The Custom Home, John Folds and Roy Hoopes,
Taylor Pub ISBN 0-87833-653-2. Contains good info on buying land as well as building.

Bill Cole (cole@dg-rtp.dg.com) suggests FARM by Richard Rhodes.
He says " It'll keep you interested!"

This advice from Steve Whitchurch (stevenw@pdx.mentorg.com):

My wife and I bought land about two years ago. We are doing the loan thing to put a house on it at this time. If I was to do it again, I would have bought land with a house already on it. I know that's not what you want to hear, and I also did not want to hear that two years ago.

Things to think about when looking for land.

- o Water, you will need a min. gal/hr of 8-10 (Oregon any way).

--MORE--(12%)

- o Well cost 8-10K+.

- o Septic, get a perk test. A standard septic can cost 2-4K.

- o A sand filter can cost 15K+

- o Power, where are you going to get your power. Check with the local power company, they should be able to come out and give you a free idea of the cost. (To put our power in is \$1100.00, and we are putting our house only 400 ft from the pole).

- o Can you build a house ?, What type of house can you build ?

- o What will it cost to clear your land ?

- o What are the easements ?

- o Can you put in a road ?

- o What is the min. acre size to build ?

- o Has there been a servy (spelling) done ?

- o What is the zoning ?

- o Cost of permits ?, What permits do you need to build ?

- o Land use laws ? What are they ?

- o Are you paying cash or will you need a loan ?, Most all banks will not loan money on land only, you will need to get a contract with the seller.

- o Will you need a loan to build ?, Most all banks will not loan money on House/Land over 5 acres.

- o If you are thinking of farming, what kind of dirt does it have ?

- o Can you fence it ?, some land you can not fence (open range laws).

--MORE--(18%)

- o Access to the land, can you get to it all year round ?

- o Is there water for farming ?, This is not the same water to will

drink. You will need a second water source for farming.

Any way this is a start, and I'm sure that I forgot something. Buying land is a fun thing, but it can also be a lot of problems.

***** START OF MARY MATEJKA'S ARCHIVE *****

Mary Matejka passed on some info she received from other netters a while back:

Author unknown:

We have just ended (I hope) the search for our place. (Submitted a contract). The thing that helped us the most was getting a copy of the soil survey for the counties we were looking at. The Federal Soil Conservation people publish them. So I would think that all counties would have them available. We saved ourself several wasted trips by knowing about soil type, pipelines and transmission lines.

Oh that's another thing. Worry about easements. Public easements --MORE--(24%)

can be widened without your consent. They can do what ever they want with your property in the easement. Especially avoid easements that go all the way thru your property.

If you are looking at truely rural area, keep in mind that farmers make noise. Dogs make noise. Crops get sprayed. That sort of thing.

I had another file that I must have wiped out. It talked about interviewing the neighbors (We don't have any very close but we should have done it anyway). Ask them what it's like to live there. Do the creeks rise? Is it quiet? How's the traffic? How's the water? Anything you can think of. Check with the local health dept and find out about the average septic system for that area. Check with the local well drillers about average well depth for that area. (Unless you are in a 'subdivision' or near a public water line) In fact on 10 acres I would wonder about that many private wells that close together. You could get a local lowering of the water table. Call the power co. How much will they charge to get power out to you. Find a builder you like. Make sure he works in that

area. Infact our builder knew about places for sale. Plan on everything taking for ever. 2 or 3 times longer than you think. Write a long contract so it doesn't expire and they can't raise the price on you.

--MORE--(31%)

Also. If you ever want to get a loan, buy land with access on a county rd. Veterans and FHA no longer do loans on land which is not on a public rd. Period. You can get conventional financing, but you need a road maintenance agreement. These are new rules, at a national level. Don't let anyone tell you different. We lost one piece of property over it. And it makes selling more difficult. Texas Vets has some lenient rules because they do just land. There may be some other options in your state. Also if you are financing a house the lenders have rules about no more than 25% of the value of the property package can be in land. The rest has to be improvements. And lenders on house loans in rural areas want 25% down.

Another bit-o-info from Mary's archive concerning buying land at an auction. Unfortunately, I don't know who to attribute this to:

Go the the auction. Do not bid. Just watch. Maybe it's best that you deliberately choose a piece of property you Really Would Not Want just so you can learn to Not Bid on anything that seems the least bit wrong. Maybe go to several auctions. Eventually you'll know what you are doing, and can buy your Dream Ranch.

You might keep in mind that buying property at an auction is sort of like buying a horse - it's not so much what you pay that's important, --MORE--(38%)

it's what you get, and the auctioneer's job is to move the property and get a good price, not to point out the bad conformation and the navicular, or the washed-out foundation and rotted floor.

