

# *Leverage Your IRA*



By Jason Zook  
866-735-6272

[iralending.com](http://iralending.com)



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 **NASB**  
NORTH AMERICAN SAVINGS BANK

# OVERVIEW

- What are the advantages of using debt financing to buy real estate within an IRA?
- How can I get a non-recourse loan to buy real estate in an IRA?
- What are the guidelines and parameters for an IRA Non-Recourse loan through North American Savings Bank (“NASB”)?

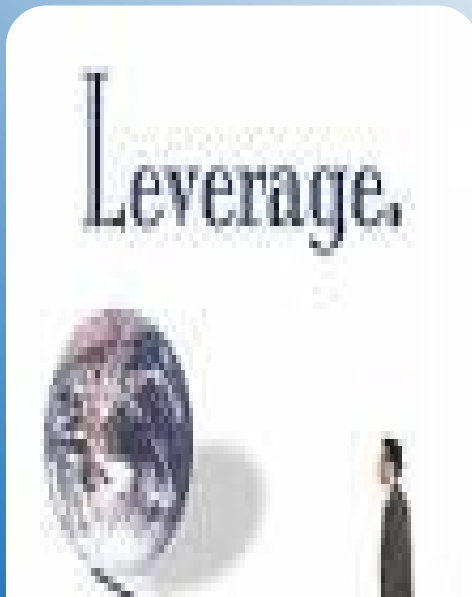
# Who is North American Savings Bank?

- North American Savings Bank, F.S.B. (“NASB”) has been providing loans since 1927.
- Based out of Kansas City, Missouri
- NASB offers a variety mortgage loans and is the [nationwide non-recourse for IRA real estate](#)
- \$1.5 Billion in assets.



I don't have enough money in my Self-Directed IRA to buy a property free and clear. What can I do?

Acquire a **NON-RECOURSE LOAN** to help leverage your purchase.



# What is a non-recourse loan?



- Publication 900 (pg. 45, [irs.gov](http://irs.gov)) states that you “**can not use an IRA as security for a loan**”.
- This only leaves one option
- Most banks don't offer this type of loan

# What is a non-recourse loan?

- A non-recourse loan is one in which the IRA/SEP account holder is not personally liable for repayment of the loan.
- The security instruments allow no recourse against the individual account holders or the balances of your IRA/SEP funds.
- In the event of default/foreclosure the lender can only recover the property and your equity.

# Advantages of using Debt-Financing with a Self-Directed IRA?

- All net proceeds go back into the IRA.
- Leveraging your IRA allows for larger gains in your retirement account!
- You can diversify your retirement with tangible assets such as real estate.

# Who is eligible for a non-recourse loan using their IRA to purchase rental / investment properties?

- Anyone who has at least 30%-40% of the purchase price vested in an IRA/SEP/LLC has the opportunity to buy rental properties using a non-recourse loan.



# What are the minimum down payment requirements?

- Single Family Homes - 30-40%
- 2-4 Units - 40%
- Condominiums - 40%
- Multi-Family (5+ Units) - 40%



**Purchase contract, title work,  
and insurance must be in the  
name of the IRA.**

**NASB can finance eligible property  
with non-recourse loans in  
all 50 states.**



# What is the processing timeframe for a non-recourse loan?

If the IRA Account Holder has already set up their IRA/Checkbook IRA, we can typically generate a loan package in 30-35 days.



# What type of loan programs are available?

- NASB offers a 5 and 10 Year **ARM** or a 10, 15, or 20 Year **Fixed** option.
- These are each principal and interest payments.
- Minimum loan size is \$50,000

# Cash Out Refinance

The funds are distributed back into the IRA. This allows the account holder the option to purchase other assets within their self-directed IRA .

