

Is Getting a Land Loan Affected by the Lending World Insecurities?

Question:

Does all of the recent insecurity of the lending world affect my ability to get a land loan?

Answer:

No! Most of the insecurity has come from sub-prime lending in the residential world. It directly should not affect the capability of a land loan.

A lot of the insecurity has come from residential mortgage lenders who gave borrowers loans on housing that in no way could continue to pay for. They created short term, low payment loan products that would eventually have to be locked in or became variable into payments they could not afford. People were buying homes tens of thousands above what they truly could pay for. Eventually something had to give. Ultimately, the time came where they could not afford the home and either had to sell or were foreclosed. This unfortunately was not in a small secluded area but nationwide. This then has caused a dramatic decrease in home sales and stiffer criteria for receiving a loan. As less homes sell, values of homes do not increase and often times decrease causing an overall decline in our economy.

As far as the banks involved, millions of dollars in loans have been lost and some banks have had to put a complete halt to lending. Unfortunately, some banks had to close their doors for good. These however, were primarily residential lenders.

The only type of land loan that has had shown a decrease in availability is lot loans. This is obvious because of its direct connection with the housing world. If the supply and demand of housing has taken a hit then it only makes sense that the lots in which those houses are built on follow suit. Farm, ranch, and recreational land loans however, have not seen a decline. In fact, in many areas land has continued to increase in value creating more desire for land loans.

Thankfully, most quality land loan lenders have always created parameters that prevented borrowers from buying land they could not afford. More importantly, land has had much more consistency in retaining value. Thus, land loans have not seen a decrease in availability. Some banks not specific to land loans have tightened up their parameters with fear of the unknown in every market. However, those specific to land loans should still be giving great land loan products with no substantial change.

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