

Top ten questions to ask before applying for a bridging loan

Blog

03.04.25



A **bridging loan** is a valuable short-term financing solution for borrowers. Whether you are looking at **residential or commercial bridging loans**, asking the right questions before applying can help you make an informed decision. Here are the top ten questions to consider before proceeding with a bridging loan application.

1. What is the purpose of the loan?

Understanding the purpose of your **bridging loan** is essential to ensure it aligns with your financial goals. Common uses include securing property purchases with tight deadlines, purchasing property on auction, financing renovations to enhance property value, or bridging temporary gaps in funding

to facilitate smooth and timely transactions. Clearly defining the purpose will help you choose the right loan structure and ensure it meets your specific needs.

2. How much can I borrow?

Loan amounts can vary based on factors such as the value of the property, loan-to-value ratio (LTV), and the lender's criteria. Our [bridging loan calculator](#) can help estimate how much you may be eligible to borrow, depending on your term, security, and assets.

3. What are the interest rates and fees?

Bridging loans generally come with higher interest rates compared to traditional mortgages, as they are designed for short-term use. This is due to the fast-paced nature of the transactions they support. At TAB, our maximum term for bridging loans is 24 months, with rates from 6.00% pa over Bank of England base rate and no exit fees. We believe in transparency, so you can be confident in understanding all the costs involved before moving forward. It's important to weigh these terms carefully to ensure the loan suits your financial situation and goals.

4. What security is required?

Most bridging loans are secured against property as an asset for collateral. The type of security required will depend on the lender and the type of loan, either a [residential bridging loan](#) or a [commercial bridging loan](#).

5. How long is the loan term?

Bridging loans are designed for short-term use, with TAB, there is a minimum term of one month, and the maximum term is 24 months. It is important to choose a loan term that aligns with your loan strategy and repayment plan.

6. What is my repayment strategy?

Lenders will require a clear exit strategy, such as refinancing, selling the property, or securing long-term finance, particularly with a **commercial mortgage**. Having a solid plan in place, including your funding requirements, timeline, and exit strategy, helps ensure a smooth and efficient process from

enquiry to completion.

7. Can I repay the loan early?

Yes, you can. Some bridging loans allow early repayment without penalties, while others may include exit fees. At TAB, we do not charge early repayment fees or exit fees on our bridging loans, giving you the flexibility to repay at any time without incurring additional costs.

8. Are there alternatives to a bridging loan?

While residential and commercial bridging loans are a popular choice for short-term financing, there are alternative options available that might better suit your specific needs:

- **Development loans:** Tailored for property developers, this type of funding supports ground-up construction projects or significant renovations. It typically covers both the purchase of the land and the construction costs.
- **Refurbishment Loans:** Ideal for borrowers looking to undertake light to moderate refurbishments to the property, these loans provide the necessary funds to enhance a property's value before selling or refinancing.
- **TAB Mortgage:** For those seeking longer-term financing solutions, TAB offers commercial mortgages, for both commercial and residential investments. Designed with the same approach as our fast and effective bridging loans. Our longer term mortgage comes with exit fees, but we offer ESG discounts for those landlords who make ESG improvements to their property over the duration of the loan which can reduce your exit fee.

It's important to carefully review the specific terms and conditions of each option to ensure you select the right product that aligns with your financial goals and the purpose of your loan. Making an informed choice is key to securing the best solution for your needs.

9. How quickly can the loan be approved?

A key advantage of bridging loans is their speed and efficiency, ensuring a swift process without compromising due diligence. Many lenders can provide funding within days or weeks, making them well-suited for time-sensitive transactions. It's always best to confirm the expected timeline before applying.

10. What are the risks involved?

Like any financial product, bridging loans come with risks. Market fluctuations, interest rate changes, and delays in your repayment strategy could impact your loan. Understanding these risks will help you make well-informed decisions.

Applying for a bridging loan requires careful consideration of your financial situation, loan terms, and repayment strategy. By asking these key questions, you can navigate the process and secure the right loan for your needs. For more details, check out our [FAQ's](#), where we answer common questions to guide you through the process.

This article is for information only and does not constitute advice or a personal recommendation. TAB is not authorised by the Financial Conduct Authority and TAB loans are unregulated so will not lend on your principal property. You will have no access to the Financial Ombudsman Service (FOS). Any property used as security is at risk of repossession if you do not keep up with your payments. If you are unsure of the risks, you are advised to obtain appropriate professional advice.

Capital is at risk. Property values can go down as well as up. Borrowers may default and investments may not perform as expected. Interest and income are not guaranteed. Returns may vary. You should not invest more than you can afford to lose. TAB is not authorised by the Financial Conduct Authority. Investments are not regulated and you will have no access to the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS). Past performance and forecasts are not reliable indicators of future results and should not be relied on. Forecasts are based on TAB's own internal calculations and opinions and may change. Investments are illiquid. Once invested, you are committed for the full term. Tax treatment depends on individual circumstances and may change.

You are advised to obtain appropriate tax or investment advice where necessary. Understand more about the key risks [here](#).

TAB is a trading name of TAB London Limited. Registered in England and Wales with registration number: 11225821 and whose registered office is at 101 New Cavendish Street, London W1W 6XH.