



*The Voice of the 1031 Industry*

## Ask Your Qualified Intermediary

Federation of Exchange Accommodators

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### Choose an FEA QI for your Section 1031 Exchange

Several questions can help you choose the best Qualified Intermediary (QI) firm for your like-kind exchange needs. A Qualified Intermediary's membership in the Federation of Exchange Accommodators (FEA) shows a commitment to the industry and its professional responsibilities. Each FEA member QI operates its business independently and may have developed unique controls and structures that provide additional consumer protection.

Consider several areas to determine which Qualified Intermediary will best fit your needs:

- QI Experience and Affiliations
- Safeguards for Exchange Funds
- Business Structure and QI Fees

## Qualified Intermediary Experience and Affiliations

### *What experience and affiliations can I look for in a QI?*

Qualified Intermediaries (QIs) are central to a successful Section 1031 like-kind exchange, are required by law, and act as third-party facilitators that promote compliance with state and federal regulations. Taxpayers are best served by reputable QIs with the experience and specialization needed for a unique exchange.

Consider these questions about your exchange and the Qualified Intermediary:

- How complex is the exchange? What level of QI experience is required?
- How many exchange transactions has the QI facilitated in the last two years?
- In which asset types does the QI specialize?
- What references can the QI provide? QIs often work with other taxpayer clients, attorneys, accountants, and real estate professionals.

### *Is the QI a member of the FEA?*

A Qualified Intermediary's involvement with the FEA builds confidence that a QI is reputable and knowledgeable of accepted practices.

### *Does the QI keep Certified Exchange Specialists®, attorneys, or accountants on staff?*

Certified Exchange Specialists® have demonstrated expertise in Section 1031 like-kind exchanges by passing a lengthy test, meeting both significant continuing education and experience requirements. The FEA offers a directory of member Qualified Intermediaries and Certified Exchange Specialists®.

## Ask for a Certified Exchange Specialist® on Staff

- The FEA Certified Exchange Specialist® (CES®) program promotes technical expertise, professional practice, and ethical standards for experienced exchange facilitators.
- Certified Exchange Specialists® have industry certification; have met requirements for years of experience; and have been trained on a broad range of exchange types, best practices, third-party relationships and compliance issues.
- The CES® designation is a quality marker with independent validation of professional skills.




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## Safeguards for Exchange Funds

*What kind of assurances can the QI offer that a client will be protected from QI errors or wrongdoing?*

The responsibilities and ethical issues that arise when a third-party holds and controls taxpayer funds require extra assurances for safety and security. A QI's adherence to industry best practices for safety protects taxpayers by lessening the chances of errors and wrongdoing. FEA member QIs must operate according to a strict code of ethics that specifically prohibits commingling of client funds with the QI's own operating funds. When employing a QI, ask for evidence of insurance.

Consider these questions about the safety and security of your exchange funds:

- How does the QI handle client funds?
- Are client funds kept segregated from the QI's operating funds?
- Are exchange funds held in segregated accounts that are identified by the client's name and taxpayer identification number?
- How many signatures are required to release the exchange funds? Whose signatures are required?
- Are background checks performed on QI employees?
- Does the QI carry Errors and Omissions Insurance, which provides a source of funding for claims against the QI for significant errors or negligence? What is the amount of insurance? Does the QI have a Fidelity Bond (also known as crime insurance), which covers claims against the QI based upon fraudulent and dishonest activity? What is the amount of the Fidelity Bond coverage?
- What other steps are offered to protect the taxpayer from wrongdoing, negligence, cybercrime, and outside criminal activity?

## Business Structure

*How does the QI handle the exchange process? What fees and timeline can I expect?*

All Qualified Intermediaries do not operate in the same way. Differences lie in the ways a QI handles client funds, generates revenue, processes transactions and protects the taxpayer. Adherence to best practices standards increases the rate of success for an exchange. The FEA promotes professional standards and technical compliance with laws and regulations affecting Section 1031 practice. Each Section 1031 like-kind exchange transaction has unique and often complex elements. Some QIs specialize in certain types of transactions. FEA members offer the expertise needed to help facilitate an exchange to a successful closing.

Consider these questions about the Qualified Intermediary's exchange process:

- What sort of documentation is provided by the QI?
- What turnaround times are required for the preparation of documents or the release of funds?
- What are the fees? When are fees paid? How are fees assessed? Is the fee quoted an inclusive fee, or are there other fees that may be assessed incrementally?
- Is interest earned on funds held by the QI during the exchange?



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## Look to the FEA

The Federation of Exchange Accommodators (FEA) is the national organization for professionals that facilitate Section 1031 like-kind exchanges (referred to as Qualified Intermediaries or "QIs" or exchange accommodators.) Formed in 1989, the FEA promotes best practices and high ethical standards for member QIs, works with government to protect consumers and preserve Section 1031, and is committed to a reputable and competent QI industry. The FEA functions as "the voice of the Section 1031 industry."

### FEA offers member Qualified Intermediaries:

#### *Technical Expertise for FEA member QIs*

- FEA membership offers QIs access to the latest developments in tax, legal and technical issues related to Section 1031 like-kind exchanges, continuing education for new and experienced QIs.
- FEA member QIs have unique access to the Section 1031 like-kind exchange community network, offering peer assistance on complex exchanges.
- Through the Certified Exchange Specialist® (CES®) Program, the FEA voluntary certification and continuing education program, designees have demonstrated their knowledge of Section 1031 and its facilitation through independent third-party testing.

#### *Protections for the consumer/taxpayer*

- FEA member QIs commit to professional and fiduciary responsibility, attention to current standards, industry developments and technical compliance, and active participation in the effort to preserve Section 1031 like-kind exchanges.
- The FEA partners with Lockton Insurance to offer an insurance program specifically designed for the Section 1031 industry designed to provide greater protection for exchangers.



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