You had also better have a Whole Lot of Extra Money tucked away for the equivalent of Feed, Training, Vet Bills, Shoes, or whatever else you new ranch needs, like maybe a new well, or a new roof, or a good title, or ammo to keep trespassers away. Don't forget you'll soon need trucks, tractors, a sickle bar, a tedder, a baler, all that stuff.

From: cole@dg-rtp.dg.com (Bill Cole)

To: marym@devnull (Mary Matejka)

Suggest you settle on what areas are of interest and then contact the bankers in that area. They'll know who's ready to get out and who needs to get out. There's also the FmHA (that's the Faermer's Home Administration) and the county extension agents.

--MORE--(44%)

From: James K Earp <earp@magnus.acs.ohio-state.edu>

To: marym@devnull (Mary Matejka)

>What if the builder does a bad job? How do you get your money back?

About the only thing you can do is hire a builder with a *long* and respectable reputation, then check the work EVERY DAY. The builder is only paid as certain percentages of the work are done, meaning when 20% of the work is done he receives 20% of the money. By inspecting the work every day, you can know when things are not being done as you specify. I believe you have recourse to the bank who will want your approval to release the money.

My friends who have built say it is absolutely necessary to inspect the work being done at least every other day and preferably every day. One of them had the builders rebuild his fireplace twice. They were supposed to use a certain color of stone and use an old beam he had from his family farm's barn as the mantle. The first time they build it with the wrong color stone and didn't use the beam. Second time they forgot to use the beam. They kept trying to convince him to go with it as it was, but he stood firm and got what he wanted. As he said, "I'm paying for one house and I'm sure not gonna live in a different one."

--MORE--(51%)

If you find something wrong after they're paid you can always sue, but I sure wouldn't want to go through that trouble unless it's a major problem. Also, I emphasize the *long* part of their reputation because my brother had a

five-year-old business (Dallas Homes, based in Columbus) build his. They were nearly complete with his house when the company filed bankruptcy. Many of his neighbors were left with half-completed houses and all their money tied up in escrow with no legal recourse. Turns out the scum who owned the business does this every few years. Like I said, my brother was lucky. He just finished wiring a few outlets and he was done.

Our biggest problem is going to be raising the money to buy a place where the business doesn't already exist. Banks don't like to loan on potential profit, especially nowadays. Good news is you can get a loan for between 8 and 9% now.

***** END OF Mary Matejka's ARCHIVE *****

Dan Rehak (uunet!KIEL.EDRC.CMU.EDU!Daniel.Rehak) passes this info along about environmental issues:

You might need an environmental site assesment. You need at least a check of the ownership for the last 100 years to see if the site might have been used for any industrial use which would have produced --MORE--(58%)

hazardous wastes. Also, you would need an expert to do an visual inspection/walkthrough of the site. Doing this seems to be the minimum. Doing more, like actual sample testing will get very expensive. Even farms need to be checked, for things like old gas tanks. Removing a tank is now quite expensive, requiring an EPA certified remover, hauling the soil to a hazardous waste site, etc., about \$25000. The current laws are that the current owner of a site is responsible for any prior hazardous wastes, so you want to make sure it is clean. Generally, you can put passing the inspection as a condition in the purchase contract.

There are engineering consulting firms which specialize in environmental site assessments. Some of them might advertise in the yellow pages, probably listed under consulting engineers. Another good source might be a lawyer. Here in Pittsburgh, because of the long industrial heritage, lawyers are very conscious about such issues, and people who deal with land purchases frequently know who the local consultants are. You want to find someone who handles typical small parcels, not a major consulting firm. We bought 13 acres about 4 ago, and the site inspection, which was the deed search and the visual inspection

of the land was about \$1000. If the land your are looking at is only field/woods which has no other prior use, you might be OK in skipping the inspection, but I would be very concerned about a farm which might have --MORE--(66%)

old tanks. Good luck!

Al Onderick (uunet!odin.icd.ab.com!aao) adds the following:

1. Verify the land meet zoning requirements to build.

- a. set-back
- b. minimum acreage.
- c. minimum frontage.
- d. what is it zoned for (if its zoned)

2. Find out what utilities are available.

- a. Electric
- b. Gas
- c. water
- d. sewer

3. Is the land suitable for a normal septic system.

4. Is the well water acceptable and at what cost. (how deep?)

--MORE--(69%)

5. Is the soil suitable for a foundation. (bedrock?, humus clay?)

From Steve Fox (shf@ais.org) comes this sobering advice:

All possible advice to you can best be summarized thusly:

Get a good lawyer. (End of Advice)

Seriously. Realtors are incompetent, especially when it comes to buying raw land, land which is in no way guaranteed suitable for human habitation, and they (the realtors) cannot conceive of any

thing more complicated than their next commission check.

