
THE ULTIMATE GUIDE ON HOW TO
PURCHASE LAND



LONE  **STAR**
AG CREDIT

REASONS TO BUY RURAL LAND

Buying land is a big decision. Having a clear idea about why you want to purchase rural property impacts other decisions you'll need to make and factors you need to consider. Let's look at the reasons individually.



RECREATION

When you live in the city, sometimes the most fun thing you can do is get out in the country. Whether your preferred means of country recreation is hunting, fishing, hiking, or exploring the land on an ATV, having a spot to call your own makes it easier.



FARMING AND RANCHING

If you want to try your hand at farming or ranching, land is foundational to your endeavor. On the other hand, you might simply want a bigger vegetable garden than your cityscape will allow. Or you might dream of opening your own winery. You don't have to own cattle or plant wheat to start an agribusiness.



INVESTMENT

Land may be the investment you are looking for. Just like the stock market, land can be a valuable asset.



COUNTRY HOME

People decide to build homes on rural acreage for a variety of reasons. It could serve as a second home or a retreat. It might be your retirement dream. Or you may want a place for the family to gather where you or your kids can roam free, investigate nature, and (perhaps unintentionally) learn something.

WHERE TO FIND AVAILABLE LAND

Now that you've solidified your reasoning for wanting to purchase rural land, it's time to discover where there is land for sale.

★ ASK PEOPLE YOU KNOW

Start by asking people you know who own rural land how they acquired it or if they know of any land near them that's for sale. Word of mouth is still the best advertising.

★ ASK A RANCH REALTOR OR LAND BROKER

In the same way they're valuable when you're looking to buy a house, realtors are great resources for finding land and navigating the transaction. A realtor that has experience in ranch or rural real estate will be your best bet as you begin your search for the right property.

★ SEARCH ONLINE

The internet can take you anywhere you want to go, at least virtually. Use it to look at land in your ideal spot. There are many websites you can use to find land. Check out the asking price, pictures of each property's topography, and see what the land was used for in the past.



FACTORS TO CONSIDER

Once you know why you want to buy land and you have a specific area in mind, there are some additional things to think about.

HOW MANY ACRES ARE ENOUGH?

The way you intend to use the land will determine how much you need. If you want to build a country home, five to ten acres may be enough. If, however, you want to raise cattle, you'll probably want more.

WHAT AMENITIES ALREADY EXIST?

It's rare for rural property to be completely raw (untouched by people or machines). As you look at various pieces of land for sale, take note of the features on that land. Are there structures already built? Does it have a water well? If so, is the well still producing and working? Find out what utilities already service the area before you assume there will be electricity, water, or internet.

HOW ACCESSIBLE IS IT?

Once you buy the land, how will you get to it? Is there an entry point from a public road? If there is no public road, then you may not have the legal right to access the land, even if a private road exists.

DOES THE TOPOGRAPHY FIT YOUR MOTIVATION?

Is it wooded or cleared? Is there waterfront? Does it sit on a bluff? Are there bodies of water like creeks, streams, ponds, or lakes on the property? Is it flat or are there multiple levels of terrain to navigate? Bluffs make for great views, but they can limit the farming area.

HOW TO GET UTILITIES

As you consider buying rural land, keep in mind that utility services may or may not be available in that particular location yet. Just because you see a water line or a well on the property doesn't mean there is water running. It's best to contact the local utility providers (for water, electricity, internet, etc.) to verify which services are available and which are running to that particular section of land. If the piece of land you want to buy needs utility service, it's possible to include the cost of securing those services in a land loan. Find out from the local service provider what the cost will be.

CODES? PERMITS? ZONING? DEED RESTRICTIONS?

Deed restrictions, zoning, and flood plains can restrict your use of the property so it's important to be aware of their existence before closing. The specifications should be included in the title commitment or referenced in the survey. For instance, there could be access issues, or restrictions on subdividing the land. Things like permits and zoning vary from county to county. Check before purchasing the property to confirm that you will be able to dig a well or put in a septic system, if needed.

GOOD PRICE PER ACRE

Prices for land vary significantly based on a variety of factors such as location, aesthetics, and size. A realtor who knows the area you've targeted can help you determine average land prices. This is also why appraisals are important.

ACCESSIBILITY? WHO'S RESPONSIBLE FOR BUILDING THE ROADS?

Even if the land is accessible from a county road, accessibility on the land itself is up to the property owner. You can hire bulldozers to clear the path and gravelers to cover it and protect it from erosion.

TAX EXEMPTIONS?

If you're anticipating tax exemptions for your land because of how you plan to use it, it's important to know that those exemptions are not guaranteed. Agricultural and homestead exemptions may be available. We recommend you contact the county appraisal district to determine what exemptions are in place prior to purchase. It can take as long as five years to re-establish an agricultural exemption.



