

Can I use bridging to buy a house?

Education

20.05.21

Residential bridging loans provide short-term finance for many to cover a property purchase until a mortgage can be arranged. These loans can also help to bridge the gap between buying a new home and selling another property. If you're in the process of property hunting, perhaps you have your eye on a buy to let investment, a [residential bridging loan](#) can help you obtain ownership. This gives you breathing space to then secure long term finance from a mortgage provider.

In the past, there were numerous drawbacks for residential property investors. Securing finance to develop a new property or purchase a buy to let venture was not available from high street banks. Bridging finance companies stepped in, allowing private investors or institutional funding to lend capital and benefit from higher interest rates. For those with property portfolios, bridging loans were the finance solution that was greatly needed.

Below, we highlight the various circumstances where bridging finance would be an ideal solution. It should be noted, however, that you can 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. In contrast, bridging loans are unregulated where the secured property is for an investment or business purpose.

Buying before you sell

Traditional residential sales involve you selling your current home alongside purchasing a new one. The equity from your current property is released and used against the purchase of the new house.

Bridging loans can be used as an alternative solution to complete on buying a new home before you've sold up. As a homeowner, you may find bridging finance a suitable option if:

- Your current home is taking too long to sell
- You don't want to miss out on a dream property
- You have experienced a chain break
- Your buyer has let you down last minute
- You have negotiated a great deal based on a fast sale
- You don't want to rush selling your current property
- You want to buy a new home and carry out repairs on your old property to add value

Buying a house using bridging finance isn't just for landlords and investors. Residential homeowners can benefit from bridging loans to help in a number of scenarios.

Purchasing an investment property

Residential bridging loans aren't just used to manage and simple sale and purchase transactions. They are widely used by investors and landlords too.

If you're either of these parties, you will want two things from a new property:

- Strong rental yield
- Capital appreciation at sale

Very few of us are in a cash buyer position and it is unlikely you have the finances to secure your buy to let mortgage without a deposit. This is where a bridging loan can be used. You can borrow funds to allow for the purchase of the new property, as well as complete any renovation or development required. Once this is finalised you can then secure a mortgage.

Lease extensions

Like funding the purchase of a property and any subsequent improvements, bridging finance can be a way to secure a home with a short lease. Let's say you have your eye on a flat that has incredible rental potential. It's on the market for an incredible price. What's the catch? The lease expiry date is just around the corner. This can put many buyers off as most traditional lenders won't approve a mortgage on the flat for this reason.

A residential bridging loan can be used to cover the purchase of the property, as well as the cost of a lease extension. So, you can still buy the flat at its great price and extend the lease. Once this issue has been ironed out, you can then secure a mortgage on the property.

If you'd like to discover more about unregulated [borrowing](#), get in touch with TAB today. As a potential borrower, you can also email sales@tabhq.com or call 0208 057 9070 for expert advice from our friendly team.

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