

# IRA Lending Guide



**Combine IRA tax advantages  
with private lending  
opportunities.**



**NEW DIRECTION IRA** Inc.

Self-Directed IRAs and more...

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# Introduction

Self-directed IRA (or HSA) lending gives you the ability to loan IRA money to non-disqualified persons/entities. The IRA can receive principal and interest, just like a bank. The IRA holder chooses the borrower, principal amount, interest rate, length of the term, payment frequency and amount, and whether or not the note is secured by collateral. Your IRA can also purchase existing notes as assets for the account.

Since the inception of IRAs, it has been possible for accounts to participate in lending. However, it has not always been easy to find a self-directed IRA provider who was willing to service IRA lending investments.

The IRS requires an authorized IRA provider for all IRAs. New Direction IRA provides outstanding administrative services for all types of IRA lending. You, the IRA holder, handle the investment strategy and negotiation. Then, you direct New Direction to send money from your IRA to fund the deal. We make sure the paperwork substantiates that the loan is an investment made by your IRA, and therefore deserves the tax benefits associated with the account type.

Your IRA can originate a loan to any non-disqualified person or entity, including:

- Individuals
- Companies (LLC, C-Corp, S-Corp, LP, etc.)
- Other IRAs
- Trusts

Your IRA can also purchase existing notes, such as:

- Discounted Notes
- Trust Deeds
- Non-performing Notes
- Auto Paper
- And more

Benefits of private lending in an IRA:

- You have strategic control over the person/entity to whom you lend money as long as the person/entity is not disqualified
- Notes are an asset that you may have experience with and understand
- Your return on investment is generally pre-established
- You choose lending terms and collateral with which you are comfortable
- Loans can potentially yield a cash stream for your IRA.



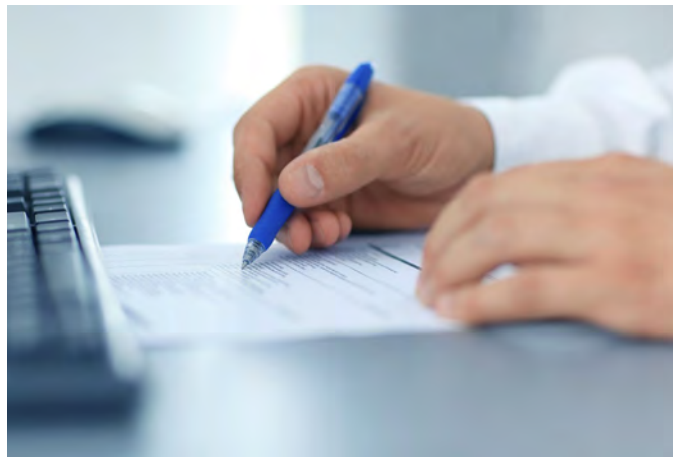
## Account Types Eligible for Private Lending

- 
- |                   |                     |
|-------------------|---------------------|
| - Traditional IRA | - SIMPLE IRA        |
| - Roth IRA        | - Individual 401(K) |
| - SEP IRA         | - HSA               |
-

# Collateral and Cash Flow

The IRA holder not only chooses the borrower, but also negotiates the specifics of the loan. One of the key decisions is whether to attach collateral to the loan or not. The IRS allows the IRA holder to decide whether or not the loan will be secured by collateral and, if so, what the collateral will be. Due diligence on the borrower is the task of the IRA holder, and may help determine the decision about collateral. Two considerations during the due diligence process include making sure the borrower is in a position to offer collateral and making certain the loan document gives the IRA a clear path to the collateral in the event of default.

Keep in mind that the lender is your IRA; and therefore all loan payments (principal and interest) flow directly back to the IRA. Your borrower can make payments directly into your IRA at [mydirection.com](http://mydirection.com). Once the payment has been received by your IRA, you decide what to do with that money: reinvest it, take a distribution, etc.



## Titling Instructions/Lender Information

Because your IRA is the lender, all investment documents must be titled in the name of the IRA, not your name personally.

For example, if John A. Smith has a Traditional IRA with the account number 123456, the lender information would be:

**New Direction IRA, Inc. FBO John A. Smith, Trad IRA** (or New Direction IRA, Inc. FBO Account Number 123456)

**1070 W. Century Drive**

**Suite 101**

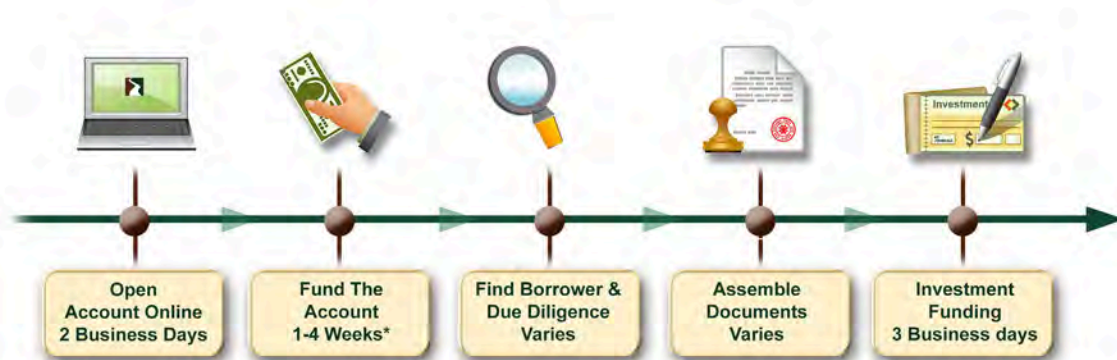
**Louisville, CO 80027**

**Tax ID number: 20-0157510** (Unless you have established a unique tax number for your IRA)

The same is true if you are buying an existing note. In fact, any legal document associated with your IRA investments needs to be titled as described above.

