



Land Buyers Guide



www.RuralLandWatch.com

Call Us Anytime
(817) 301 4695
tim@rurallandwatch.com



PROPERTY BUYERS GUIDE

Here at Rural Land Watch.com, we value and respect your decision to buy rural land. We don't want you to jump in over your head, due to excitement, and make a major mistake you'll regret later. With that in mind, here is a guide with some of the most common questions or points to consider.

We think that by reading this guide, you'll be a more knowledgeable buyer and you'll be better equipped to make a smart buying decision. We look forward to working with you.

Sincerely,

Tim Flood

Managing Partner

rurallandwatch.com

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Location

It is said over and over. There are three things you need to know about buying real estate; 1) location, 2) location, and 3) location! But what does that really mean? In urban areas, this can mean safe neighborhoods, traffic flows, proximity to shopping malls, school quality, night life attractions, and proximity to jobs or natural features such as the ocean or a mountain range. Rural real estate includes many of the same factors but also includes quality of roads or access to your property, productivity of the soil types located in the area, utility access such as water and electricity as well as satellite internet and television access.

Look around the neighborhood. When you buy rural property, you are buying a part of a rural community. Drive around the property you are interested in and see what the neighborhood looks like. Do the neighbors show pride of ownership? Much like a home in the city, good fences make good neighbors. Also, the stronger the rural neighborhood, the better chance you have for real estate appreciation and less chance for devaluation.

Plan Ahead

The type of property you purchase will have a large effect on the size of down payment as well as how much you have to finance.

It is important to be very realistic when looking for a piece of land. In recent years, the agricultural real estate market reached new highs. While these prices are expected to come down with lower commodity prices, it is not expected very quickly. This price escalation requires one of two events to occur, 1) additional capital, or down payment be made to allow the property to be self sufficient from its own cash flow, or 2) additional subsidizing from outside income.

The type of property you purchase will have a large effect on what size of down payment as well as how much you have to subsidize. The more productive land will carry more debt requiring less outside income to make work. You need to understand the more “recreational” in nature, the more you will have to invest or subsidize. Unless you have been pre-approved by a lender, always, always have language included in the contract that indicates the purchase is subject to financing.

Determine the Size of Property

If you are a cash buyer, then you can simply look at property with a price tag that compares with the amount of money you want to invest. If you need to finance a portion of the purchase price, it is vital that you meet with a professional in the rural lending world. Your current banker may be a great source for loaning money on your

home in town, business, car or boat. But what does he or she know about rural property? A lender that understands rural property, cash flows for this industry, the cycles and current real estate values can be of great value to you not only now but for many years down the road.

They can also be a source of financing for items needed after the land investment. Before you sign a contract, a good rural lender will ask you some very tough questions that will help you decide what size of farm you can afford and what you can expect after the purchase.

Working with a Realtor

Unless you hire a buyer's agent, make no mistake about it, the realtor is getting paid by the seller and is working for them. However, they bring a lot of information and will only get paid if the sale occurs. Realtors work in this industry 24/7 and can offer a vast amount of information to help you. They will set up the closing and help both the buyer and the seller meet the demands of the written contract. Real estate closings can be very complex. Realtors will be able to explain a lot of the procedures and work out who will be responsible for certain expenses of the transaction. This will include closing fees, document preparation, accruing real estate tax liabilities and recording fees.

Items Included with the Sale

It is extremely important that everybody, realtor, buyer, seller and anyone else involved in the sale, understands in writing what is included in the transaction. A detailed list of anything you feel you are buying needs to be a part of the contract. The list may include: Gates, livestock panels, portable sheds, fence posts, feeders, treatment or removal of any existing farm or hunting leases, any miscellaneous equipment, and anything that can be moved. Make sure you include everything!

Steps to Purchase Property

Each situation is different. However, as a starting point, you can expect a closing to occur about 30 days after you and the seller sign the contract. Overall, the process goes something like this:

- a. Determine the type of property you are looking for and the general location.
- b. Review properties available by using the internet, local newspaper, or visiting with realtors that cover the area.
- c. Make an offer on the property and negotiate with the seller until an agreed-to price is reached. You may wish to speak with your attorney before signing a real estate purchase contract. After signing the contract, you will place earnest money on the farm to hold it until you can close.
- d. Take your contract along with financial information to a local rural lender. This may include past tax returns, current pay stubs and a list of all assets and liabilities. They will work with you to make sure the property is within your financial capabilities. Meeting with a credible lender prior to even looking for a property can save you a lot of time and effort by narrowing down the price range you can pursue.

