

**Private financing.**—As in all FHA programs, you'll have to get your financing from a private lender (almost all institutional lenders are approved FHA lenders).

**Your choice.**—You can develop section by section, using a single mortgage large enough to cover the entire development, or you can use a series of separate smaller loans.

#### **Double-Barreled Loans From Federal S & L's**

Federal Savings and Loan Associations can (1) Finance FHA land development loans, and (2) *Were recently given permission to lower downpayment requirements on conventional loans for the purchase and development of land.* Better yet, they can make *package conventional loans* that finance the purchase and development of the land *and also finance the actual construction of homes.* (A conventional loan is a loan not guaranteed or insured by the government.)

**Land acquisition and development.**—First mortgage loans can finance the acquisition and development of land for primarily *residential* usage. This means that loan proceeds can be used to buy and develop land for apartment houses as well as homes, or a combination of both. "Development" means the installations and improvements necessary to produce building sites that meet government regulations and community practice so that they are ready for the construction of buildings.

**Top mortgage amount on purchase and development of land** is 70% of the value of the land after completion of the development into building lots or sites ready for construction. **Top dollar amount** of a loan an S & L can make to a single borrower depends on the size of the S & L, but even the smallest S & L can generally make a single loan of up to \$100,000.

**Top payoff time** is three years with interest payable semi-annually. As is the case with other conventional loans, interest rate is negotiated by the borrower and the lender. Periodic payments on principal are not required. However, if you sell a lot or want to release it from the mortgage, you must pay off a proportionate amount of the loan.

**Top mortgage amount on package loans** is 80% of value after completion of the home; top payoff time is 6 years.

#### **HOW TO SNAP UP THE RAW LAND YOU WANT NOW—ON YOUR TERMS—AND SEW UP MORE FOR FUTURE PROFITS**

Many landowners prefer to sell raw land on the installment plan. **Reason:** As long as they don't receive more than 30% of the selling price in the year of sale, they can count on the dollar-saving benefits of installment reporting and spread their gain over the years in which they receive the proceeds.

Sounds simple enough, but it's not always so easy for them to qualify. For example, suppose an owner has been holding a large tract of land for investment for some years.

**Problem:** The downpayment, added to the extra payments Owner receives in the year of sale to release specific lots for building purposes, will exceed the 30% installment reporting limit.

**Dilemma:** Owner wants the deal—but he wants installment reporting as well.

**What to do.**—A U.S. Tax Court decision gives you the ammunition you need to convince Owner to sell to you—on your terms. Show him how to split the deal. You get (1) Enough lots to get a development underway immediately (in a straight cash deal) and (2) You nail down the rest of the property with a small downpayment with Owner taking back a mortgage for the balance of the purchase price. Here are the details of this—

**Dollar making case history.**—The amounts may seem a bit high but the principles apply no matter what the purchase price. Collins contracted to sell 52 acres to Developer for \$262,800—19 acres for \$98,350 in cash; and 33 acres for \$19,670 in cash, with the balance of \$144,780 covered by a 3-year purchase-money mortgage. Additional lots would be released from the mortgage on payments of \$6,000. Collins consummated the deal with *one contract, one closing, one deed, and one mortgage.*

The sale of 19 acres was reported as an all-cash capital-gain transaction; but the 33 acres was reported as a capital-gain installment sale spread over three years.