

Rural Financing 101: What can I afford?

So, you're thinking about purchasing property with a little more room to stretch out, but are wondering if your wallet will be able to stretch too. You are not alone.

Financing rural homes and properties is different from other financing, but it doesn't have to be difficult. Here are the answers to some of our most frequently asked questions to clarify how you think about financing:

1. How much land can I afford?

In order to determine what you can afford, you need to have a realistic view of your financial situation and cash flows. To start, determine how much money you have coming into your household and what your monthly expenses are. Once you see how much is left after necessities like bills, insurance, groceries, and retirement savings, you'll have an idea of what kind of payment you can afford. After that, run a projected cash flow for after you make your purchase – keep in mind that this will change if you change jobs, retire, or plan to farm the land.

Payments for your loan will be determined by a combination of three main factors: down payment amount, interest rate, and loan terms. Any lender that you work with should be ready and willing to show you different scenarios and help you choose the best loan terms for your financial situation.

As an example, let's say you want to purchase 20 acres of partially wooded property for \$300,000, but you're not sure how much you should put towards a down payment. Here's how that math might look for two different payment schedules.

Loan Amount:	\$255,000	\$210,000
Down Payment:	15% - \$45,000	30% - \$90,000
Loan Terms	20-Year Fixed	20-Year Fixed
Interest Rate	6.5%*	6.25%*
Estimated Payment	\$1,905 / month	\$1,535 / month

**These rates are not being quoted and serve for illustrative purposes only. Rates or figures may not represent the actual numbers at loan closing.*

Additional items that will factor into your payments are taxes and insurance. Your lender can help you make sense of your unique situation.

2. How much money do I need for a down payment?

Generally speaking, a larger down payment will mean smaller loan payments. Depending on what your perfect property looks like, there are programs offered by the Federal Housing Administration (FHA) and the USDA Farm Service Agency (FSA) that allow for loans with as low as 0% down. These programs may come with other requirements that need to be fulfilled and may not be available for every situation.

3. Are there any other programs I can use to help purchase my property?

In some cases, utilizing conservation easements, grants, or selling development rights can be a good way to reduce your costs, but will depend greatly on your intended use for the land and your location.



4. Sure seems like the answers to a lot of these questions “depend “on various circumstances. What gives?

When it comes to rural property, no two plots are the same, so the “one size fits all” lending approach isn’t always the best option for you. It’s easy for other lenders to provide pre-packaged loans because they deal in the same terms, loan after loan. Your vision looks different from your neighbors’, which is why, at Farm Credit, we deal in custom loan packages.

Have a few places in mind? [Contact us today](#) to find out what your best-loan-case scenario looks like. We’re ready to run the numbers to make sure you’re getting the best loan for your financial situation.