

# HOW DO LAND LOANS WORK ?



## WHAT TO KNOW:

- ✓ Zoning & Purpose
- ✓ Lender Requirements
- ✓ Pre-Approval
- ✓ Down Payment
- ✓ Shorter Terms
- ✓ Release Process



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# Land Purchase

If you're looking to purchase vacant land in Florida, you'll likely need to explore getting a loan. Loans for purchasing vacant land work a bit differently than traditional mortgage loans for purchasing an existing home. Here's an overview of how the vacant land loan process typically works in Florida:



## → Zoning & Purpose

The first step is determining your intended purpose for purchasing the vacant land. In Florida, the allowable uses and financing options can vary based on whether the land is zoned for residential, commercial, agricultural or other purposes. Lenders need to know upfront what you plan to do with the land, such as building your primary residence.

At Farm Credit of Central Florida we have a loan program designed for agriculture zoned land utilized in production agriculture ("land loan") and a program designed for vacant land located in a rural area that will ultimately be utilized to build a future homestead ("lot loan")

## → Lender Requirements

Each lender will have their own specific underwriting requirements for vacant land loans. They'll likely want information like real estate appraisals, land surveys, details on utilities/access, proof of water and septic feasibility if building a home, and your construction timeline and budget if applicable.

Farm Credit of Central Florida does not have a timeframe for when a lot loan borrower must start building their home. Many other lenders in the Central Florida area have requirements for this.

## → Pre-Approval

Once you've identified a piece of land to potentially purchase and your intended purpose, it's wise to get pre-approved for a loan. This involves providing documentation on your income, assets, and creditworthiness to a lender that offers land / lot loans. The lender will let you know the loan amount and terms you can likely qualify for.

## → Down Payment

Vacant land loans typically require higher down payments than home mortgages, often 20-30% or more of the purchase price. This is because vacant land is viewed as a riskier investment by lenders since it doesn't have an existing structure and the pool of potential buyers maybe smaller. Having a larger down payment shows your commitment to the investment and reduces the risk of loss to the lender. At Farm Credit of Central Florida, our lot loan requirements include a minimum down payment of 25%.

However, if your intention is to use the land for agricultural purposes with no plans to construct a primary residence, our farm loan product may be a more suitable option. Farm loans have varying down payment requirements and terms, with a typical down payment of 20%.

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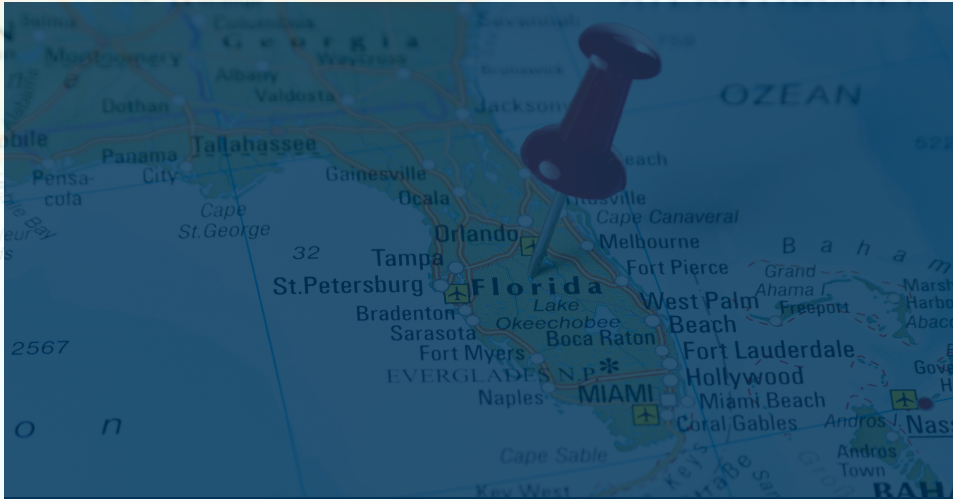


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## → Shorter Terms

Lot loans often come with shorter repayment timelines than a 30-year residential mortgage. Our lot loan program allows for a maximum term of 15 years whereas our agricultural land loans typically have terms of 15-25 years.

## → Release Process

If you're using the lot loan to acquire a lot where you'll be building a home, many lenders do a release process. This involves doing construction loan draws and inspections, with payments released to your builder as work progresses. The goal is to ensure the required work is progressing as intended thereby limiting risk during the construction phase.

## → Get Expert Advice

Purchasing land involves many steps, so it's wise to work with an experienced lender familiar with vacant land loans in Florida. They can help guide you through the entire process and requirements based on your specific goals for the property.

Whether you plan to build your dream home or have other plans for vacant land, understanding how vacant land loans work in Florida will help set you up for success. With some preparation and the right financing, that perfect piece of Florida land can become yours!

**If you're interested in taking the next steps to securing a land loan. We can help at Farm Credit of Central Florida. We specialize in rural home, farm, and land loans, and we're here to help. For more information visit us at [www.FarmCreditCFL.com](http://www.FarmCreditCFL.com)**

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