

PRIVATE LENDING INVESTING GUIDE

Combine IRA tax advantages
with private lending
investment opportunities.



New Direction
TRUST COMPANY



Private Lending

Introduction

Self-directed IRA (or HSA) lending allows your IRA to loan money to non-disqualified persons/entities. The IRA receives principal and interest, similar to a bank. The IRA holder chooses the borrower, principal amount, interest rate, length of the term, payment frequency, and amount. The account holder also decides 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 these accounts to participate in lending. However, it has not always been easy to find a self-directed IRA provider who allows IRA lending investments.

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

Eligible Account Types

- Traditional IRA
- Roth IRA
- SEP IRA
- SIMPLE IRA
- Solo 401(k)
- HSA

Collateral & Cash Flow

The IRA holder chooses the borrower, and negotiates the specifics of the loan. One of the key decisions is whether to attach collateral to the loan. 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. 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 the lender is your IRA; all loan payments, principal and interest, flow directly back to the IRA. Your borrower can make payments directly to your IRA at portal.ndtco.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.

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

NDTCO as custodian FBO *John A. Smith* Trad IRA (or NDTCO as custodian FBO Account Number 123456)
1070 W. Century Drive
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.

Private Lending

As the custodian for your IRA account, NDTCO is the authorized signer for your account. NDTCO does not 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."

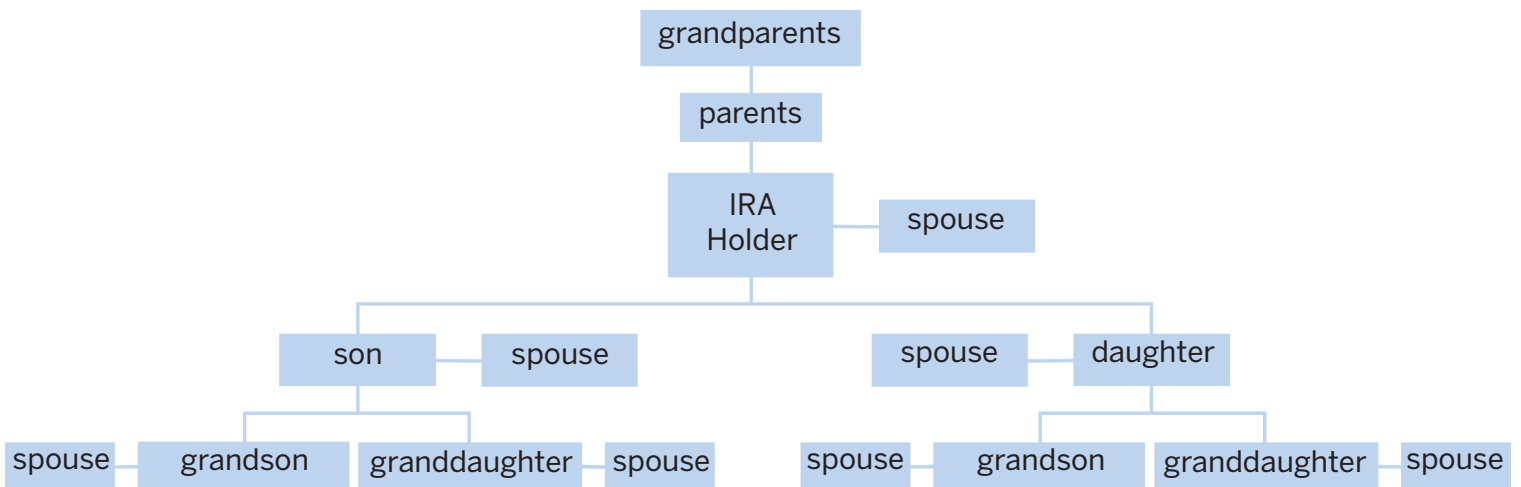
Investment Sequence



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. Below is a graphic that depicts that 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.

Disqualified Persons Include:



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Due Diligence

Because neither the IRS nor NDTCO 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 Trust Company 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 Trust Company 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 Trust Company can provide assistance.
- 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 Trust Company does not provide loan services other than accepting payments.
- New Direction Trust Company 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 Trust Company to work with the loan servicer directly.
- Coordination with outside parties such as a loan servicer is your responsibility.

Contact Us

New Direction Trust Company can assist with this coordination for an additional billing. If you have questions please contact us:

info@ndtco.com
877.742.1270 x155
www.ndtco.com