

What can a bridging loan be used for?

Education

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Finding yourself in a position where you need a quick injection of funds can be difficult. Losing out on a new property, failing to finance renovations, and chain breaks are all real issues residential buyers, property developers, and investors face. It is no secret that high street lenders are failing to provide short term finance solutions. Fortunately, bridging loans have stepped up to the plate as the perfect temporary property finance solution for borrowers.

Below, we not only discuss what bridging finance actually is but highlight the ways in which it can be put into action.

What is bridging finance?

Let's start with the basics. Bridging finance (or a bridging loan) isn't a magical instrument that you can use to buy loads of houses for free. However, it does give you the leverage to operate as a cash buyer

(meaning potentially far better property deals) without being a cash buyer. Typically, bridging finance is used by people who are buying a property but are waiting for the sale of another property to complete. The funds can be used to facilitate the purchase of property and the borrowed funds are used to bridge the gap when cash is required.

Bridging finance can be used between properties

Bridging loans are becoming increasingly popular with residential buyers. There can often be a gap between completing on the sale of a property and securing a dream home. Bridging finance can provide the funds to facilitate the purchase of a new property before the current home is sold.

Building an investment portfolio

One of the most common uses of bridging loans is to help finance buy-to-let investment properties. Many landlords and property investors are reliant on rental income from current properties to help fund the purchase of another venture. However, bridging loans can help investors expand at a quicker rate and help build their portfolio.

Renovation costs

Bridging finance is popular with developers or landlords who want to inject cash into the renovation of a property. Many high street lenders are reluctant to help out in this situation. Fortunately, bridging finance can be used and, typically, owners sell upon renovation completion.

Commercial properties

Did you know that bridging finance can be used for commercial properties too? In fact, finance can be secured for commercial development, land development, and even to acquire farmland too.

Buying at property auctions

If you're purchasing a residential or commercial property at auction you will be required to pay a deposit. This can be at short notice and bridging finance can be used to settle this deposit or the entire cost of the property.

Chain breaks

Countless property sellers have been in a position where a buyer pulls out at the last second. For those who were already in the process of securing a new home, bridging finance can be used to purchase the new property, without relying on the funds from the sale of the previous endowment.

Could a bridging loan be for you?

Do you find yourself fitting into one of the categories above? Bridging finance could be a viable option for you, whether you're a residential buyer, property developer, or property investor. There is no cookie cutter approach to bridging finance, which is what makes it an ideal solution for so many different financial circumstances.

Regulated vs unregulated bridging loans

It should be noted, however, that you can also get different types of bridging loans. You can get regulated and unregulated bridging loans. Regulated loans are regulated by the FCA while unregulated ones are not. Put simply - a regulated bridging loan is a loan that is secured against a property that the borrower (or their immediate family) currently or intends to occupy. The most common use of a regulated bridging loan is where there is a chain break. In contrast, bridging loans are unregulated where the secured property is for an investment or business purpose. For example, securing commercial real estate quickly.

Therefore if you are requiring an unregulated bridging loan and you'd like to discover more about [borrowing](#) from TAB, get in touch with a member of our sales team today. If you are a potential borrower please contact sales@tabhq.com or call 0208 057 9070.

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