Bridging loan guide

Buy or sell first? Let's bridge the gap.



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1 What is a bridging loan?

A home loan to help you buy before you sell

Our Bridging Loan lets you buy a new home now while you wait to sell your old one, later. It's that easy. When you sell your old property, the sale funds are used to pay down your Bridging Loan, after which the loan remaining will convert to a standard variable home loan.

Our Bridging Loan gives you the flexibility to buy now and sell later. Enjoy the benefit of owning your new home today and the breathing space to sell your old home in the future, on your terms.

As the name implies, a bridging loan is there as a bridge to help you transition from your old house to your new one. Usually, the bridging period of a bridging loan has a term of six to 12 months. This means you have to follow a strict deadline when selling your home.

Looking for flexibility to buy now and sell later? <u>Book a call</u> with one of our Bridging loan lending specialists.



2 How does a bridging loan work?

If you are eligible for a loans.com.au bridging loan, this means we will typically take over the debt on your current mortgage while also providing finance for your new property.

The size of your bridging loan may depend on the following:

- 1 The purchase price of your new property.
- The remaining balance you have on your current home loan

These two factors make up your 'peak debt' or the total amount borrowed from us. Your peak debt may also include other costs such as legal fees or stamp duty,

Once the previous property is sold, the net proceeds of the sale will be used to pay off some of the peak debt.

After, you'll be left with the 'end debt' and your bridging loan will function as a typical mortgage. If your old property isn't sold within the bridging loan term, other conditions may apply.

To discuss your bridging loan options, feel free to <u>book a chat</u> with one of our bridging loan lending specialists.

Bridging loan interest rates

Generally, bridging loans have higher interest rates compared to the traditional home loan.

The interest you pay throughout your loan will be determined when you apply online or chat to one of our lending specialists.

You may accrue interest on your existing mortgage and the bridging loan. The interest rate on the unpaid debt from your previous home loan may be capitalised and added to the peak debt.



Bridging loan terms and repayments

At loans.com.au, we don't charge interest on our bridging loan for the first three months of the bridging period.

For months four through to six, the interest accrued will be capitalised and added to the peak loan debt.

From months seven to twelve of the bridging finance period, monthly interest-only repayments will be charged.

The bridging period for bridging finance usually come in six to 12-month periods. It's unusual to find bridging loans longer than 12 months because these are designed to be short-term property finance solutions.



Difference between open and closed bridging loans

There are two types of bridging loans you can choose from.

Although both offer short-term property finance, the conditions for these loans are different.

Open bridging loans

An open bridging loan is used when you haven't sold your current property yet. You can take out an open bridging loan if you've found a property you want to buy but still have your old home on the market. This is a more open-ended loan.

Closed bridging loans

A closed bridging loan is for those who have a Contract of Sale on their old home. This is for those who are in the process of transferring the property and know when it will be sold. For this type of bridging loan, you may pay the loan and the accrued interest fees on the date your old home is sold.

Looking for flexibility to buy now and sell later? Find out if a Bridging Loan could be right for you.

3 How do I qualify for a bridging loan with loans.com.au?

loans.com.au will typically look at the following before approving your bridging loan application:

- ✓ Home equity
- ✓ End debt
- Sale contract if you opt for a closed bridging loan, we will ask for proof of sale or a copy of the sale contract for your existing property.

Want a low rate bridging loan? Get in touch with loans.com.au.

Learn more about bridging loans and how we can assist with your move!

Contact one of our friendly lending specialists today and let them help you achieve your real estate goals.



4 Bridging loan structure



5 Customer scenarios



Meet Jude

Jude intends to sell his current property – which is a townhouse. However, before he is able to sell his apartment, he sees a house has come on the market in an ideal location reducing his commute to the office and is also closer to family and friends. He doesn't want to miss the chance to buy his dream home, so he contacts his loans.com.au home lending specialist as a bridging loan could be the answer.



What is a Bridging Loan?

A Bridging Loan gives you the funds to buy a new home now while you work to sell your old one within a 'bridging' period of either 6 or 12 months, starting from when you settle your new property.

How does a Bridging Loan work?

The loan on your current home is refinanced and bundled with the loan amount of your new home to make the Bridging Loan. The bridging period of the loan exists until you sell your old home, at which point the sale funds are applied to reduce your loan, which then converts to a standard variable home loan against just your new property.

Can Bridging Loan be pre-approved?

Yes. You can apply for a pre-approval on your Bridging Loan. Book a chat with one of our home lending specialists.

How much deposit do I need?

You will need at least 20% deposit to be eligible.

How long do I have to sell my old home?

You can take 6 or 12 months to sell your home, depending on the bridging period you choose.

Who is eligible for a Bridging Loan?

Our Bridging Loan is available to customers who are selling their existing owner occupied or investment property, to purchase a new owner occupied property. The new purchase must be owner occupied.

Do I pay interest during the bridging period?

Depending on the bridging period you choose, interest may be charged. The interest charged during a bridging period is structured as follows:

Months 1 to 3: No interest charged and no repayment required.

Months 4 to 6: Interest charged monthly, interest will be capitalised (added) to principal loan amount, no repayment required.

Months 7 to 12: (if 12 month bridging period selected) Monthly interest only repayments required.



6 Bridging loan terminology

Bridging Ioan

A short-term borrowing product that is designed to bridge a financial gap.

What are bridge debt terms?

A bridge loan isn't designed to replace longterm financing in the form of a traditional type of home loan. It's meant to be repaid within roughly 1 – 3 years. For this reason, a bridge loan is considered a type of non-mortgage or specialty financing rather than a traditional mortgage.

What are the terms used in loan?

There are two main parts of a loan: The principal, which is the money that you borrow. The interest, this is like paying rent on the money you borrow.



9 Contact us



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Email customercare@loans.com.au



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