

BRIDGING FINANCE GUIDE



BRIDGING FINANCE



Bridging finance offers short-term financing options, used to bridge financial gaps for borrowers until longer-term financing become available or until they are able to sell an existing property or asset.

This guide outlines the key aspects of bridging finance, its benefits, and how to secure the best funding solution.

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BRIDGING FINANCE

WHAT IS IT AND WHY CHOOSE IT?

Bridging finance is a short-term loan designed to “bridge” a financial gap until a borrower can secure longer-term financing or sell an existing asset. It is secured against an asset, such as property or land, and is known for providing quick access to funds.

Why Use Bridging Finance

- Fast funding when time is critical.
- Can be used for property purchases, developments, or refurbishments.
- Available even to borrowers with poor or no credit history.
- No early repayment penalties in many cases.
- Suitable for personal, property or business use.

However, borrowers should note that:

- Interest rates are typically higher than standard loans.
- There may be additional fees and charges.



THE SCENARIOS

WHEN TO USE BRIDGING FINANCE

Bridging finance is ideal in situations that require speed and flexibility. Common scenarios include:

PROPERTY PURCHASES

- Buyers in a chain needing to complete quickly.
- Taking advantage of a good property deal without waiting for a

PROPERTY DEVELOPMENT

- Funding conversions (e.g., turning a house into flats or commercial into residential).

AUCTION PURCHASES

- Auction buyers typically need to pay within 28 days.
- Bridging finance provides quick funding to secure the property.

REFURBISHMENTS

- Funding property improvements or upgrades to increase value before resale or refinancing.

BUSINESS USE

- Bridging loans can cover short-term expenses, working capital needs, or temporary gaps in funding.

CHAIN BREAKS

- When a buyer finds a new property but hasn't sold their existing one yet.

YOUR SITUATION

TYPES OF BRIDGING FINANCE

Bridging loans come in several types, depending on the borrower's situation and repayment plan. Understanding the differences between these types helps borrowers choose the most appropriate loan for their needs.

1

OPEN BRIDGING LOAN

- No fixed repayment date.
- Ideal for borrowers without a defined exit strategy.
- Flexible but typically carries higher interest rates due to the uncertainty.

2

CLOSED BRIDGING LOAN

- Has a set repayment date and a clear exit strategy (e.g. confirmed property sale or mortgage approval).
- Preferred by lenders as it provides greater certainty.

3

FIRST CHARGE BRIDGING LOAN

- The loan is secured against a property without an existing mortgage.
- Lender has the first right to proceeds from the sale if the loan is not repaid.

4

SECOND CHARGE BRIDGING LOAN

- Secured against a property that already has a mortgage.
- The lender takes second priority behind the main mortgage provider.
- Can be repaid independently of the primary mortgage.

TO CONSIDER

THE COSTS

Bridging finance has specific costs that borrowers need to consider carefully.

INTEREST RATES

Typically higher than traditional mortgages due to the short-term nature. Often expressed monthly (e.g. 0.8% PCM instead of 9.6% PA).

Two interest options:

- Rolled-up interest: Paid at the end of the loan term.
- Serviced monthly: Paid monthly during the term.

FEES & CHARGES

These should be reviewed upfront to fully understand the total cost of borrowing. Common fees include:

- Arrangement fees
- Valuation fees
- Legal fees
- Broker fees

EXIT FEES

Charged when the loan is repaid in full. May be a fixed fee or a percentage of the original loan amount.

EARLY REPAYMENT CHARGES

Always review the loan terms and conditions before committing, including all associated fees and charges.

- Some lenders charge if the loan is repaid before the agreed term.
- This fee compensates the lender for lost interest.

THE PROCESS

Getting a bridging loan typically involves these steps.

01.

APPLICATION

Submit an application through a lender or broker. Provide details about your financial situation, asset, and loan purpose. The lender will assess eligibility based on your profile.

02.

VALUATION

The lender carries out a valuation of the property used as security. Determines how much can be borrowed. May be an in-person, desktop, or automated valuation, depending on the lender.

03.

OFFER & ACCEPTANCE

Once approved, the lender issues a loan offer. This includes:

- Loan amount
- Interest rate
- All associated fees

You can accept or negotiate the terms.

04.

COMPLETION

After signing, the lender releases the funds. Repayment starts based on the agreed terms.

STREAMLINE THE PROCESS

WHY WORK WITH A SPECIALIST BROKER

A broker can streamline the process and help you get the best deal. Here's how:



SPECIALIST KNOWLEDGE

- Brokers understand the lending landscape and can recommend suitable products.
- Help you understand the different loan types.



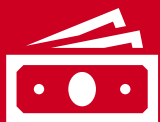
ACCESS TO SOME OF THE BEST RATES

- Brokers work with multiple lenders and can negotiate on your behalf.
- Increases chances of securing competitive rates and terms.



