

Procedures for Purchasing Private Assets in Your IRA

Real Estate



Please use this guide when investing in real estate through your IRA. Should you have any further questions please don't hesitate to contact one of our experienced Transaction Managers at 800.320.5950 or visit our website www.QuestIRA.com.

One of the most popular alternative investments for your IRA would be purchasing real estate as an investment. Due to the potential safety, security and predictability of the asset, many Americans are making the decision to diversify their retirement account into a tangible asset class like real estate. With self-directed IRAs you are now able to invest in real estate assets like

Completing Purchase Offer/Contract for IRA Real Estate Purchase

Once you have completed your due diligence on your investment and have selected the property you would like to purchase within your IRA, you must:

- **Draw up the offer/ contract in the name of the IRA. The proper vesting of the offer/contract will read:**
 - Quest IRA Inc., FBO (your full name) IRA # (account number)
 - Your IRA should be treated as an investor separate from you, and its name, not yours, MUST be used on the offer/contract.
- **Quest IRA, Inc. is the legal entity in administration of the IRA and thus must sign as the buyer on the purchase offer/contract, however we CANNOT sign anything without the client's written approval.**
 - To approve the offer/contract for Quest IRA to sign the client simply writes "Read & Approved", and then signs, on each page that requires a signature or initial from Quest.
 - Without the "Read & Approved" signature from the client Quest IRA, Inc. will not legally be able to sign any document.
 - **NOTE:** It does not matter where the "Read & Approved" signature from the client is located on the page.

Sending Earnest Money Deposit for IRA Real Estate Purchase:

PLEASE NOTE: Earnest money **MUST** come from your IRA!

- **Once the client is ready to send the earnest money deposit to the title company or attorney's office the client will need to fill out the Direction of Investment for Real Estate form (<http://questira.com/all-forms/>).**
 - This form is located on our website or any Transaction Manager can send it directly to the client as well.
 - Form can be faxed or emailed to the Transactions Department as originals are not required.
- **Please accompany the Direction of Investment form with a copy of the purchase offer/contract that has the client's "Read & Approved" signature.**

NOTE: *This process does not generate any Quest IRA Fee's except for the cost of the check (\$5) or wire (\$30). Your IRA has not purchased any asset yet. It has merely made an offer. In the event you do not close on the investment your IRA will not be charged any annual asset fees.*

As long as Quest IRA has the proper vesting on the offer/contract, the Direction of Investment of Real Estate, and the "Read & Approved" signature by the client we will be able to fund your earnest money deposit request within 24-48 hours. If you require a special request please contact one of the Transaction Managers immediately and they will see if Quest is able to make your request. We at Quest IRA understand that many real estate transactions may hinge on the timeliness of our process and we are dedicated to doing what we can to ensure you do not lose out on any investment.

Real Estate

Handling Closing of IRA Real Estate Purchase:

Should the title company or attorney that is involved in the closing have any questions about the transaction in your IRA please have them contact any Transaction Manager. Our staff is very experienced in educating and working with 3rd party closing agents who have no experience with closing real estate in the name of an IRA. So, please don't ever hesitate to have them contact Quest with any questions. Submission options include:

- Corporate - 17171 Park Row, Suite 100 Park Row - Houston TX 77084 or,
- Email – transactions@questira.com
- Fax – 281.646.9701 or 972.314.9589 or 512.610.3332

Good news! Since Quest IRA, Inc. is the legal entity in administration of your IRA, the client will not have to attend any closings. However, just like the offer/contract, we CANNOT sign any of the closing documents from the 3rd party closing agent without the client completing their "Read & Approved" signature. Once all the proper documents are signed Quest will work with the 3rd party closing agent to close your real estate purchase.

NOTE: The closing package along with the warranty deed will be sent directly to Quest IRA, Inc. corporate office in Houston, TX and will be kept in a fire proof safe before being shipped for final safe keeping to our custodian, First Trust Company of Onaga, located in Kansas.

Payment of Taxes, Insurance & Other Ongoing Maintenance Bills after closing:

All expenses associated with the property owned by your IRA MUST come from your IRA. These types of expenses could include, but not limited to: *repairs, contractors, HOA, property taxes & insurance*. In order to pay expenses from your IRA Quest requires a copy of the invoice/purchase order to be paid along with the Payment Authorization Form (One Time). The Payment Authorization Form can be faxed or emailed along with the invoice/purchase order to be paid. Should there be recurring payments the client can complete a Payment Authorization Form (Recurring) and then only need to submit the invoice that needs to be paid. All forms can be found on the website or from any Transactions Manager. **REMEMBER:** All expenses **MUST** be paid from cash funds in your IRA account and never be paid directly by the account holder. Also, the client can never be reimbursed from their own IRA.

Handling a Real Estate IRA Purchase with Financing/Debt Leveraging:

The client may finance or leverage any real estate purchase within the IRA should they be able to find a willing lender. As the property is owned by the IRA, repayment of the underlying debt must come from the IRA. The IRA will be the name of the borrower and all mortgage payments will be made by your IRA. The loan obtained by your IRA must be "nonrecourse" and your IRA will be subject to Unrelated Debt Financed Income (UDFI) tax. For more information on UDFI contact a Territory Director. The major difference in this closing process is that the client will have to attend the closing or submit original signatures for the closing documents from the lender. There will be certain forms that the client will personally have to sign for the lender.

Handling Sale of IRA Owned Real Estate:

Before sending the contract to the 3rd party closing agent, should there be one involved, the client will need to submit the contract to Quest for signature. Just as before Quest IRA CANNOT sign any documents unless the client add their "Read & Approved" signature. Along with the contract the client will also need to submit a Direction of Sale Form. This form is located on our website or from any Transaction Manager. Quest will work with 3rd party closing agent, should there be one, to ensure they have all of the proper legal documents and they are using Quest IRA, Inc. TAX ID- 61-1435085



Real Estate

Valuation Process for IRA Owned Real Estate:

Private investments, like real estate, need to have valuations performed annually. The reason is that, unlike exchange-traded investments (like stocks and bonds), which are priced daily through the public exchanges or markets, an alternative asset's value has to be derived through other means.

With real estate, the valuation is done through an opinion of a value from a licensed independent realtor or broker to get the fair or current market value of the investment. Quest IRA can accept recent appraisals, as well as, we accept tax assessments for valuation purposes, which is the most commonly used form of valuation for our client's.

Should the client want to take a distribution as the real estate property, you'll need to have the investment appraised and valued by a licensed real estate appraiser prior to being distributed. As always, please feel free to contact Quest IRA, Inc. with any questions.



Houston, TX • Austin, TX • Dallas, TX • Mason, MI

Corporate - 17171 Park Row, Suite 100 • Houston, TX 77084 • P: 281.492.3434 • F: 281.646.9701

www.QuestIRA.com • Toll Free: 800.320.5950 or 800.501.1228