

## **REVERSE EXCHANGE:**

The reverse exchange is a specialized exchange arising from a situation in which an exchanger must acquire the replacement property prior to selling their relinquished property. Since it is impossible to exchange properties when you own both properties at the same time, a reverse exchange is required if the replacement (purchase) property escrow must close before the relinquished (sale) property escrow closes.

### ***Types of Reverse Exchange Transactions***

Type A: The Intermediary assigns into the purchase contract and takes title to the replacement property. The exchanger has 180 days from close of escrow on the replacement property to sell the relinquished property in order to complete the exchange.

Type B: The Intermediary takes title to the relinquished property from the exchanger before the exchanger acquires the new property. The exchanger has 180 days to sell the relinquished property in order to complete the exchange.

### ***Basic Exchange Rules***

Two basic rules must be met to completely defer income taxes on the gain realized from the sale of the relinquished property:

1. The purchase price of the replacement property must be equal to or greater than the net Sale price of the relinquished property; and
2. All cash or other proceeds received from the sale of the relinquished property must be used to acquire the replacement property.

### ***Exchange Timeline:***

The exchanger has up to 180 days from the close of escrow on the purchase of the replacement property to sell the relinquished property. The first 45 days of that period is called the Identification Period. During the identification period, the investor must identify the relinquished property. The identification must be in writing, signed by the exchanger, and received by the Intermediary within the 45-day period. Failure to meet the identification deadline or complete the exchange within 180 days results in a failed exchange.

### ***Types of Exchange:***

1. Delayed, Reverse, Construction, Simultaneous, Business & Personal

### ***Selecting a Qualified Intermediary:***

From the simplest exchange to the most complex, we have built our reputation on expertise, financial strength, and customer satisfaction. Bankers Exchange Services, is one of the few companies that are bank owned nationally. All exchange proceeds are deposited in custodial accounts (interest bearing), and are insured by a Fidelity bond and D&O insurance. If you have any questions, I can be reach at 925-212-1727 or email me at [W.Lam@BES1031.COM](mailto:W.Lam@BES1031.COM).

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