

Land Loans - How Long Does the Process Take?

Question:

How long does the land loan process take from application to closing?

Answer:

The average time needed to close a land loan is 4 weeks. This answer can vary tremendously however, based on several different factors. Below I have highlighted the main contributing factors for determining the land loan time line.

1. Pre-approval process
2. Appraisal time
3. Title work
4. Borrower and land loan lender Communication

1. The pre-approval process can vary greatly between land loan lenders. Land loans are unique loans and typically require a lot more information from the borrower than a conventional loan. The time required to get all information needed can be several days. If the land loan lender asks for all information right away and you are willing to give it to them, the process can be dramatically quickened. Once all information is received, the land loan lender must qualify you for the land loan. This could take no more than 48 hours, several days, or even weeks depending on the land loan lender. The more a lender is specific to land loans, the quicker this pre-approval process should be.

2. This is unfortunately a time that land loan lenders can rarely control. A quality land appraisal should be very detailed in order to establish the most accurate value of the land. Depending on the size of the land purchased type of use, location, market volume, and availability of appraisers all cause the total appraisal time to vary. Typically a land loan appraisal is between 2 to 4 weeks. It is not uncommon however, to sometimes have to wait as long as 6 to 8 weeks for a land appraisal to be completed.

3. The title work usually does not require more than a week to complete and be ready for closing. A title for a land loan must first require a title commitment. A title check must be done to ensure ownership and determine if there are any hidden liens or judgments against the title. If any unforeseen problems do occur, this can increase the time needed to clear the title. On a standard title, most can be done in several days to a week.

4. Land loans are very detailed and must continually be reevaluated and constantly worked on between the land loan lender and borrower. If constant communication does not occur, the process of completing and closing on a land loan can be extremely drawn out. Lack of communication can cause frustration. A constant update of the land loan from the lender should occur to give ease to the process and ensure you as the borrower that your land loan will get closed in a timely manner.

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