The background of the entire page is a photograph of an oil pumpjack (jackal) silhouetted against a bright sunset sky. The pumpjack is on the right side, and its long arm is visible. The sky transitions from a deep blue at the top to a warm orange and yellow near the horizon. The overall mood is industrial and serene.

MINERAL ESTATE/MINERAL RIGHTS

Geology.com explains mineral rights in this way: They “entitle a person or organization to explore and produce the rocks, minerals, oil and gas found at or below the surface of a tract of land.” In other words, the minerals from a piece of land you own belong to you... except when they don't. Minerals can be a lot of things although commonly considered to refer to oil and gas.

Land ownership in the state of Texas is divided into two separate estates—mineral estates and surface estates. Understanding who owns the mineral rights is significant in that Texas law holds the mineral estate in a superior position. This means the owner of the mineral estate has the right to explore and develop the production of oil and gas without obtaining permission from the surface owner, unless the mineral estate owner has waived the right to use the surface estate to access the minerals. Typically, such a waiver is in writing, recorded in the real property records of the county in which the land is located.

Simply speaking, that means that you could buy a plot of land without owning the mineral rights to that land. As a result, the person or organization who owns the mineral rights could potentially use the surface area of your land to access their minerals.

Originally, all mineral and surface rights would have been owned by the same person but over time as owners sold property they reserved the minerals in areas where oil and gas production were occurring. While a title company can conduct a title search that should show what mineral reservations and mineral deeds have been filed of record, in order to determine the current ownership of a mineral estate that has been severed from the surface estate, you may need to obtain a title opinion or abstract from an attorney. If no prior mineral reservations or conveyances exist, and the seller isn't reserving any minerals themselves, then the mineral ownership should transfer with the sale.

The lesson here is to ask about the mineral estate of the land you wish to purchase and to know the rights and risks associated with that area. You might want to ask neighboring property owners about any drilling they've seen or trucks they've observed in the area.



FINANCING

CHOOSE A LENDER

Unless you're paying cash for a new property, you'll need to consider financing.

Lone Star Ag Credit was established in 1917 as part of the nationwide Farm Credit System. The Farm Credit System was established by Congress in 1916 to provide farmers and ranchers with a reliable source of credit during good times and bad.

You don't have to be a farmer or a rancher to take advantage of our lending system, though. Any person or legal entity who is purchasing rural real estate (land outside the city or within a town of 2,500 people or less) is eligible to apply for a loan from Lone Star Ag Credit.

Another bonus of using Lone Star Ag Credit versus a traditional bank is that you're more than a customer with Lone Star Ag Credit. Lone Star Ag Credit is an agricultural cooperative that shares our earnings with our customer-stockholders through a cash patronage program. The greater our earnings, the more patronage dividends we are able to return to our eligible stockholders.

APPLICATION

Regardless of which lender you choose, there will be an application process. Filling out the application form will give you some insight about what information the lender needs in order to qualify you for a rural land loan.

[Fill out a loan application now!](#)



THINGS TO KNOW BEFORE CLOSING

★ SURVEY

A property survey shows the boundaries of the property indicating the acreage amount, and includes a written description of the property. It also should show any structures that would transfer with it. The lender may deem an existing survey adequate for review, but purchasing a new survey is usually recommended.

★ EASEMENTS

An easement is the legal right to use a property for a specific purpose, despite not owning the property. The easement runs with the property, meaning the new owner would be obligated to the same agreement. Easements may exist for things like railroad tracks, power lines, drainage, and access. To discover what easements may affect the property, you can review a survey of the property, any plat affecting the property and/or Schedule B of your title commitment.

★ LIENS

A lien is an interest in land held by a person other than the owner as security for a sum of money owed to that person (such as a loan or a judgment). When a property that is subject to a lien is sold, the lien must be discharged (by payment of the money owed, for example). Otherwise, if the lien is not discharged, the lien will stay attached to the property, even after the sale, and can be foreclosed to enforce the obligation(s) it secures. To find out if there are any liens against the property that need to be paid before the title is conveyed to you, check the title commitment.

★ FLOOD ZONE DETERMINATION

Knowing whether or not the property you want to purchase lies within a flood zone will impact lending as well as insurance. If you're working with a lender to finance property that includes existing or proposed improvements, your lender may order a flood zone determination from a third party specializing in flood determinations. Flood insurance rate maps (FIRM) will help identify if your property is located in any special flood hazard areas. Maps are also provided online by FEMA at msc.fema.gov/portal.





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There's a lot to think about when you buy
rural land. If you have questions, reach
out to Lone Star Ag Credit!

LoneStarAgCredit.com

800-530-1252



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