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## **PROMISSORY NOTE INVESTMENTS FREQUENTLY ASKED QUESTIONS**

### **What types of promissory note investments can I hold within my Sterling account?**

Types of promissory note investments that Sterling will process include, but are not limited to, notes secured by deeds of trust/mortgages, unsecured notes, contracts for deed and corporate debt offerings (notes/bonds/debentures). Please complete the **Promissory Note Direction of Investment** for all types of loans to individuals or corporate loans secured by a mortgage/deed of trust. Complete the **Entity Direction of Investment** for loans to corporate borrowers that are either unsecured or secured by collateral other than a mortgage/deed of trust.

### **Can my Sterling account loan funds to family members or to an entity that I or a family member owns or controls?**

If your IRA loans funds to certain family members (lineal descendants and spouses of lineal descendants) or an entity that you or certain family members own or control (whether controlled individually or as an officer of a corporate general partner, managing member, etc.), the transaction could possibly be a prohibited transaction under **Internal Revenue Code Section 4975**. If you, family members or disqualified persons collectively own 50% or more of the borrowing entity, Sterling will not process the investment.

### **What is a prohibited transaction?**

In general, **Internal Revenue Code Section 4975** defines a prohibited transaction as a transaction between a plan (your account) and a disqualified person. Generally, "disqualified persons" are defined to be the Account Holder, other fiduciaries, certain family members (lineal descendants and spouses of lineal descendants) and businesses under the Account Holder's (or disqualified person's) control. Please review **Section 4975, Publication 560, and Publication 590** for specific information and definitions.

### **How should payments be sent to Sterling?**

Payments from the borrower or servicing agent should be sent to Sterling along with a completed **Deposit Coupon**. If a payoff is being wired to Sterling, the borrower or servicing agent should fax a copy of the **Deposit Coupon**.

### **What do I need to provide to Sterling when a secured loan is paid off or sold?**

You will need to provide Sterling with a request for reconveyance, satisfaction of mortgage, assignment, transfer of lien, etc. along with a letter of instruction for Sterling to sign the instrument and send all original loan documents to the title company or agent handling the payoff/sale.

### **What happens if the borrower defaults on a deed of trust/mortgage held by my account?**

You may direct your servicing agent to initiate foreclosure proceedings in the event of default. Please review Sterling's **Real Estate Direction of Investment** for the items you will need to provide to Sterling in order for your account to hold title to any property acquired through a foreclosure.