

## **Log Homes' Growing Popularity Overcomes Barriers to Financing**

All home buyers probably ask themselves the same questions. If I build this house, will it increase in value? If the need arises, will this house sell in a reasonable amount of time? In the case of log homes, yes is the answer to both questions.

Log homes continue to appreciate and sell well, according to Nathan Prewitt, president, First Fidelity Equity Corp., Greenville, S.C., a mortgage broker. He says, "Log homes are the fastest growing segment of the custom-home real estate market today. They do extremely well compared to the appreciation and resale of other types of custom homes." Lynn Gastineau president of the Log Homes Council (LHC), says, "Existing log homes appreciate and sell so well because a lot of people attracted to them don't want to build one from scratch. They don't want to build any house from scratch. Now that the log home lifestyle is so popular and there are homes available for resale, these people can visit an existing home, visualize living in it and buy it."

As the log home industry's principal trade association, the LHC closely monitors the performance of log homes in the custom real estate market. LHC is a part of the Building Systems Councils of the National Association of Home Builders (NAHB). In Prewitt's opinion, this strong resale performance is further proof that log homes constitute a good resale value -- for homeowners and mortgage bankers. "In my five years of financing log homes, I've never had a foreclosure," says Prewitt. Based on his experience, he says log homes have achieved this market parity with conventional frame houses because they appeal strongly to well-educated professionals who look to separate their private lives from their public lives. They may not want to lead rustic lives, but they definitely want to escape the city and live in a secluded, low key environment. Their special needs give log homes a distinct, solid and growing market base.

"Industry statistics show log home owners are better educated than typical conventional custom-home buyers. This makes them better credit risks because they are more secure financially. They also are much more careful about making their log home buying decision. They take two years on average to research log homes and develop their plan, versus the six or seven months conventional buyers take to select a home. Once they've made their decision and built their log home, they are there to stay." says Gastineau. His statement is based on research conducted for the LHC by NAHB's Research Center.

The whole value picture for log homes has changed dramatically during the past 15 years. Log homes have gone from being country cabins to being primary residences. Almost 90 percent of these houses are their owners' primary home and 84 percent are built in or near metropolitan areas. As they have become mainstream houses, log homes also have become easier to mortgage, insure and sell, according to Gastineau. However, because log homes are specialty houses, buyers still face a more complex financial situation than do buyers of conventional site-built homes. Builders and real estate salespersons make the financial arrangements for conventional buyers. However, log home buyers must obtain a permanent mortgage commitment from a mortgage company before they can obtain a construction loan from a bank. LHC's member producers help their clients make

these financial arrangements. Still, as log homes have become more common and their perceived value has improved, they have become easier to finance.

Another major event also makes mortgage lenders more willing to underwrite log homes, according to Gastineau. In November, 1992, Fannie Mae eased its comparable appraisals requirement in favor of unique and special house. This mortgage classification includes log homes. The old rule required a log home's appraisal be based on the sales prices of three comparable log homes sold in the same market in the preceding six months. Finding such comparables was next to impossible in areas where log homes hadn't been built or sold within the previous six months. Under the new directive, when direct comparables aren't available, Fannie Mae will accept appraisals based on three other types of unique, special or rustic houses in that or a competitive market, as long as the appraiser's decision is based on sound judgment and is supported by current market data. Fannie Mae wants to be sure the market area accepts unique or non-traditional types of houses. In other words, it wants to be sure the house will sell if the buyer defaults on the mortgage.

A concerted effort by LHC convinced Fannie Mae to make this change. It gives log home buyers a deep pool of mortgage funds from which to obtain financing. LHC's members say their buyers seldom have trouble obtaining a mortgage or construction financing. "When they do, the problem usually is something other than the fact it is a log home," says Gastineau. "Most often a family trying to build or buy a house that is too expensive for their income, or they otherwise are not financially qualified to purchase."

Occasionally there are mortgage bankers who are unfamiliar with log homes, or who don't know how to interpret the Fannie Mae directive, and will not accept an application for a log home. To combat such situations, LHC's member companies have formed a cooperative to share financial resource information by helping direct one another's customers to cooperative mortgage companies. This effort pleases Prewitt who has urged the LHC's members to do this for a long time. "The log home industry is highly competitive and it may seem strange to some to help out a rival. However, such cooperation will further strengthen the industry. This, in turn, will benefit each company participating in the cooperative and, more importantly, the customer dreaming of owning a log home.

Financing is just one of the many topics discussed in the LHC's booklet, "An American Dream, The Log Home." This 16-page, four-color booklet discusses everything from resale values to the log home lifestyle to log joinery. To obtain a free copy and a list of log home producers, call 1-800-368-5242, ext. 162, or write, Log Homes Council, National Association of Home Builders, 1201 15th Street, NW, Washington, DC 20005. More than 45 of the nation's leading log home producers belong to the LHC. This voluntary, non-profit organization works to raise log home industry standards, increase awareness of log construction as a viable method of building attractive homes for the 1990s and overcome obstacles to log home ownership.