



## Buying the Farm

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By John and Sue Weaver

Old Farmhouse vs. New

Question:

I am interested in buying a 12-acre fixer hobby farm here in Indiana. My wife would prefer acreage with a brand-new home. What are the pros and cons of each?

Answer:

According to the latest census, there are 119 million detached, single-family dwellings in the United States; 4.5 million homes built before 1920 have a median value of \$98,794; 9.9 million constructed since 1990, \$183,502. So you can often move into an older home for roughly half the cost of a newer one-but should you?

Consider this:

Fewer than three in 10 of those vintage homes have two or more full bathrooms, and only two out of 10 have central air. Old homes tend to be poorly insulated, so energy costs are considerably higher. And owners of older homes spend an average of \$509 on annual home upkeep; post-1980s homeowners only \$338.

But there are advantages:

Older homes are generally landscaped with mature shrubbery and fine old trees. They were constructed when quality counted and were generally built to last. In today's market older homes cost considerably less per square foot than newer constructions. And because fewer buyers are interested in fixer-uppers, sellers will often haggle on price.

Think carefully, however, before committing to a fixer-upper. Can you do the work Resources:

Find It, Buy It, Fix It, 2nd edition;  
The Insider's Guide to Fixer Uppers  
by Robert Irwin  
(Dearborn Trade; 2000)

The Complete Idiot's Guide to  
Investing in Fixer-Uppers  
by Stuart Leland Rider

(Alpha Books; 2003) yourself? Do you want to? Paying to have it done can quickly negate any savings. And until you've refinished a battered hardwood floor or re-shingled a roof, don't assume you know what you're getting into. Scraping, painting, hammering, hauling off junk-this is hard, sweaty work. And it may gobble up your leisure hours for longer than you think.

If you're still considering a fixer, choose your project wisely. Cosmetic problems are easily remedied: a neglected yard, peeling paint, musty carpets or kitchen cabinets. Structural problems aren't. Leaky roofs, dry rot, foundation damage, pervasive mold, a bad furnace or plumbing, outdated electrical wiring-these will cost you dearly, as will oddball floor plans that prevent expansion without making major structural changes. Your best ploy: have any fixer that you're seriously interested in professionally inspected before you sign. It's better to spend a few hundred dollars now than thousands down the road.

If you plan to live in your fixer farmhouse for a good, long time, you can probably accept a few quirks: old-style windows, no bathroom on the ground floor, tiny bedrooms. But if you're buying it to resell, consider that most buyers demand modern conveniences.

And no matter how much you have your heart set on a specific old house, calculate the costs going in-and don't pay more than it's worth. Be sure to set aside enough money to complete the repairs you must make to the home's structure, then invest additional time, cash and "sweat equity" at your leisure. Closing the Deal



**Question:**

I've been salting back money toward a hobby farm down payment and feel I have enough banked to start shopping. However, I need a better understanding of closing, including costs. Can you provide me with some basic information? Real Estate Referral

Moving to the country? The Property Owners Manual by Randall Bell is a pocketbook-sized reference guide packed with information on property buying, selling, building, repairing and much more. Don't let its small size fool you-this book is over 600 pages long. For more information, contact Owners Manual Press at (949) 497-7600.

**Answer:**

Once you've selected a property and have a loan approval, your lender will set up a closing (or settlement) date-a meeting between you, the seller, his real estate agent and yours, and possibly an attorney or two. Closing generally occurs 30-60 days after loan approval. It's the official transfer of ownership between buyer and seller, and the process isn't cheap: costs generally run between three and six percent of a property's purchase price and they're due on the date you close. Within three days of securing a property loan, your lender will present you with a written truth-in-lending statement and an estimate of your closing costs. Between then and closing, investigate the following:

**- Homeowners Insurance**

Your lender will require homeowners insurance in at least the amount of your loan, effective the day of closing. You'll pay the first year's premium in advance. Your agent will present you with a prepaid insurance declaration statement; you must bring it with you to closing.

**- Title Insurance**

You'll probably need title insurance too. This guarantees the title is free of liens, encumbrances and other nasty surprises. Most lenders require it. It's worth its nominal cost even if a lender doesn't require it.

**- Seek Representation**

If you want your attorney to review documents at closing (it's a good idea), arrange for his presence in advance.

**- Final Walk-Through**

One or two days before closing you're allowed a final walk-through of the property you're buying. Take your time. Make certain everything the seller promised to fix is working to your satisfaction; except in cases of fraud, he's not responsible for repairs or property conditions after closing.

**- Uniform Settlement Statement**

The day before closing, review a copy of your Uniform Settlement Statement (it's a detailed itemization of settlement costs prepared by the title company or whomever is conducting the closing). Buy a certified check in that amount to take to the closing, and make certain you (and anyone else signing as buyers) have photo ID with you as well.

On the day of closing, expect the following:

**- Fees**

On the big day, expect to reimburse the seller for prepaid property taxes and pay for (among other things) document preparation costs and notary, appraisal, verified credit report, inspection, escrow, courier and state recording fees.

**- Legal Documents**

Your attorney will examine and you'll sign and receive copies of legal documents that typically include a settlement statement, a mortgage note establishing your obligation to repay your loan, your title insurance policy and the deed to your new farm.

**- The Hand Over**

After signing all paperwork and handing over your certified check, the seller will present you with keys, along with any materials you may have asked for as part of the settlement, such as results of inspections conducted as part of the sales process, well and septic system documentation, and appliance instruction manuals.

The entire transaction should take about an hour and is costly, but at its conclusion you'll own a farm!



Based in Arkansas, John and Sue Weaver have been hobby farming and home buying for more than 20 years.