

Your Guide to BUYING LAND TO BUILD A HOME

CONSTRUCTION HOME LOANS
PART 1



CONSTRUCTION HOME LOANS VS. LAND LOANS: PART 1

When you find the perfect piece of property to build your dream home, it pays to keep in mind there are loan options available that may help you get into a new home more quickly. It depends on your circumstances, says Wanda Harris and Taylor Jones, loan officers with AgSouth Farm Credit. They want you to know about the options so you can make the best decision for you and your family.

Wanda, an agri-consumer loan officer in the Browns Summit Branch, and Taylor, a home loan specialist serving Guilford County, share some important considerations for those who have found land or are searching for land on which to build a home. In the first of this 2-part series we focus on construction home loans, handled primarily by Taylor. In part 2 we focus on land loans, handled primarily by Wanda, though each sometimes handle both.

One of the attractive features about obtaining a construction home loan through AgSouth Farm Credit is a one-time closing.

"If someone is buying land and building a house, they are able to do a construction home loan to purchase the land and build their house," says Taylor. "That is all part of one loan. That one-time closing feature is going to save a good amount of money in closing costs, particularly when you compare it to someone who may be considering buying land and then waiting a year or two to build."

With a construction loan, AgSouth Farm Credit offers up to 95 percent financing so expect to pay

at least 5 percent down. "That 5 percent is based on the cost of the land and the cost to build if you are purchasing land as opposed to appraisal value when someone wants to build on land they already own," explains Taylor.

While circumstances at times may not warrant immediate construction of a home, if you are ready to build it may pay to wrap the land purchase and construction loan into one. In addition to one closing, Taylor explains that during the approval process, the interest rate is locked in. AgSouth Farm Credit then gives customers 12 months to build their house and that rate is guaranteed from closing through the 12 months. "We can reduce that rate if rates happen to be better at the time the loan is converted from the construction phase to the permanent phase of the loan, but we will not go above the locked-in rate. That's huge because rates have got to go up sometime," says Taylor. "It's a big selling point."

So, too, is the modification process, when converting from the construction phase to the permanent phase of the loan. "It's so easy because you don't have to go back to an attorney so it saves a lot of time and trouble," says Taylor. "It's straightforward. We don't re-pull credit; we don't ask for pay stubs and information on assets again." Typically, home loans are 30-year fixed loans, though 15-year fixed are an option. Even though they are called 30-year fixed loans, technically they are 31-year loans because customers have a year to build before it is converted to the 30-year loan.



Taylor Jones
Home Loan Specialist



WHAT DO YOU NEED TO GET THE BALL ROLLING TOWARD A NEW HOME?

Taylor says it's helpful to have an idea of the land cost and the cost to build. With this information he can begin the preapproval process for a loan. That initial conversation also helps your loan officer better understand your needs and circumstances and whether a home construction loan makes the most sense. Taylor shares that in some instances people are not ready to build but they do want to purchase land to build a home in the future. In part 2 of this series, "Buying Land to Build a Home," Wanda Harris shares scenarios when going the land loan route may be the best option for you to secure your dream property when you find it.