FASTER APPLICATION

- Brokers help prepare your application and deal with lenders directly.
- This can lead to quicker approvals and fund release.



LOWER OVERALL COST

- They may help you reduce fees or find loans with more favourable terms.
- Overall savings can be significant over the loan term.

YOUR DECISION

IS IT RIGHT FOR YOU?

Bridging finance offers fast, flexible funding, especially when time is of the essence. But it's crucial to understand the costs, risks, and repayment expectations.

Using a broker can:

- Help you navigate the options.
- Support your choice for the most appropriate loan.
- Save you time and potentially reduce overall costs.

We specialise in structuring bespoke commercial property finance solutions. Our expert team works with a range of lenders to secure competitive terms tailored to your investment or business needs.

Schedule
a Call

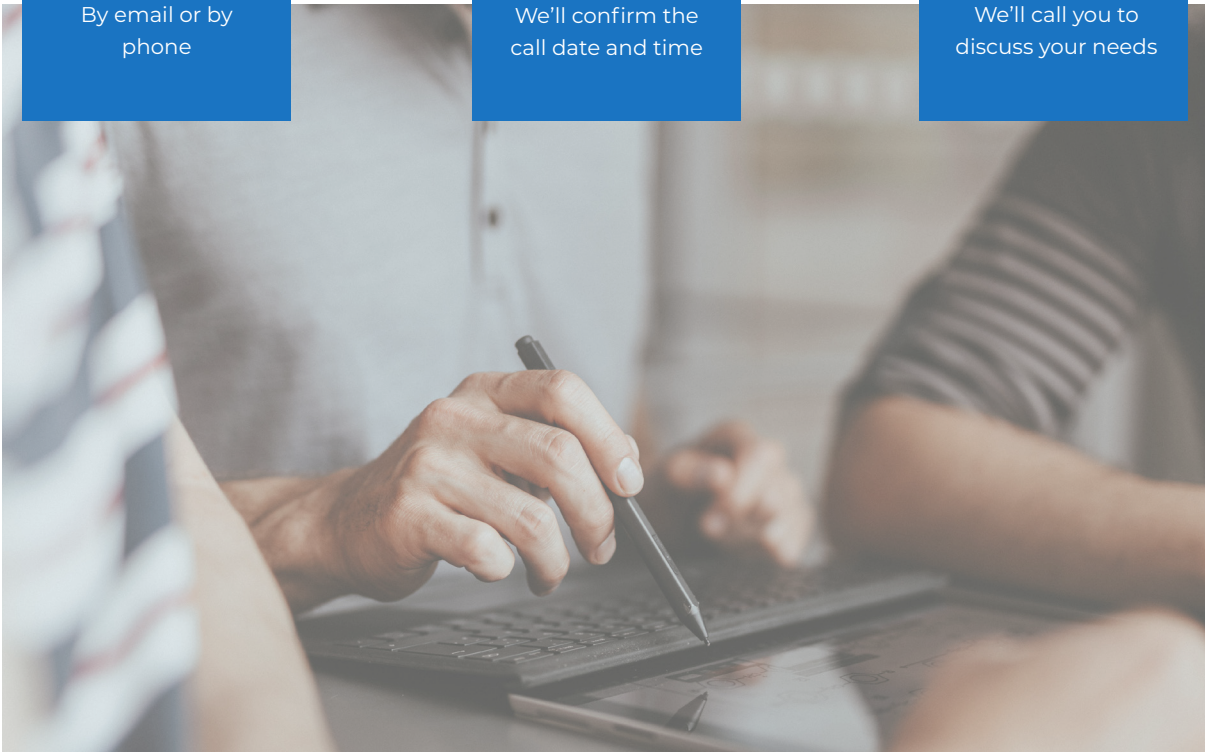
By email or by
phone

Call

We'll confirm the
call date and time

Your
Meeting

We'll call you to
discuss your needs



Disclaimer

The information provided in this content is for general informational purposes only and should not be considered financial or mortgage advice.

Mortgage products, rates, and terms vary based on individual circumstances, lender policies, and market conditions.

While we aim to provide accurate and up-to-date information, we strongly recommend that you seek personalised advice before making any financial decisions.

For tailored mortgage guidance that aligns with your specific needs, please contact us. Our expert advisers can provide bespoke solutions based on your financial situation and goals.

We do not accept any liability for decisions made based on this information without seeking appropriate professional advice from us.

Mortgage eligibility, affordability, and approval are subject to lender criteria and credit assessments.

Your property may be repossessed if you do not keep up with repayments on a mortgage or finance agreement. Bridging finance is subject to approval and may not be suitable for all applicants.