By Scott Cotton

Owning a piece of the country is a dream enjoyed by a growing number, but most people don’t have enough cash to pay for rural properties all at once.

To address the financing challenges faced by many, entities selling land parcels may offer “contract for deed” as an alternative to a mortgage loan.

**Mortgage Loan vs. Contract for Deed**

Mortgage loans with banks and other approved lenders go through a dramatically different process than contracts for deed. Mortgage loans, and the firms providing them, have to follow detailed processes set forth in state and federal law.

These lending firms are audited by government inspectors to guarantee appropriate business practices. Mortgage loans involve a promissory agreement, credit checks, title insurance, and appraisals and an escrow account administered by the lender. When the loan has been granted, the purchaser actually owns and records ownership of the property along with a lien recorded on the part of the lender’s financial interest at the county courthouse.

If a purchaser neglects to make good on a financial lien commitment, the lender can take legal action to regain the amount of funds committed by the lender with the remaining equity still belonging to the purchaser. A landowner who purchased property via a mortgage loan retains all increased value and appreciation above and beyond meeting the financial lien.

By purchasing land parcels on a contract, the buyer usually signs a private contract and makes a deposit on the purchase with the understanding a monthly sum will be paid to the landowner.

Contracts for deed are often one of the options if a purchaser cannot provide suitable down payment or does not qualify for conventional mortgage loans. These agreements have a wide variety of conditions and clauses agreed to by both parties. Once these arrangements are made, the buyer usually has the civil right to start using the land, including erecting a residence.
Before Entering into an Agreement
All of this boils down to some recommendations for people considering purchasing land using a deferred deed or contract for deed:

• Read the purchase contract carefully and confer with legal counsel licensed in the state containing the property.
• Make sure you know what will happen to added infrastructure and investments.
• Contact your local county planning office for zoning ordinances.
• Contact the Wyoming State Engineer’s Office for information about water rights, wells, and more.
• Contact the county weed and pest control district for ordinances.
• Visit with emergency service agencies about coverage.
• Find out how many parcels have been resold under adverse conditions in an area.
• Contact an insurance broker and discuss your plans.
• Contact lenders about other purchase options and future refinancing options.
• Visit with other landowners about the land’s status and condition.
• As with all land purchases, it is advisable to visit the area in multiple seasons to ensure you will enjoy the location should you plan to live there year-round.

Do your homework, and we strongly urge you to consult a lawyer. Your dream of owning a place in the country can become a reality, and caution can help your dream have a happy ending.

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