e. Upon loan approval, the lender will work with you to get the property appraised and alert you of any title issues prior to loan closing. Have an attorney review any information you do not understand or if you just want additional peace of mind.

f. Prior to the closing, you will receive a copy of the closing statement that will let you know the amount of money you will need the day of closing. Normally these funds have to be certified which means a cashier's check.

g. If you are borrowing part of the purchase price, you will close your loan with the lender prior to the real estate closing. Then you will meet at the title company office to close the transfer. They will file the necessary deeds at the courthouse and forward them to you after the recording is complete. You will need to take a copy of the deed to the local USDA Farm Service Agency (FSA) office so they can transfer any program payments to your name such as CRP or base acre payments. Your lender can explain these to you. You will also want to make sure the county collector gets a copy so the next year's real estate tax bill will be sent to you for payment.

h. After the closing, you will need to drive straight to the property and determine which project to tackle starting tomorrow morning!

Title Insurance

When you buy a car, the first thing you do is buy insurance before you leave the lot. Why? To protect you case of an accident. Title insurance does the same thing only in terms of ownership. It ensures your ownership of the farm in the amount that you paid for it as long as all of the items listed as exceptions are corrected. This may include transferring ownership by legal deed, or the seller having a deed of trust removed. The closing agent will review any items that need to be discussed at closing. Normally, you will receive a copy of the title insurance commitment days before the closing. If you have any questions, ask an attorney to review the policy. Purchasing a title policy is the most secure way to buy property today. Title insurance will also warn you if the property has been the site of an identified hazardous waste dump site.

Local Resources to Know

The farther away your property is located from your home, the more important it will be to develop your own personal network of contacts for that area. A simple list, and one that you will probably add to as you spend more time enjoying your new property, should include:

a. Local Rural Lender – They will know the people in the area as well as programs that may benefit you and your property. They will have names of people that provide services such as a dozer operator, custom farming service and farm managers if needed. They are also very in tune with the local market and can give you some indication of what land is bringing in a specific area. This could save you thousands of dollars.

b. County USDA Farm Service Agency (FSA) Office – The FSA office administers all government programs that could have a very positive affect on your farm's cash flow. They also administer programs to help you with conservation issues including pond construction, erosion control and wildlife enhancement.

c. Neighbors – One of the first things you need to do is stop by and meet each of your adjoining land owners and the nearest homesteads. They may end up being the person that pulls your stuck vehicle out of the ditch on a rainy day or loaning you that trusty wrench.

d. Local Farm Supplier – This may be the big box home stores for your tools and supplies or a local mom-and-pop shop, carrying specialized seed blends for your pasture. These "farm stores" will carry about everything you will

need to keep your homestead running smoothly. They are a great source of information for questions surrounding agricultural production.

e. **Mechanic** – At some point, something is going to break down. This may be a tractor or your own vehicle. Having a relationship with someone local before that happens can give you a sense of security when it does.

Costs of Ownership

There are very few instances that allow you to buy property and then stop right there. You may have to run electricity and rural water to your property. Then there are the normal operating costs such as insurance, gravel for your entryway, and monthly utility bills. After normal operating costs, the investments needed after the purchase will depend largely on the type of property you purchase and your reasons for buying. The more involved you are with your property, the more additional investments you may need to make. These items may include a mower, ATV or UTV and a storage shed. Or, it may include livestock purchases for pasture. Even recreational property usually ends up with a small tractor and a mower, a four-wheeler and trailer. And these are just the larger ticket items.

Then you will get into smaller items that can still add up. These may include a chainsaw, air pumps and an additional set of tools to leave on-site. Of course once you buy all of this equipment, you will need to build a shed to store everything. And after that you may decide to build a water structure or pond to fish in or just to have a quiet picnic when you go “out to the country”. Before long you will start thinking about a small cabin or maybe even a second home. Someone once said the cheapest part of owning rural property was the initial purchase!