# Property Eligibility

- Single Family Residential
- Warrantable Condos (100% complete, 33% or more sold, and HOA turned over by developer)
- PUDs/Townhomes
- Duplexes
- 4-Plexes
- Multi-Family (5 or more units)

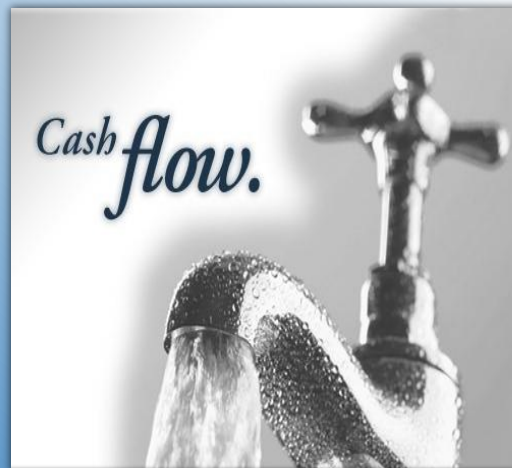
# Ineligible Properties Include:

- Residential with large acreage
- Raw land
- Farms
- Manufactured or log homes
- Non-warrantable condos  
(Most condo conversions and less than 100% complete)
- Hotels, condo-hotels
- Co-ops, Timeshares
- Senior or assisted living facilities
- Non-franchise restaurants
- Entertainment properties
- Mini-storage



# What are the income requirements for rental property?

- The financed property must generate sufficient net operating income to exceed debt service payments by:
  - 20% for Single Family Homes
  - 25% for condos & 2-4 Unit Properties



# Debt Service Coverage Ratio

## Example: \$180k property

Gross annual income

Rent ( $\$1,600/\text{month} \times 12$ )= \$19,200

1. Vacancy ( $7\% \times \text{GAI}$ ) \$-1,344

2. Taxes \$-1,500

3. Insurance \$-720

4. Maintenance ( $\$420/\text{unit}$ ) \$-420

5. Management Fee  $6\% \times \text{GAI}$  \$-1152

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Net Operating Income

\$14,064

**Net Operating income = \$14,064**

**\*Annual Principal & Interest \$8,915**

Based on a \$108,000 loan at 5.5%

**\*Net Operating Income/ Annual P&I**

$\$14,064/\$8,733 = 1.57$  DSCR

**NASB will quote interest rates based on a case by case basis, on the basis of the collateral type and down payment. The following fees and costs apply:**

1. 1% origination fee to NASB (origination fee is based on the loan amount)
2. \$385 underwriting fee to NASB
3. \$310 processing fee to NASB
4. \$16 flood certification fee
5. \$515 estimated appraisal fee (including rent comps) – due at time of application --- rural areas will require a special quote

\* Escrows for taxes and hazard insurance are required.

# Documentation Required for Loan Approval:

1. Completed loan application/checklist
2. Most recent asset statement verifying IRA assets for purchase and reserves
3. Purchase/sales contract.
4. Acceptable real estate appraisal for the property to be financed. The appraisal must be ordered directly by NASB.
5. Copy of drivers license
6. Documentation from the Custodian needed for closing.
7. Homeowners insurance should read the IRA/LLC as the insured.

***Documentation and guidelines can be found at [iralending.com](http://iralending.com)***

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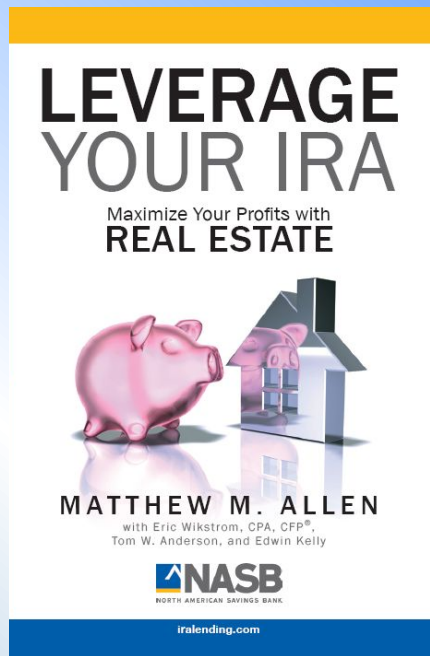
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**North American Savings Bank**

**1-(866)-735-6272**

**jzook@nasb.com**

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