Why This is the Best Time to Buy Real Estate with IRA Loans by Corwin Smith

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Foreclosures spell doom for many people, but investors are often able to make the most of the situation. If you are an individual with money invested within a self-directed IRA, you could use it to buy property. Property investments are lucrative these days, and the current market presents a unique opportunity for growing retirement wealth within oneâ€™s self-directed IRA.

Diversify the Investment Portfolio

Until recently, custodians allowed investments to be almost exclusively in stocks, bonds, and mutual funds. Today, however, it is quite common to self-direct an IRA to purchase real estate. In fact, roughly half of all self-directed retirement accounts invest in some form of real estate. Purchasing property solely with IRA funds can be difficult unless you have 100% of the property purchase price in the IRA. However, you can obtain an IRA loan to overcome this hurdle.

Even if you are able to cover 100% of the property purchase, there is another reason you need a loan with your SDIRA. The property market is not going to stay this lucrative forever. The low property prices are a once in a lifetime occurrence. If you want to take advantage of this opportunity, you can purchase even more of discounted properties by leveraging borrowed funds.

Lower Risk to Lenders

Lenders are more willing to offer IRA loans, also called non recourse financing, because they are confident about recovering the loaned amount when a property is purchased at a discount of todayâ€™s market. Non recourse lenders, by definition, cannot require liability be assumed by the IRA or the beneficiary personally for repayment on the loan. They can only foreclose the property owned in conjunction with a non recourse loan and cannot hold any other IRA assets as collateral.

This normally makes non recourse financing a riskier option for lenders. But as mentioned, thanks to the current market conditions, the investor stands in a better position to recover his invested money. Not only that, but you also stand a better chance of making a healthy profit in the process, which will help grow your IRA.

High Profitability

The low property prices have made highly profitable investment ventures more feasible. Besides purchasing fully constructed properties, investors may also purchase raw land and build on it utilizing IRA new construction loans. Another program available is utilizing an IRA loan to purchase and renovate a property. Once the property has been improved, it can then be put back on the market where it is resold for a profit. Depending upon the IRA loan program, borrowers may have to put between 25%-50% down, as a down payment. They can receive IRA loans to the tune of up to 50% of a properties purchase price plus improvement costs.

Whatever property you invest in, remember that it has to yield a high enough return for the lender to be willing to offer a non-recourse IRA loan. Therefore, look at real estate such as single family homes and apartment complexes. Avoid properties that require a lot of money for maintenance, for example, estates spread over large areas.

The market conditions prevailing currently are favorable to investors. If you donâ€™t have the money to purchase real estate, apply for an IRA loan. These IRA loans offer many advantages over traditional

mortgages and are therefore ideal for investors with a self directed IRA.

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Corwin Smith - About Author:
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