



Landscapes, Summer 2017

HOME SWEET HOME FINANCING

One Lender, Many Options

When you're financing a country home, no one is better equipped to help than Farm Credit.



Robert Fouts

After a long search for a rural lender, Blake and Amanda Meadows, shown with their daughter, Allie Jane, and dog, Bella, built this home with financing from Alabama Ag Credit.

Two years ago, Blake and Amanda Meadows visited their local mortgage company, sure that within days they would be approved for a loan to build a home on their 22-acre raw timber tract in Matthews, Ala. Instead they spent the next eight months jumping through hoops with no loan in sight. The couple switched to a commercial bank, but encountered the same scenario — low appraisals, a lack of understanding of how to value the acreage and future home, and no loan.

"We lost hope of ever getting to build, and considered just selling the land and settling on a home in town," says Amanda.

That was before last fall, when some colleagues suggested giving **Alabama Ag Credit** a try. Within weeks of contacting the Farm Credit lender, their loan was approved and funded, and their house was under construction.

Today, Blake and Amanda are happy country homeowners.

"We feel very blessed," she says.

Experience Counts

The Meadows family's story is not unique. Financing a country home is much different than buying a house in the city. That's why city dwellers looking for rural acreage properties for a primary residence or weekend getaway are discovering that having the right financing partner is as critical as finding the perfect homesite.

Farm Credit has been financing rural real estate for 100 years — experience that is invaluable, particularly to urban residents who aren't familiar with the nuances of buying rural property.

Customer-First Focus

"A lot of banks and credit unions just won't touch rural properties," says Victoria Greer, director of home loan operations for **Capital Farm Credit** in Bryan, Texas.

On the other hand, Farm Credit rural mortgage lending specialists relish helping customers fulfill their dreams of living in the country. Loan officers invest time up front getting to know the individuals, their goals for their property and their financial picture.

"Anything we can do to help our borrower out is just good customer service," says Brooke Dockery, senior mortgage loan officer with **Texas Farm Credit** in Tyler, "especially if this is their first home or they are younger borrowers."

For example, for construction loans, Dockery's team requires certain information from every home builder at the start of the loan application process.

"We want to know how long they've been in business, the average size of houses they build, customer references and subcontractor lists," she says.

Land Equity Counts

While customers generally may borrow up to 80 percent of a home's value, Farm Credit, unlike commercial lenders, considers any equity in the land as part of the total equity.

"Let's say a young couple owns a piece of property — maybe it was deeded to them or they purchased it — so they have the equity in that land," says Greer. "Other lenders will go by the home loan itself to designate the down payment needed, but we consider the value in the land that is already there, and can use that as part of the equity."

That can significantly reduce a borrower's cash down payment, and potentially be the difference between a deal killer and a dream fulfilled.

In New Mexico, many borrowers opt for fixed-rate loans that can extend up to 25 years, according to Kathy Lehocky, director of secondary markets for Ag New Mexico.

"We see a lot of people who want to live on acreage, but aren't necessarily farmers and ranchers," Lehocky says. "Often they can't get conventional bank loans due to either the lack of recent comparable sales or distance between comparable sales, or the fact that the home is on larger acreage."

Patronage Lowers Costs

One significant difference between Farm Credit and other lenders is its borrower-owned structure. Farm Credit customers purchase stock in their lending cooperatives and may earn patronage dividends if their loans stay in the lender's portfolio.

Each co-op's patronage payment structure is determined by its board of directors. When a lending cooperative pays patronage, it essentially refunds a portion of the interest paid on loans, which effectively reduces its customers' cost of borrowing.

Freedom to Build

For many borrowers, the appeal of country living is in the freedom to create unique living spaces unencumbered by city restrictions and homeowners association rules.

"We are getting a lot of requests for the more unique dwellings like barndominiums and homes completely off the grid — totally solar-powered and with water cistern collection systems," says Lehocky. "Our flexibility is a big advantage."

That flexibility, in fact, was one of the things that attracted her to Ag New Mexico after 20 years working with a retail home lending company.

"I personally live on large acreage and have a hobby farm — something our competitors won't even consider financing — so I totally understand the challenges of both of those," she says.

Rural Appraisal Expertise

Deep understanding of the agricultural real estate market is another advantage setting Farm Credit apart from others. Farm Credit associations rely on rural real estate appraisers who specialize in the type of property being financed. In addition, Farm Credit embraces loans on properties that have agricultural tax valuations, unlike commercial lenders who often ask for those to be removed before closing — a requirement that could cost a borrower thousands in tax savings.

It's that kind of service that is generating a name for Farm Credit among country newcomers.

"If you are in rural America all the time, chances are you have heard of Farm Credit due to our rich history," notes Dockery. "But if you are in the city, you might not have heard of us."

Judging from Farm Credit lenders' growing loan portfolios, though, it's a good bet that Farm Credit is no secret anymore.

— Sue Dario

What to Consider When Choosing a Rural Homesite

Dreaming of a place in the country? Here are some tips to help you choose your dream property:

1. Look for income-producing potential, such as raising cattle or chickens, or growing vegetables to sell at a farmers market. Also find out if the property has an existing agricultural valuation, which can save you thousands of dollars in property taxes — often referred to in Texas as an "ag use tax exemption."
2. Check the floodplain map. Properties in floodplains will cost more to insure and may require modifications in building plans and specifications.
3. Location, location, location. Especially for younger buyers who may not plan to stay in the house for a long time, location is key for resale value.
4. Determine the property's water source, particularly if you plan to raise livestock. If you will need to dig a well, research the water table depth to estimate costs.
5. Is other infrastructure in place? Will you need a septic system? How costly will it be to get high-speed Internet, cellphone service, power lines or cable to your house?
6. If you are considering building in a platted acreage subdivision, check for homeowners association fees, deed restrictions and building codes that may apply.
7. Ask about road maintenance. Some country roads are county-maintained; others may be privately owned and maintained. Understand who pays when repairs are needed.
8. Confirm homeowners insurance coverage. Some insurance companies will not underwrite policies outside the city limits. Farm Credit's experts can help you find insurers who do offer rural coverage.

— Sue Dario

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