

### Bridging Loans – frequently asked questions

<b>Question:</b>	<i>How much can I borrow using a bridging loan?</i>
Answer:	Usually 70% of the purchase price or value. Some lenders may go to 75% or even 80% dependent on the case. 100% loans are available with extra security and some lenders may lend against the market value of the property even if this is higher than the purchase price.
<b>Question:</b>	<i>How long does it take to arrange a bridging loan?</i>
Answer:	It could days, weeks or months, dependent on the case. Usually you should allow 4-6 weeks and make sure everyone involved understands the timescales and the urgency. It can be done quickly if necessary.
<b>Question:</b>	<i>What are the usual costs?</i>
Answer:	<p>It depends on the case but, expect to pay:</p> <ul style="list-style-type: none"> <li>- 1 – 2% lenders arrangement fees*</li> <li>- Broker fees*</li> <li>- Lenders legal costs*</li> <li>- Valuation fees</li> <li>- Insurance and administration costs*</li> <li>- Exit fees**</li> </ul> <p>*these fees <u>can</u> be included in the loan. Interest can also be included in the loan or paid monthly.      Valuation fees are usually paid direct to the company carrying out the valuation of the property      ** not all lenders charge exit fees.      You may have to pay stamp duty land tax, check the rate.</p>
<b>Question:</b>	<i>Are interest rates higher than normal loans and mortgages?</i>
Answer:	You should expect rates to be higher, it will depend on the type of loan, the size of the loan and the term. Usually charged monthly, rates start at around 0.45% per month.
<b>Question:</b>	<i>How long can I take a bridging loan out for?</i>
Answer:	Usually from 1 month to 5 years, some lenders will lend for a maximum of 12 months and some may have a minimum term of 3 months
<b>Question:</b>	<i>Can I pay the loan early and, if I do will I incur a penalty?</i>
Answer:	Yes and No, (excluding exit fees, if charged and minimum term, if applied) the lender would normally allow you to pay back early, impose no penalties and only charge interest for the time you have had the loan.
<b>Question:</b>	<i>What is the minimum bridging loan available?</i>
Answer:	Loans are available from £5,000. Many lenders will have a minimum £50, 75K, 100K or even more. Expect rates to be higher on smaller loans.
<b>Question:</b>	<i>I want to refurbish and improve a property; can I get extra funding on a bridging loan to pay for this?</i>
Answer:	Yes, there are products available to assist with the refurbishment costs, see refurb FAQs
<b>Question:</b>	<i>Can I take a bridging loan out on a property with a mortgage on it?</i>
Answer:	Yes, this is possible, it's called a 2 <sup>nd</sup> charge bridging loan and will be calculated using the equity in the property. The current lender holds the 1 <sup>st</sup> charge.

<b>Question:</b>	<i>Can bridging loans be secured against any property?</i>
Answer:	Potentially yes, residential, commercial and semi-commercial properties can be considered.
<b>Question:</b>	<i>Can I use a Ltd company to take out a bridging loan?</i>
Answer:	Yes, new Ltd Companies, trading companies, individuals and Limited liability partnerships. You would normally need to provide a personal guarantee
<b>Question:</b>	<i>Are the rates higher if I use a Ltd company?</i>
Answer:	No
<b>Question:</b>	<i>Is it better to apply in a Ltd Company rather than personal names?</i>
Answer:	That is a question for your accountant or tax adviser
<b>Question:</b>	<i>Do I have to use bridging finance if I want to buy at Auction?</i>
Answer:	No, you don't have to but, you do need to consider the timeframe as you may only have 28 days to complete the purchase or risk losing your deposit. Bridging Loans are not guaranteed to complete in 28 days but may be better for this purpose. Its important you make everyone aware if you have limited time to complete, especially, your solicitors who have a lot to do. They have to be experienced in handling bridging loans, check before you instruct them to act on your behalf.
<b>Question:</b>	<i>Do I need an income?</i>
Answer:	Yes, if the loan overruns you may have to service the debt from income
<b>Question:</b>	<i>How long do I have to own the property before I can re-mortgage to a buy to let?</i>
Answer:	1 day. Many lenders will have a "6-month rule" but not all
<b>Question:</b>	<i>What would lenders normally ask for when applying for a bridging loan?</i>
Answer:	Again, it will vary on a case by case basis but typically: <ul style="list-style-type: none"> <li>• Application (all borrowers or parties to the loan)</li> <li>• Proof of ID and address</li> <li>• Good credit profile (credit report)</li> <li>• Proof of deposit and where funds held</li> <li>• Statement of assets and liabilities</li> <li>• Exit Strategy</li> </ul>

We cannot answer all questions for all possible scenarios. Above are the most common. If you are looking to purchase and need a quote, get in touch.

***Broker & Advisory Services***

**WP Property Finance**

**Mortgage & Loans Specialist**

**Residential \* Buy To Let \* Bridging Loans \* Commercial Finance \* 1<sup>st</sup>, 2<sup>nd</sup> Charge**

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