

The Lay of the Land

Looking for the perfect plot for your log home?
These 5 tips will help narrow the field.

1 Start with Your Interests

As you begin planning your log home, your hobbies should play a key role in where you build. Select a region close to the activities you like, whether it's skiing, fishing, hunting or hiking. With your favorite pastimes as your compass, seek out conducive pieces of land, whether they're perched atop a mountain, along the lake shore or deep within the forest.

2 Look at Regional Hot Spots

According to a 2018 Zillow survey, Texas, Tennessee, Colorado and North Carolina (all prime log home locations) rank in the top 10 hottest real estate markets. With loads of available and diverse terrain, plus proximity to national forests, large lakes, world-class fishing and golf courses, these areas are ideal for log home living. However, with a sizzling market can come higher price tags for property. Shop wisely.

3 Be Sensible

We don't want to put a damper on your cabin-in-the-woods dream, but your perfect home has to be paired with some practical considerations, too. Proximity to medical care, fire/rescue facilities, schools and shopping, not to mention access to public utilities (unless your dream is to live off the grid), should all be evaluated when you're making your selection.

Mark Sorenson photo

Appraising Log Homes

SOMETIMES THE DIFFERENCE between a fair appraisal and an unfair one is an informed appraiser. Many home appraisers, even experienced ones, aren't familiar with log home construction and have little clue how to fairly estimate a log home's resale value. If you find yourself needing an appraisal, either to refinance an existing log home or to qualify for a construction loan, you'll find helpful information in "How to Appraise Log Homes." This free, 13-page booklet, written by log home construction expert Jim Cooper, is designed to help appraisers and lenders accurately determine the value of log and timber

homes by familiarizing them with the distinguishing characteristics of these custom wood homes, including styles, construction, cost variables, market trends and points of comparison with other types of housing.

As the booklet notes, since log home buyers represent a unique market segment, they often desire qualities not sought by conventional-home buyers. Many of the features sought by log home buyers would be considered expensive upgrades in a conventional house. For example, cathedral ceilings, hardwood floors, solid-wood custom cabinetry, exposed-beam ceilings,

oversized masonry fireplaces, tongue-and-groove wall and ceiling coverings, stained trimwork and wrap-around porches are "standard" appointments in many log homes. Appraisers need to understand that.

In addition, "How to Appraise Log Homes" serves as a good overview for anyone who'd like a quick tutorial on the finer points of log construction. You can access this free booklet by visiting the Log and Timber Homes Council's website (loghomes.org/library). Either read it online or download it as a PDF to deliver to your appraiser and lender.

4 Consider All the Possibilities

When it comes to the price of your perfect plot of land, it's no secret that resort areas cost more (sometimes three to four times more) to build in than their less-developed counterparts. If the resort life is something you crave and can afford, go for it! They make fantastic and very convenient places to live. Just be prepared to pay a premium.

Building outside a resort can save you some serious cash, and by not having to subscribe to a planned community's building guidelines (yes, most of them have them), you will have more options when it comes to the size and design of your log home.

Whether you build in a luxury resort or on a private tract, rarely is there such a thing as a completely "perfect" piece of land. But more often than not, there will be one plot that will speak to you in a way the others don't. When you hear it call, that's the one.

5 Figure in Site Specifics

The majority of log home buyers want to live in a remote mountain location, but steep lots and rough terrain can make building there a bit of a challenge and potentially drive up the cost of construction. Plus, from a design standpoint, your roof may have to be highly reinforced to handle snow loads. All of this adds time and cost to your project.

Waterfront properties bring a host of other issues. They often require custom-designed septic systems and special erosion-control measures. Building near the coast will require hurricane-proofing tactics in addition to flood protection. It's also likely they all will mandate that you to secure speciality insurance coverage.

The region of the country you choose also can affect construction. Skilled-labor shortages persist in many pockets of the United States, impacting construction schedules and driving up labor costs. Be sure to shop around, not only for the best price, but also for the best craftsmanship.

