***While the Reverse Exchange is often employed to overcome the failure to sell the intended relinquished property in time to use the funds to purchase the replacement, there can be certain advantages as well. These advantages are especially prominent if the intended relinquished property is suited for a quick sale to already interested buyers.***

## Opportunities Gained with a Reverse Exchange

- ★ You have a greater opportunity to purchase the replacement property you really want, at a price and terms that are acceptable to you.
- ★ You may have more negotiating leverage with the seller of the replacement property.
- ★ The replacement can become an immediate revenue producer.
- ★ While the cost of a reverse exchange is higher, the savings in terms of economic efficiency which often more than offset those costs.
- ★ The reverse option can salvage a replacement purchase opportunity that would otherwise be lost.

## Other scenarios in which the Reverse Exchange option may be the best solution:

- ★ Exchanger finds a replacement property valued at less than the Net Sales Price of the relinquished property and needs to do some remodeling on the replacement property.
- ★ Exchangers relinquished property buyer has disappeared and the Exchanger will lose the deposit on his replacement property.
- ★ Exchanger is buying multiple replacement properties where all or some will close on different dates prior to the closing of the relinquished property.
- ★ Exchanger is selling multiple relinquished properties and desires to purchase one larger replacement property.
- ★ Exchanger finds the perfect replacement property and is competing with several buyers and must close quickly or lose out on the deal.
- ★ Exchanger’s relinquished property sale is delayed because it is occupied by the Tenant from Hell”, or the market is soft, or repairs must be made that will take some time or there are title problems or there is a divorce among the Exchangers.
- ★ Exchanger is selling land to a developer who is trying to get approvals for a project from the City or County planning department.

**Financing a reverse exchange can be a challenge.**

If the purchase is not financed by the exchanger, take the time necessary to explain the reverse exchange to the mortgage broker and lender as early in the process as possible:

- ★ For a replacement property reverse exchange, the emphasis is on getting a new loan in the name of the parking entity (EAT), an L.L.C. The exchanger will be the guarantor of a non-recourse loan.

- ★ The lender makes loan to the EAT in the amount needed to finance the acquisition when the exchange is completed. Exchanger provides the balance in the form of a temporary loan to the EAT which is paid off with the exchange credit proceeds from the sale of the relinquished property.

- ★ Seller carry back for all or a portion of the amount needed to close escrow.