Property Boundaries

Nothing is worse than finding out you didn’t get what you paid for. Unless you want to have a survey completed, no one will ensure the number of acres you are buying; they will ensure a legal description. Normally the description will be written in either a rectangular survey or metes and bounds method. It is usually a good idea to go to the county assessor’s office and have them pull the “card” for the property you are looking to buy and see how many acres are being taxed. This doesn’t mean their figure is right, but it should compare fairly close to what you have been told by the owner or realtor. If there is a big discrepancy, you will want to complete some additional investigation. Also, if you are obtaining a loan on the property you are buying, the lender will normally complete an appraisal as well as examine the title policy to ensure they have the right amount of security for their loan and to ensure they have a legal claim based upon the deed of trust filing.

All about Property Deeds

A deed is a legal instrument that transfers some property right in real estate. Deeds in their most basic form contain:

- A description of the real estate involved
- The names of the respective parties
- The signature of the person transferring the real estate

What are the basic types of property deeds?

Here are the most common types of property deeds and how they are typically used:

- **Warranty deed**: A warranty deed transfers ownership and provides additional promises, including that the transferring party has good title (in other words, the property is free of liens and claims of ownership). If the promises made turn out to be untrue, the transferring party agrees to compensate the buyer.

- **Grant deed:** A grant deed transfers ownership and traditionally promises that the property hasn't already been transferred to someone else.
- **Quitclaim deed:** A quitclaim deed transfers whatever ownership rights that the transferring party may have on the property. Quitclaim deeds are useful for transferring rights when it's unclear exactly what those rights are.

Do property deeds need to be notarized, filed and witnessed?

Almost all states require that a deed be notarized and filed, and some states require that it also be witnessed. First, the transferring party should go to a notary, who will notarize and witness the signature. Next, the transferring party should record the deed by filing it with the land records office in the county where the property is located (also commonly called a county recorder, land registry or register of deeds). The office will keep a copy and return the original to the transferring party.

What's the Difference Between a Property Deed and a Title?

When you're purchasing real estate, you'll quickly hear a number of terms thrown around. Most people tend to assume that Property Deeds and titles are the same thing, but they actually refer to two separate legal concepts. When you own a property entirely, you will possess both the Deed and title. But a title is distinct from a Deed. Mixing the two up can cause problems if you don't know what you're using.

Title is the legal way of saying you own a right to something. For real estate purposes, title refers to ownership of the property, meaning that you have the rights to use that property. It may be a partial interest in the property or it may be the full. However, because you have title, you can access the land and potentially modify it as you see fit. Title also means that you can transfer that interest or portion that you own to others. However, you can never legally transfer more than you own.

Deeds, on the other hand, are actually the legal documents that transfer title from one person to another. It must be a written document, according to the Statute of Frauds. Sometimes the Deed is referred to as the vehicle of the property interest transfer. The transfers can be less than the title that you actually have. Deeds must be recorded in the courthouse or assessor's office to make them fully binding in most states, but a failure to file them does not change the transfer of title. It just means that the Deed is not perfected. An imperfect Deed does not mean that there is a problem with the title. It's just a problem with the way that the paperwork surrounding the Deed was handled.

What are trust deeds and contracts for deeds?

There are two common "deeds" that aren't really deeds at all because they don't transfer property:

- **Trust deed:** A trust deed (or deed of trust) is really a mortgage that transfers title to land to a trustee who holds the land as security for a loan. When the loan is paid off, the title is transferred back to the borrower.
- **Contract for deed:** A contract for deed is really a contract and grants one party title to property until the other party pays off his or her loans, upon which title is transferred back to the original borrower.

I'm buying real estate jointly with someone, are there different ways to do this?

There are generally three ways to take property jointly with someone, and the effect of the choice can be significant. In whichever form of deed you use, you should specify how the property is being taken. Here are the three most common:

- **Tenants in common:** if you take property as tenants in common, you can take unequal shares of the property and you can define who your property interest goes to when you die.

- **Joint tenants:** if you take property as joint tenants, you must take the property in equal shares, and your share will automatically pass to the other co-owners upon your death. Because the share automatically passes, you do not need to dispose of this property right in your will.
- **Tenants by the entirety:** tenants by the entirety is also referred to as community property. Tenants by the entirety is a form of spousal property, where each spouse owns the whole property and cannot transfer his or her right to the whole property without the consent of the other tenant.

Do You Have Property Access Rights?

It's an odd phenomenon, but believe it or not – there are thousands of properties all over the country that have **no road access**. They are surrounded on all sides by other private property – which (according to some) deems the land virtually useless. In a sense, these properties might as well be on the moon – because nobody can legally access the property.

It's impossible to overemphasize how terribly important access rights are. Be certain beyond a shadow of a doubt that permanent, legal, transferable access is specified in the deed. Never buy any piece of property without it.

