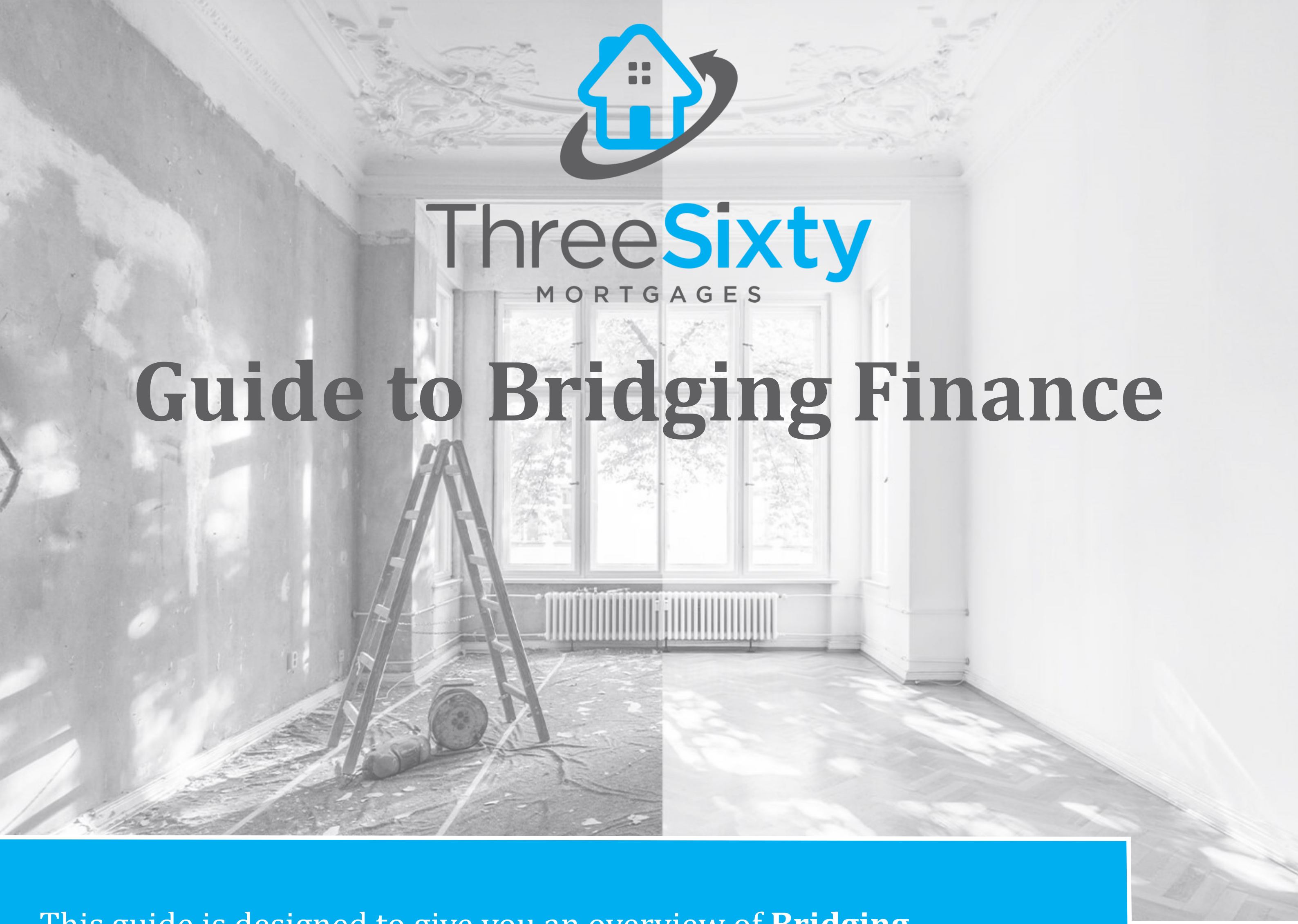

ThreeSixty MORTGAGES

Guide to Bridging Finance

This guide is designed to give you an overview of **Bridging Finance** and how it works.

The concept of bridging can be complex with many conflicting bits of information out there. We have **years of experience** in the field and realised the need for a clear guide.
So here it is!

In honesty, we know that bridging hasn't always had the best reputation and that comes mostly from lack of understanding and probably an absence of proper advice.