I just closed on 10 acres in July, and it was not fun. Of course I am ecstatic now that its over, but I had to keep my hand on my wallet at all times. Among the cute things that the realtors tried was:

- o Misrepresenting a legal description as a stake survey.
- o Lying about the status of other pre-closing contingencies.
- o Changing the terms of the sale, after a signed agreement was --MORE--(74%)

executed.

- o Continually tried to get me to close prematurely. It was an all cash deal, and my seller was undercapitalized. He was required, as part of our agreement , to build a .75 mile road from the county road to my property. He didn't like that:)

Luckily, after I started to smell a rat, I engaged an attorney who guided me through the rats nest. All told, I think he cost me about \$500. Money well spent. Just the stake survey trick alone could have cost me thousands of dollars in lost land.

Get everything in writing. DONT make any verbal agreements. Get perk tests. See if land is platted. Don't assume anything. And above all, have fun:)

If you want to know more, mail me. I love to talk about it.

From: Jim Paradis <uunet!sousa.enet.dec.com!paradis>

To: scotbri@flower.Rosemount.COM

We're in the process of trying to buy a 52-acre parcel in rural Massachusetts.

--MORE--(79%)

Methinks the **first** thing you need to think about is how you're going to finance this. If you have the cash in hand, fine. If **not**, be very careful! There are **very** few lenders out there who are willing to finance the purchase of unimproved land... **especially** if you're

not planning to build right away. That's the position we're in... basically, we want to buy a hunk of land at the bottom of the recession, and hold onto it for a few years until our house is worth more and we can cash it out. Since we need to finish the renovations on our house anyway, we won't be in a position to build on the land for a few years yet. After calling all over Massachusetts, we found exactly *three* lenders who'd do land loans:

Lender 1: (a local bank) 60% financing on "unimproved" lots (i.e. no town water/sewer), 80% financing on "improved" lots (town water/sewer). 8.75%, no points, 10-year term.

Lender 2: (Digital credit union) 70% financing on land, 1 point, prime + 2, adjustable *monthly*, 15-year term, 3-year balloon.

Lender 3: (a finance company): 80% financing on land, 3 points, prime + 8.75 (!), adjustable yearly, 15-year
--MORE--(86%)

term.

We're going to try for the credit union first (since they're willing to go with a higher loan-to-value ratio), and then the bank. The finance company is out of the question!

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Jim Paradis (paradis@tallis.enet.dec.com)

From: Gary Hypes <uunet!hpdmd48.boi.hp.com!hypes>

To: scotbri@flower.Rosemount.COM

(1) Water rights, water rights, water rights.

(2) Water rights ... etc.

The first and foremost question is, what do you want to DO with the land? Own and hold as an investment? Build a home on it? A farm? Raise critters? The answers to those questions will help determine what you

need to know about.

--MORE--(89%)

Water is pretty central to everything: rights (a very odd business, sometimes), sources, quality, etc.

Zoning/covenants: sometimes you think that just because it's in the "country" you can do anything you want with it. 'Ain't necessarily so.

Access: local highways, the need for private roads on the property itself, etc. What's the area like in bad weather? Are you on or near a main thoroughfare where the roads are likely to get plowed after snowfall?

Appraisals: If you're building a home, FHA will appraise the house and ONLY the first 5 acres. On a highly leveraged loan (low down-payment), that can be a killer.

Local resources: if you want to have your field(s) disc'd up, can you get the farmer next door to do it, or do you have to hire someone from 20 miles away to come out?

Goals: can you AFFORD to do thing things you WANT to do with this land? (You want to raise a couple of calves or horses? Do you have any idea how much fencing and sheds are going to cost?)

--MORE--(95%)

Environment: how's your hay fever? Are there any long-range plans for commercial development of the area you're looking in? How do you feel about septic tanks & well water? If the nearby community expands your way, you may get a notice in the mail that says "We're hooking you up to the new city sewer. Please send us a check for \$7,200 by next Friday." (Don't laugh. This happens.)

I'm a city boy who moved to a small place in the country (~3 acres) about 5 months ago. Despite the headaches (people think living in the country is CHEAP. It's not.), I wouldn't trade it for anything, except maybe some more acreage.

***** END OF SUMMARY *****

Your humble summary editor has been:

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scotbri@rosemount.com

Scott Brigham

Rosemount, Inc.

Eden Prairie, MN

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End of article 3661 (of 3661)--what next? [npq]