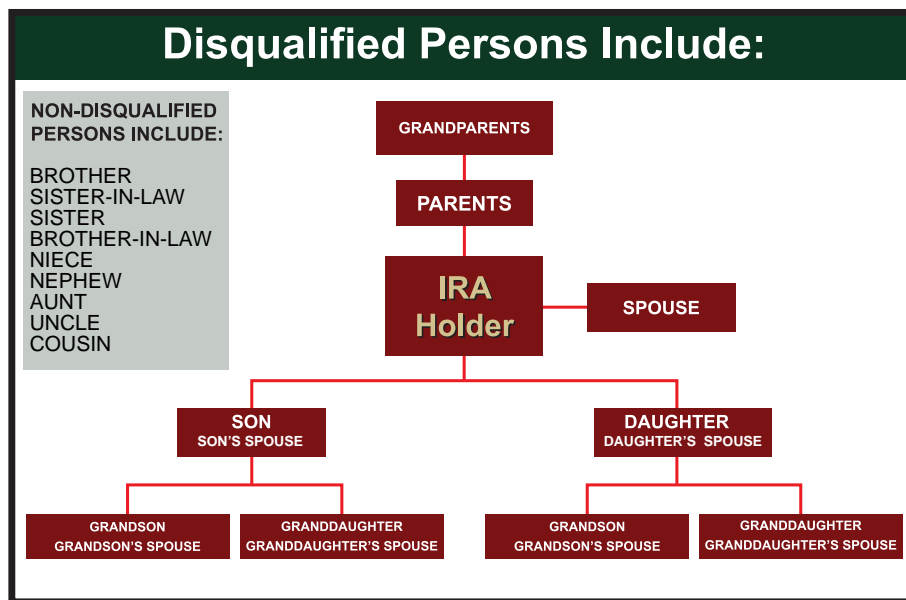
As the administrator for your IRA account, NDIRA is the authorized signer for your account. NDIRA does need your approval before we can sign on behalf of your IRA, so you will sign in the margins of the signer page with the words "Read and Approved."

# Investment Timetable



\* The time it takes to move funds from other institutions will vary according to that institution's responsiveness.

# IRC Section 4975 Considerations



All IRAs and HSAs have a list of people who are disqualified from certain interactions (called Prohibited Transactions) with that account. Above is a graphic that depicts persons who are considered to be "Disqualified" by the IRS. Keep in mind that any entity that is owned or controlled by a Disqualified Person is also disqualified. Your IRA cannot make a loan to yourself or any Disqualified Person or entity. For more detail about prohibited transactions, check out our website, give us a call, or refer to IRC section 4975.

# Due Diligence

Because neither the IRS nor NDIRA researches nor endorses any investments, the IRA holder is responsible for performing due diligence on all investments. Visit our website for more information on due diligence and ways to protect yourself from investment scams. A competent professional in the legal, financial advice, or accounting fields can also be engaged if you need additional help. Any of these legal professionals can assist in deciding if the investment being considered is legitimate, meets your risk tolerance parameters, and is right for your investment goals.

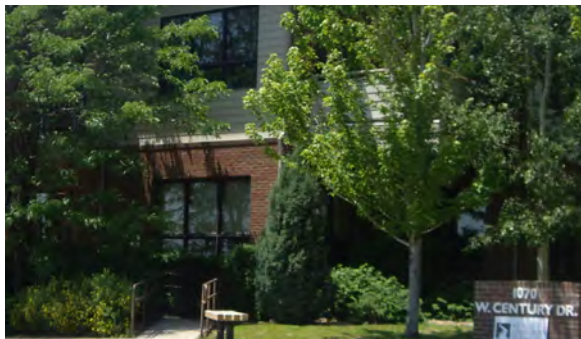
## Using Third Parties for the IRA Loan

### Preparing Loan Documents

- New Direction IRA does not provide loan document templates or verify verbiage of the document. Outside parties like attorneys and title companies can be used to prepare the note.
- An Interested Party Designation (IPD) form is required for New Direction IRA to work with and communicate with outside parties preparing the loan.
- Coordination with outside parties such as title companies or attorneys is your responsibility. If you need assistance with this coordination, New Direction IRA can provide assistance. Additional coordination time required on the part of New Direction IRA will be billed at the hourly rate of \$150 per hour.
- If you are using someone to prepare your loan documents, the IRA will need to pay the fees incurred for this service.

### Loan Servicer

- New Direction IRA does not provide loan services other than accepting payments.
- New Direction IRA will notify you when payments are made, but not when payments are late or not received.
- If you are using a loan servicer, the IRA will need to pay the fees incurred by this service.
- The borrower will make payments to the loan servicer and the loan servicer will pass along the payments to your IRA. The loan servicer will track payments on behalf of your IRA.
- If you wish to designate a third party loan servicer, please provide us with the loan servicing agreement.
- An Interested Party Designation (IPD) form is required for New Direction IRA to work with the loan servicer directly.
- Coordination with outside parties such as a loan servicer is your responsibility. If you need assistance with this coordination, New Direction IRA can provide assistance. Additional coordination time on the part of NDIRA will be billed at the rate of \$150 per hour.



If you have questions, please contact us:

**[info@ndira.com](mailto:info@ndira.com)**

**877-742-1270, x155**

**[www.newdirectionira.com](http://www.newdirectionira.com)**