13 Documents You Should Have Before Buying Country Property

1. Copy of the seller's deed with the boundary description.
This description may be found in an earlier deed, which is referenced in the seller's. The deed may include the price the seller paid for the property, or tax notations, such as deed stamps, that would allow you to calculate the price.

2. Topographic map with boundary lines drawn on it, taken from seller's deed description.
Use this map to locate boundaries on the ground and find your way around unfamiliar terrain. If a recorded survey is available, make a copy for your files.

3. Recorded documents, in addition to seller's deed.
These would include easements the seller holds, easements that others hold that impact the seller's property (such as right of way held by a neighbor that crosses seller's land), sale or lease of minerals, utility easements, mortgage note, liens, estates, reservations of interests, releases, survey and so on. Water contracts and leases should be recorded. If the seller's property is burdened with a conservation easement, make sure that you read and understand its restrictions, with which you will have to comply. All recorded documents should be found in the county courthouse where deeds are recorded. Permits and licenses are not recorded documents. But both are publicly available. If the seller's property uses a septic system and a well, obtain the relevant documents/permits from the local sanitarian or health department.

4. Releases.
When the seller, or his predecessors in title, encumbered the property or leased it, those documents should be recorded. When these arrangements expire, a release should be recorded, as, for example, when the mortgage is paid off, a holder of the mineral lease allows it to expire or a holder of a life estate in the property voluntarily gives it up. A release is the official notice that the arrangement is no longer in effect. Ask the seller to obtain a release if one is not recorded.

5. Tax information on seller's property.
Each county has a system for establishing the fair market value of every property within its borders for tax purposes. This information will be in the county courthouse, or other relevant jurisdiction. Photocopy this page from the county's land book or print a copy from the computer records. Included will be the acreage figure on which tax is calculated (an acreage figure that may or may not be accurate); tax-assessed value for land, improvements (residential and farm buildings) and minerals; current level of tax on property; deed book and page number of seller's deed; land-use status (tax break for farmers and timber owners, depending on county/state); and land classification for tax purposes. Use the tax-appraised value of the seller's property in your negotiations.

6. Appraisal.
I recommend that buyers in most cases pay for a professional appraisal of any property they are determined to buy. A drive-by appraisal is cheap and may be all that you need for negotiating. A drive-by appraisal is not a full-scale effort. If you are borrowing from a lender, have one of the lender's approved appraisers do one for you before you make your offer. The lender can use this appraisal for making the loan.

You can also get a local real-estate broker to prepare a Competitive Market Analysis (CMA), which is a brief summary of recent selling prices of properties that are broadly comparable to the seller's.

7. Purchase Contract.
You can get the standard purchase contract from a local broker or from your local lawyer. Read it. Discuss what

changes you want to make with your lawyer before you submit your contract offer.

Dirt Smart includes examples of contract language and many contingencies that protect a buyer. Talk about possible language and contingencies with your lawyer.

8. Mortgage documents.
Get a blank set of mortgage documents—deed of trust, lien note—from the lender you think you will be using. Your local lawyer should also have copies of such documents; he can black out the specifics before giving them to you. Read and discuss these documents with your local lawyer. Don't negotiate a mortgage without discussing these documents with your lawyer or CPA.

9. Your financial records.
Get together: 1) a current a net-worth statement, 2) income statement for current year and next year and 3) two most recent 1040s. Include numbers for savings, checking, credit cards, retirement accounts, stock portfolios, etc. Specify who holds your debt—car, mortgage, consumer loans, college, etc. Outline your insurance coverage—home, life, medical, disability, etc. Explain any peculiarities. Lenders look for increasing income, regular debt service (no problems), adequate collateral and a sensible proposal in light of the borrower's income and the value of the property.

Buy a copy of your credit report if you can't obtain one for free. See if you can obtain your FICO score. The higher your FICO score, the better interest rate you will be offered. It is, therefore, in your interest to have your credit reports be accurate and free of information that unfairly lowers your score. To obtain a free credit report, write: Annual Credit Report Request Service, POB 105281, Atlanta, GA 30348-5281. Provide your name, current address and social security number.

Use this package to become pre-approved for a mortgage whose interest rate and terms are acceptable from your perspective.

Don't stretch your income to buy discretionary rural property.

10. Your plan for the property.
Maybe this should be the first document on this list. Your plan is a short narrative statement that sets forth your goals, a proposal for paying for the property and a projection of what you intend to do with the property in the future.

Plans change, but they change in relation to this baseline. Working up a property plan in even the simplest version forces you to consider a variety of interconnected questions. You benefit from thinking them through before you make an offer as well as several times down the road.

11. Seller's documents.
If the seller has signed a disclosure document, make sure you have a copy of his signed form along with whatever information he's passing along.

If the seller files a Schedule F (farm), Schedule C (business) or Schedule T (timber) for his property, ask him for the last two or three years. Let your CPA analyze the numbers. See how much the farm operation is dependent on subsidies and crop-insurance payments. Is it reducing debt or acquiring more? How much after-tax net income appears.

Ask the seller to indicate on a topographical map with boundaries drawn which sections of boundary fence are his responsibility and which sections are his neighbors. If all fence is joint responsibility, have the seller indicate those sections that will need to be rebuilt in the next few years.

If you and the seller have agreed that certain items of the seller's personal property (farm equipment, harvested crops, downed timber, appliances, supplies) are part of the sale, have the seller initial and date a list of those items. Make sure that the seller and you have a clear understanding as to what a fixture is—and that fixtures convey.

Ask for a copy of the seller's property insurance, or at least the name of the agent and the coverage amounts. You may be able to save money if you take out your insurance with the same carrier. If the seller's improvements are insured for full replacement value, you will have a general idea of what the seller thinks they're worth.

12. As-needed reports and evaluations of the value of the property's assets.
You may or may not need the following types of evaluations, depending on the property that you're scoping:

• value of merchantable timber, based on walk-through or cruise by consulting forester; may also include timber-management plan

• estimate of sales price of land parcel (s) or asset (s) buyer is planning to sell after purchase

• valuation of minerals, done by mineral consultant

• valuation of energy potential from wind farm or hydro development

• financial and operational analysis of farm operation by agricultural consultant

• tax plan, done by buyer's CPA to organize and operate property in most tax-advantaged ways

• conservation-easement potential, prepared by CPA or lawyer who works with such easements, to determine benefits and projected costs of buyer placing an easement on property after purchase

• estate plan analysis, done by buyer's lawyer or estate planner, showing how new property should be managed as part of buyer's estate

• water assessment if the property is dependent on off-site water for irrigation or stock maintenance

13. As-needed reports and evaluation of the property's potential liabilities and projected remedy costs to buyer.

• home inspection (of farmhouse/residence)

• building inspection of (non-residential buildings, such as barns)

• soils evaluation for septic-system site, done by soils engineer/consultant

• estimate of septic-system construction cost, done by physical or civil engineer

- cost estimate by excavator of planned road/bridge construction
- cost estimates by contractor of planned construction/remodeling
- cost estimate to build/repair boundary fences
- cost estimate to outfit property with machinery/equipment needed for buyer’s purpose