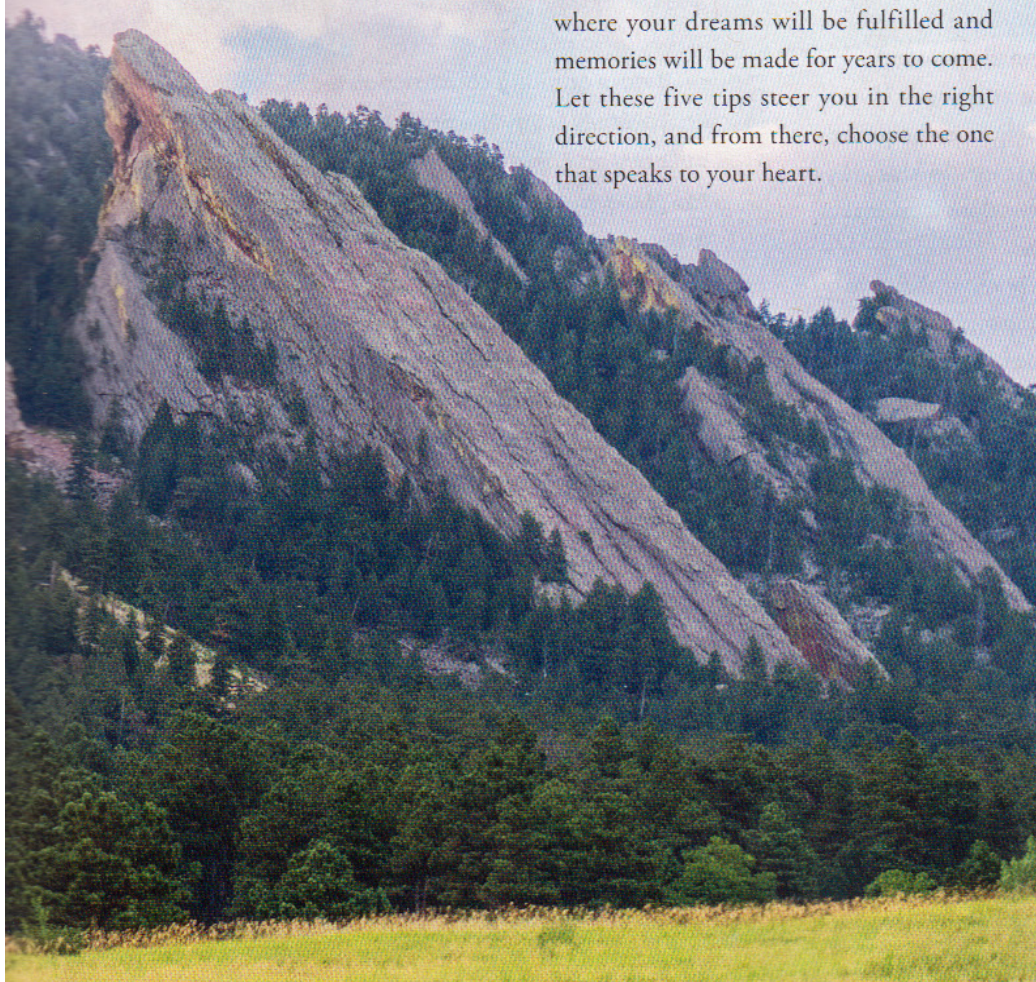
At the end of the day, this is the place where your dreams will be fulfilled and memories will be made for years to come. Let these five tips steer you in the right direction, and from there, choose the one that speaks to your heart.

GETTING A LOAN: WHAT DO YOU NEED TO QUALIFY?

Tom Coronato from Citizens Bank has helped scores of buyers secure log home loans by helping them put together a complete picture of their current financial positions. Here's what he says he and other lenders need to help you qualify for cash:

- A 700+ credit score is ideal
- Two years of W2, 1099 and full 1040 (federal, not state) forms, both personal and business, plus K-1 form (if applicable)
- Thirty days of pay stubs or monthly pension advisements
- Your Social Security or pension award letter
- Two months of complete bank statements for accounts, including savings, checking, stocks, etc. – every page, not just the summary
- Your most recent quarterly 401k statement and/or other retirement accounts
- A letter of explanation on any negative credit (if applicable)
- A mortgage statement for your current home and any additional properties you own
- An estimated contract for your new log home plan to justify the amount you want to borrow
- A contract for the land on which you intend to build (a HUD-1 prior to October 2015; a CD after that date)
- A 20 percent down payment

With this information, lenders will look at your income-to-debt ratio, any large or unusual deposits (per The Patriot Act) and your work history to help them determine your ability to repay the loan. If the bank deems you a qualified borrower for the amount you are requesting, there is plenty of money to be had.



FINANCING: One-Time or Two-Time Close?

For years, one-time-close loans were the name of the game for construction lenders. From practical benefits such as less paperwork to financial benefits like long-term rate protection and locked-in interest rates, this is what approximately 80 percent of borrowers end up choosing.

However, in the years since the housing crisis, two-time close loans have emerged as a viable alternative. How you finance your dream home depends on your individual situation. Kristina Albright, Residential Mortgage Sales Manager and Vice President of M&T Bank, sheds her thoughts on the subject.

“The best decision depends on the customer’s ultimate goal, so it’s important they understand their options,” says Kristina. “Two-time close loans exist primarily to reduce

risk for lenders and give borrowers more flexibility (for a cost). Say you’re building a new home and don’t want to sell your current home until the new one is complete. You also want to reduce the loan amount and potentially transfer from a 30-year mortgage to a 15-year before going into the permanent mortgage. In this case, a two-time close loan makes more sense.”

Keep in mind that a two-time closing means double the closing costs (a down payment with closing costs as well as a second closing of the permanent mortgage, or “end loan”). If you want more security in the end mortgage rate and are comfortable with the terms and conditions initially established with the loan, then a one-time close makes more sense.

From design to decor, a custom log home reflects your desires; make sure your financing fits your needs as well.

UNDERSTANDING CONSTRUCTION LOANS

Some log home buyers are in a fiscal position to finance their homes themselves, which is great! But if you’re like most, you’re going to need to borrow money.

If you are purchasing a pre-existing log home, the process mirrors every other kind of home loan. But if you’re building from scratch, you’ll likely need two loans. One is the standard mortgage, ranging from 15 to 30 years. The other is a short-term construction loan.

The construction loan pays for the materials and labor needed to build your home. These loans are made for periods from six to 18 months and have higher interest rates than mortgage loans because, as far as banks are concerned, they carry more risk. Lenders will want at least a 20 percent deposit on a construction loan because of that risk. Typically, you pay only the interest until the project is completed and the mortgage takes over and adds the construction loan principal.

Before granting construction loans, lenders carefully study the project and evaluate the builder’s ability to complete the home according to the plans, budget and schedule. Once the loan is granted, the lender disburses the money according to a draw schedule, which pays certain amounts at various milestones to cover work completed up to that point. Progress is verified by onsite inspections, which determine that the labor was performed and the specified materials were used.

A big difference between construction loans for log homes and other custom homes is that the log home company providing the package expects to be paid a substantial down payment before cutting and shipping the logs. Avoid making a large down payment for your package until you’ve secured your financing.

For more information about log home financing, visit loghome.com.