I recently met a couple who'd bought a lovely place and built a house on it, acting on a neighbor's assurances that he had no objections to their using his road to get to their property. Later, though, they had a minor disagreement with that fellow, and he promptly blocked the road. At that point, they started walking in and out across a bordering piece of government land . . . but were soon informed by the agency in charge that they'd better cease and desist or they'd be hauled into court on trespassing charges.

Becoming frightened, the people tried several other routes, each of which was eventually blocked when at least one landowner wouldn't let them through. Because the unfortunate couple had no money left for an expensive legal battle, they were forced into abandoning the place, and they lost the cash they'd invested . . . which amounted to all of their savings!

As you can see, it's imperative to make sure that no one can stop you from getting to your property. If it's possible to obtain access by paying for it annually, as is the case when dealing with some government agencies, make certain that the right will be transferable if you later decide to sell . . . and that it's not revocable. You'll also want to find out who's responsible for the maintenance of the road. Believe it or not, you could be both sued and fined as a result of nicks you might make with your snowplow or ruts created by your car or truck!

Furthermore, don't assume that, because a piece of property is on a county or state road, access will be guaranteed. If the right wasn't granted to the previous owner—or if no driveway has been put in yet—you may have to get permission from the county or state. Such permits are not always automatic, and they'll generally cost some money.

Be sure your right-of-way, when you do get it, is transferable to your heirs or to any other future owners. This issue can be overcome if you can establish a legal, recorded easement to the property. This can be done if one of the neighbors is willing to allow you access through their property – to yours. In many cases, a neighbor shouldn't be expected to do this for free, you'll have to give them a reason to help you (usually in the form of money). Again, this isn't an impossible issue to overcome, but it is definitely something you'll want to be aware of before you purchase.

People Searching

Who are the neighbors? After researching the properties you're interested in, you can also research who owns the surrounding properties. You can find the names of the neighbors on the county tax information site and then

search for them on the internet to find out if they had any criminal history, what they do for employment, and any additional information their Facebook pages would offer up. You definitely don't want any surprises when you land on your brand new property.

With one property we discovered that the owner of the neighboring lot was a developer and a big housing complex was scheduled to be built next door. We discovered another property had a fracking sand mine ¼ mile away. No one is going to tell you this information, it is something you need to gather for yourself.

You might even be able to find motivation as to why the people are selling their property (usually on Facebook). Divorce? Job relocation? Death in the family? Take any negotiating advantage you can get.

What is the Zoning on the Property?

First and foremost, it is vitally important to understand what a property can be used for, and what the highest and best use of the property is. With a simple phone call to your local planning & zoning department, most offices can give you the answer to this question in a matter of seconds. Once you know the zoning classification (e.g. – residential, mixed-use, commercial, industrial, agricultural, etc.), ask them to give you some examples of what type of property would be allowed under each of these particular zoning classifications. They may even give you some ideas that you hadn't previously thought of. Once you understand the most ideal use of the property – you can quickly determine whether it will fit your needs (or the needs of those you intend to market the property to).

What is the Topography of the Property?

Especially when I'm buying vacant land out-of-state, my first line of business is to understand the topography of the property. There are many, many places around the world that have very unpredictable elevations, cliffs, mountains, valleys, ravines and more. In many cases, the topography of the land can have a huge impact on the build-ability of a property. For the same reasons you can't build a house on 90 degree cliff, you should be doing some preliminary research to find out where your property is located, and what the lay of the land is.

One of the best ways to do this is by using Google Earth (which is free). You can download the software, search for your property (using the address or coordinates) and zoom in using your mouse buttons and the control and shift keys on your keyboard. This will also allow you to tilt the earth on its side so you can see precisely where all the hills and valleys are in your area. This software has given me a crucial perspective on hundreds of occasions.

Tax Information

In the areas where we were house hunting, the counties have tax and land information on their websites. The records go back many years and tell exactly what land zoning classifications the land has held and what the owners paid in property taxes. You may have to physically visit your county building if these records aren't available online. A reasonable annual tax bill usually falls in the range of 1% – 4% of the property's full market value.

Questions to ask yourself:

- What are the yearly taxes, and can you afford them?
- Did the property valuation and taxes change throughout the years significantly? Why?
- What is the land zoning classification?
- Do the zoning classifications make sense to you?
- Do you understand what you can and can't do on that property, according to the zoning classification?
- Are the zoning classifications right for what you want to do with the property?
- If you change the land (for example: grow trees where there is field), how will the taxes be affected?
- Does the land zoning classification impact your ability to get financing?

