



**Accruit**  
An Inspira Financial Solution

# 1031 EXCHANGE: REVERSE EXCHANGE PROCEDURAL OUTLINE

## *Parking Replacement Property*



Accruit is a national leading Qualified Intermediary (QI) and Exchange Accommodation Titleholder (EAT) with over 20 years in the 1031 exchange industry, providing 1031 exchange service across all 50 states and specializing in all types of exchanges from Forward, Reverse, Built-to-suit/Improvement to Speciality “Non-Safe Harbor Reverse” transactions. Specialized EAT services are provided by Accruit Exchange Accommodation Services LLC (AEAS).

### **Step 1:**

#### **Exchanger enters contract for Replacement Property**

The Exchanger wants to do a 1031 Exchange, they have or wish to enter into a contract to purchase the Replacement Property, however, the corresponding Relinquished Property cannot be sold by the closing date for the Replacement Property which will require a Reverse Exchange.

### **Step 2:**

#### **Contact Accruit to start a Reverse 1031 Exchange**

Provide all Exchanger information and documentation requested in your Welcome Email via email to the Exchange Operations team member to get exchange initiated.

The Exchanger and AEAS, as Accommodator or EAT, enter into a Reverse Exchange Agreement known as a Qualified Exchange Accommodation Agreement (QEAA) for Replacement Property whereby an LLC owned by the Accommodator will take title to the Replacement Property. The LLC is set up with Accruit Exchange Accommodation Services LLC, an affiliate of Accruit LLC as its sole member.

### **Step 3:**

#### **Exchanger assigns the Replacement Property Purchase Contract**

The contract is assigned to the LLC so that it can be substituted in at closing as the named buyer in lieu of the Exchanger.

### **Step 4:**

#### **EAT receives additional funds to acquire Replacement Property**

Unless the Exchanger is providing 100% of the necessary funds, a Exchanger selects a lending bank who loans the funds required for the purchase to the EAT. The LLC signs any applicable loan documents as the borrower, however, the Exchanger signs as the guarantor of any such loan. In the event the bank does not make a 100% loan-to-value loan, the Exchanger makes a second loan for the balance needed, which for documentation purposes should include any earnest money that may have been previously advanced by the Exchanger. These funds will be paid back in whole, or in part, upon the sale of the Relinquished Property.

## **CONTACT US**

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Division of

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## Step 5:

### Sales Contract Executed for Replacement Property from LLC to Exchanger

As part of the QEAA, the Exchanger and the EAT and/or the LLC enter into an agreement for the sale of the Replacement Property back to the Exchanger, as well as a triple net Master Lease, which allows the Exchanger to oversee the day-to-day management of the property while it is held by the LLC. It allows the Exchanger to deal directly with the tenants, keep the rental income and to pay property expenses.

## Step 6:

### Replacement Property Sale Closes

Funds are sent directly to the closing by the lender and/or the Exchanger. The closing takes place and the LLC takes title to the property. Evidence of liability insurance must be furnished to Accruit showing the LLC as the insured party, while the lender and the Exchanger may appear as additional insureds.

## Step 7:

### Exchanger enters into contract to sell the Relinquished Property

The sale must occur within 180 days of the Replacement Property closing. At the time of the sale the Exchanger enters into a standard 1031 Exchange whereby the Relinquished Property is exchanged through a Qualified Intermediary (QI) for the Replacement Property being held by the EAT.

## Step 8:

### QI disburses funds to EAT

The Exchanger directs the QI to disburse the exchange proceeds to the EAT toward the acquisition of the Replacement Property. The EAT receives the funds and immediately wires those funds to the Exchanger to pay down all or part of the debt, any funds leftover are used to pay down principal on any bank loan.

## Step 9:

### Exchanger takes ownership of Replacement Property

When desired by the Exchanger, via an assignment of the membership interest in the LLC from the EAT, the effective ownership of the property is transferred. Alternatively, should circumstances warrant it, a deed may be issued to the Exchanger by the LLC and the LLC may be dissolved.



**CONTACT US TODAY!**

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