We want to ensure that this type of specialist finance is transparent and that you know what is on offer to you. Over the years, bridging has become a very versatile & affordable option for many.

For more tips and help with any of your finance requirements, check out our social media!

facebook.com/threesixtymortgages

@threesixtymortgages

Or give us a call!

HOW IT WORKS

Bridging finance is most commonly used for the purchase of a property that needs extensive renovation. Typically, residential or buy to let mortgages alike won't allow refurbishment works on a property as they are designed for long term lending. Bridge's tend to be for terms such as 12 months. Once the work has been completed, you will need to have an **exit strategy**. This is normally either the sale of the security property or refinance onto a buy to let mortgage if you are going to retain the property and look to move tenants in.

Unlike a mortgage, bridging finance is often assessed on the profitability of the deal, i.e, how much you will increase the value against how much you will spend on the refurbishment—rather than your own personal affordability.

Just like all types of finance, there are options to chose from. You can use the finance to just fund the purchase, and nothing else. You could look to use the funds to purchase *and* borrow money for any works needed. A bridging lender will usually be able to lend against the **GDV** (gross development value or 'done up' value) of a property.

Example

Purchase price - £200,000

GDV - £300,000

65% of GDV loan- £195,000 (released in stages)

Generally, a lender will release the funds in tranches. You will receive the **'day one loan'** (i.e, 65% of the purchase price) initially, and remaining funds will be accrued in stages, as the work on the property takes place.

Buy property on a bridge → Complete refurb works → Refinance or sell property

HOW IT WORKS

Every bridge is different, but averagely, a lender will look to offer somewhere between **60% and 70% LTV.** When the funds are being released in stages, it is likely they will want to come and inspect the property on multiple occasions to see the progression before issuing another lump sum.

Using a bridge to fund a property purchase may seem daunting, especially if you've never looked into it before.

Most bridging lenders will propose to lend to any party, providing the transaction makes sense and you have the capital for the deposit. Some may want some previous experience with renovating a property whilst others will look at the deal as it's own entity and not take this into consideration.

WHAT ELSE IS BRIDGING FOR

It's not just for the purpose of refurbishment that bridging loans can be used, there are many circumstances where the need for short term finance comes into play:

- **Chain break**
  Where there is a need to purchase a property before selling
- **Re-bridging**
  Perhaps the original term of a bridge was too short, there were delays with the works for example
- **Short term cash flow problems/repossession prevention**
  Where there is a risk of repossession with the current lender, bridging can offer an option to increase equity quickly
- **Non standard construction/un-mortgageable property**
  If a property doesn't conform to a mainstream lender's property type, bridging offers a finance alternative

ADVANTAGES

Fast to arrange

Bridging finance can be arranged much faster than average finance

Flexibility

More often than not, bridging lenders won't be doing their assessment on personal income, affordability or credit history, it's all about the deal

All types of property

The property could be freehold or leasehold and even have a short lease left. Bridging lenders will consider opportunities if a property is deemed **'un-mortgageable'**

Multiple properties

More than one property can be used as security, whether on a first or second charge basis

Non standard property construction

Bridging loans can be secured against properties that are of non standard or **unusual** construction

FREQUENTLY ASKED QUESTIONS

"Bridging is expensive, isn't it?"

There are many misconceptions around bridging but it's simplest terms, it is **short term finance,** and this is how to look at it. You won't need to be on a bridge for very long before refinancing or selling.

"Why can't I just use a buy to let mortgage?"

Buy to let mortgage lenders are lending for the purpose of long term and not as a 'cheap bridge'. If they start to see a pattern on your credit file, you may struggle to get finance in the future.

"Can I have a bridge for less than 12 months?"

Yes! They come in all shapes & sizes, but typically 3 months, 9 months and 12 month terms.

"Is buying a property with bridging finance the same as cash?"

A bridge is still **finance,** however, bridging lenders tend to be able to move much quicker so they can often get transactions over the line within 28 days, similar to if you were buying with cash. Ideal if you're buying at auction.

"Do I have to make hefty repayments every month?"

Every lender/product is different, but there can be options to have **'rolled up interest'** so you have a period of not having to make any payments whilst you're doing the refurbishment work on the property.

For a **free** initial consultation, call us on **01752 905360** or email

enquiries@threesixtymortgages.com

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