What Public Utilities are Available? (Water, Sewer, Electric, Gas, Phone)

If a property doesn't have access to one or more of these staples of reasonable living, the property (for all intents and purposes) may not be considered build-able. After all, who would want to build a house where they can't flush the toilet or get access to clean water? If a property isn't build-able, you will lose a massive portion of the property's usability, marketability and value. Since most people buy land with the intent building on it, you will definitely want to be aware of anything that could become an obstacle to that objective.

Does the Property Have Access to a Municipal Water Supply? If Not, Can You Drill a Well or Have Water Trucked In (and if so, at what cost)?

There are a lot of properties in the world that don't have access to a municipal water supply (i.e. – city water). This isn't necessarily a problem, but it does mean you'll have to drill a well in order to access a clean water source beneath the surface. There are a few ways to determine whether or not you'll be able to do this but in most cases, if there are other buildings in the near vicinity (e.g. – homes or other dwellings built next door), this is usually a good indication that you won't have any problems accessing water either.

If you're looking at a vacant lot in the middle of the desert or near the top of a mountain with nothing around for miles, you will probably want to verify with a professional that water will be accessible if/when you need it (and if your only option is to have it hauled in by truck, you'll want to get an idea for how much this will cost on an ongoing basis).

What is the Size and Shape of the Parcel?

I've seen a number of properties that are virtually useless due to their size and shape. I remember on one occasion, I came across a parcel of land that was 5 feet wide and 900 feet long. I've also seen properties that were 10 feet by 10 feet. If you see a parcel of land with an odd shape, use your common sense. If you can't think of a legitimate use for a property with its given dimensions – you'll probably want to think twice before buying it.

What are the Required Building Setbacks?

First, you need to understand the exact dimensions of the parcel of land you are evaluating. Next, call the local zoning department and ask them what the designated building setbacks are for the property in question (building setback requirements are very common, and are imposed as a way of giving order and consistency to the buildings in any given area). When you take these setbacks and regulations into account (relative to the size of this parcel of land), is there still enough room to build something worthwhile – or does it render the property useless? I've come across several properties that were designed (albeit, unintentionally) to be too small and after factoring in the setbacks – you can't build anything on them at all, leaving them virtually worthless!

Does the Property Have Any Usage Restrictions?

Most of the vacant land you'll encounter will have SOME kind of zoning requirements and/or usage restrictions in place (there's a reason you'll never see a 100 acre pig farm next to a 100 story skyscraper, or a massive shopping mall next to a landfill... it just doesn't make sense).

Every municipality in America has a plan (even if it's a vague one) for how they want different *sections of their land to be used, regardless of who owns it. As such, you should always expect your property to come with some reasonable limitations on what it can be used for.

If the property is part of a Home Owner's Association (HOA) it will most likely have even more stringent restrictions in place to help maintain the "quality" and formality of their neighborhood. The idea is to keep any bizarre behavior OUT of the neighborhood (e.g. – cars in the front yard, lawns nobody takes care of, houses that look out-of-place or aren't built to code).

Usage restrictions aren't necessarily a bad thing – they almost always make sense on some level. They're designed to help maintain order and support the value of each property in the subdivision. On the same coin... if you aren't aware of these restrictions before you purchase, they can also create some conflict with the plans you had in mind for the property. This isn't common for most land investors (because most people have no intention of using their property for purposes that don't complement their surroundings), but even so – you should always make sure you understand what the rules are BEFORE you buy a parcel of vacant land. This will help you avoid owning a property that requires maintenance you don't want to do, or that can't be used for your intended purpose.

Is the Property Located in a Flood Zone?

In some parts of the country, parcels of land are vacant because they are literally under water. In other areas, there are many properties located within close proximity to bodies of water that is prone to flooding. In either case, if a property is at risk of flooding – you'll want to know about this before you buy, because properties in a flood zone can be extremely expensive to insure. Land that is located near a state or federal body of water can be extremely valuable, but this close proximity to the water can also create a flurry of issues... so be sure you understand the ramifications of your particular location.

Want to check and see if your property is located in a flood zone? One quick way to verify is to check the FEMA flood maps in your area. You can do this by visiting [msc.fema.gov](https://www.msc.fema.gov). You can also try [FreeFlood.net](https://www.freeflood.net) for another user-friendly way to find the same information.

