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How an IRA Blanket Loan against Your SDIRA Helps You Invest in More Real Estate

by Corwin Smith

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Obtaining an IRA real estate loan against your self directed IRA (SDIRA) property can be difficult. Getting a blanket loan to purchase multiple properties and diverse multiple pieces of real estate can be even more difficult. That is why, when you are looking for IRA loans, you should ask the lender if they are willing to provide an IRA real estate loan for purchasing more than one property.

A blanket loan is generally used by property developers to buy and develop several pieces of property together. As each unit of real estate is sold, the developer repays part of the mortgage, until all units are sold and the mortgage is repaid in full.

In light of the current number of foreclosures across the country, some individual investors are coming forward to buy property in large numbers. These investors may use a blanket loan to buy and renovate more than a single piece of real estate, which they then subsequently sell or rent and thereby repay the IRA real estate loan on the property.

IRA Real Estate Loans Must Use Non Recourse Financing

Non recourse financing is available when you want to take out a loan without endangering your assets or your IRA. In fact, if you have a SDIRA, you cannot resort to a traditional mortgage to finance your real estate investment plans. The IRS does not allow the investor to personally guarantee a loan on behalf of a self directed IRA. This is why an IRA Real Estate Loan must use non recourse financing in this scenario.

An IRA real estate loan utilizing non recourse financing permits the lender to foreclose the property theyâ€™ve purchased if the loan is defaulted on. If the debt is not repaid fully, the lender can only seize whatever properties are serving as collateral for the loan, not any other assets you or your IRA holds. That is one reason why using a SDIRA along with a non recourse loan is a smart way to invest in property. Another main reason, of course, is growing the investment tax free.

Purchasing Multiple Units of Property

Even if you do have the money to pay for a single house or apartment complex, you can use an IRA real estate loan to purchase more than one piece of real estate. With the property market being what it is, the more real estate you invest in, generally the greater the returns. Rather than obtaining individual loans for each property purchased, it is possible to approach a lender with an attractive real estate investment and opt for a blanket loan.

Things to note:

1. The money earned on your investment is not for personal use. It is meant to go into your SDIRA account.

2. You or your spouse, children, and parents cannot use the property bought through an IRA loan for personal purposes.

3. The property you purchase should maximize your investment, and therefore, it is best to avoid purchasing property that requires a large budget for maintenance or other ongoing expenses.

Lenders assess each self directed IRA real estate loan request on a per transaction basis. Using this type of non recourse financing to buy up multiple units of real estate can be a smart way to enhance your investment portfolio and could save time obtaining multiple mortgages.

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Corwin Smith - About Author:
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