Does the Soil Percolate (aka – "Perk") or have Access to a Nearby Sewer System?

If you're planning to build a "dwelling" of any kind on your parcel of land, there is one issue that may seem insignificant at first glance, but it has the potential to make or break a land deal. It's called a "Perc Test" – and if you're dropping some serious coin on land in a rural area, this is an issue you'll want to be sure about before you sink your money into it.

A Perc Test (also known as "Perk Test", and more formally known as a "Percolation Test"), is a soil evaluation that tests the rate at which water drains through soil. If a property doesn't have easy access to the local sewer system, a perc test is required to determine whether a septic system (the alternative to a sewer) can be installed on the property.

If a property doesn't pass this test, you could have a very difficult time building any type of dwelling on the property, so unless you're able to tap into the municipal sewer system (which will negate this issue altogether), be sure to give the county health department a call and ask them what is required to install a septic system (or connect to the local sewer) in your area.

What About Junk, Tires, Rubble, Gas, Oil, or Other Contaminants on the Property?

On a few occasions, I've discovered that what I thought was a piece of vacant land, was actually a makeshift landfill. If you're going to buy a piece of land, make sure that all you're getting is LAND (and if anything else is coming along with the deal, make sure it's something you actually want).

These kinds of messes can be very expensive to clean up and as I explain in the video below, companies like [WeGoLook](#) offer some very convenient and cost-effective ways to verify what the property looks like BEFORE you buy.

What Were the Previous Uses of the Property?

Most states have environmental laws that pertain to commercially zoned property (i.e. – properties zoned “Residential” generally aren’t held to these standards). If you’re considering a vacant lot zoned for commercial development, make sure you’re not inheriting any environmental contamination with the property.

For most commercial properties, the best way to do this is by ordering a “Phase I Environmental Report” (many banks will automatically require this, because it affects their collateral). This report will identify if there are any “Recognized Environmental Concerns” (RECs) on the property that you need to worry about. If you neglect to do any environmental due diligence, the liability for any existing environmental contamination on the property could ultimately fall on your shoulders – making it very difficult and expensive to sell the property in the future.

For the most part, properties located in an undeveloped area are generally not going to have these problems, but if you’re looking at commercially zoned property that was previously occupied by anybody or anything, I’d recommend (at the very least) ordering a “Records Search & Risk Assessment” (RSRA) or an “Environmental Transaction Screen” (ETS) from a local environmental professional. These usually cost around \$500 and will do a high level review of the property to determine the likelihood of any potential environmental contamination.

What Do the Surrounding Properties Look Like?

The properties next door can have some MAJOR implications for the value and “sale-ability” of a parcel of land (e.g. – Think about it, would you rather live next to [Yosemite National Park](#) or a Landfill?). For understandable reasons, most people care a great deal about who and what they live next to, so be sure to get a good idea for what the surrounding properties look like (hint: this is another potential area where a service like [WeGoLook](#) can help).

Is this a desirable area? Is it the type of place where you (or anyone else) would want to live? If the surrounding properties have any obvious issues that are beyond your control, you’ll want to think very carefully about what this means for the property’s value and whether or not you want to own it.

You don’t need to be afraid of buying vacant land. You just need to be informed.

Don’t Be The “Greater Fool”

The trick with vacant land is to understand why it’s vacant in the first place. I’ve run across quite a few vacant lots that seemed attractive at first glance, but eventually I discovered that the reason nobody was using them was because you CAN’T use them. If there are issues that are prohibiting someone from putting a property to good use, believe me – you don’t want to find out after you already own it.

When some people look at the prospect of owning land, they get wrapped up in the dream of property ownership. The idea of owning a large tract of property can seem very appealing, even if it is of no practical use to them. This kind of trap is especially easy for people to fall into with land, because it’s a low maintenance property and doesn’t seem complicated (even though there are a lot of factors to consider).

MANY people buy into the dream of property ownership – even if the investment makes absolutely no sense from a financial standpoint. Unfortunately, many parcels of land are sold to “the greater fool”. When people don’t do their homework and think things through, they can get hurt. Don’t be the greater fool. Always be sure

you have done a reasonable amount of research and don't take on a property until you thoroughly understand what you are getting into.

GLOSSARY

Acceleration clause: A clause in your mortgage which allows the lender to demand payment of the outstanding loan balance for various reasons. The most common reasons for accelerating a loan are if the borrower defaults on the loan or transfers title to another individual without informing the lender.

Comparable sales: Recent sales of similar properties in nearby areas and used to help determine the market value of a property. Also referred to as "comps."

Deed: The legal document conveying title to a property.

Deed-in-lieu: Short for "deed in lieu of foreclosure," this conveys title to the lender when the borrower is in default and wants to avoid foreclosure. The lender may or may not cease foreclosure activities if a borrower asks to provide a deed-in-lieu. Regardless of whether the lender accepts the deed-in-lieu, the avoidance and non-repayment of debt will most likely show on a credit history. What a deed-in-lieu may prevent is having the documents preparatory to a foreclosure being recorded and become a matter of public record.

Deed of trust: Some states, like California, do not record mortgages. Instead, they record a deed of trust which is essentially the same thing.

Discount points: In the mortgage industry, this term is usually used in only in reference to government loans, meaning FHA and VA loans. Discount points refer to any "points" paid in addition to the one percent loan origination fee. A "point" is one percent of the loan amount.

Easement: A right of way giving persons other than the owner access to or over a property.

Escrow: An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the earnest money deposit is put into escrow until delivered to the seller when the transaction is closed.

Escrow account: Once you close your purchase transaction, you may have an escrow account or impound account with your lender. This means the amount you pay each month includes an amount above what would be required if you were only paying your principal and interest. The extra money is held in your impound account (escrow account) for the payment of items like property taxes and homeowner's insurance when they come due. The lender pays them with your money instead of you paying them yourself.

Foreclosure: The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

Legal description: A property description, recognized by law, that is sufficient to locate and identify the property without oral testimony.

Lien: A legal claim against a property that must be paid off when the property is sold. A mortgage or first trust deed is considered a lien.

Loan discount (or points): A point is 1 percent of the amount of the mortgage.

Mortgagee: The lender in a mortgage agreement

Mortgagor: The borrower in a mortgage agreement.

Quitclaim: A deed that transfers without warranty whatever interest or title a grantor may have at the time the conveyance is made.

Title: A legal document evidencing a person's right to or ownership of a property.

Title company: A company that specializes in examining and insuring titles to real estate.

Title insurance: Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

Title search: A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

Thanks for taking some time and reading our rural property buyers guide.

We'd love to stay in touch! Just stop by our website and shoot us your name and email on the home page and we'll reach out to you and stay in touch as we acquire more, rural properties.

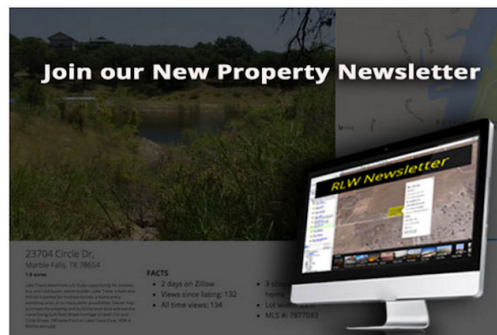
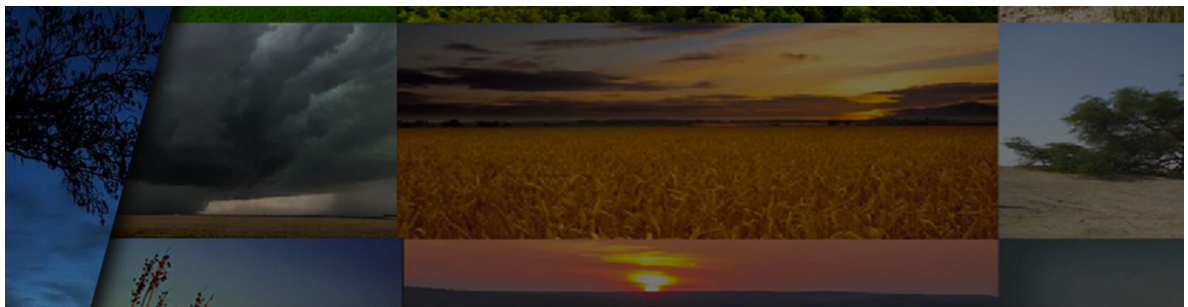
Sincerely,

Tim Flood

Managing Partner

rurallandwatch.com

(817) 301 4695 | tim@rurallandwatch.com



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