

UNDERSTANDING CONVEYANCING: USING A BRIDGING LOAN

What is a bridging loan?

A bridging loan is a short-term loan, usually taken out for no more than 6-18 months, used to bridge a financial gap between the purchase of a new property and the sale of an existing one where funds are needed very quickly. It is typically used by property buyers who need to secure funds quickly to purchase a new property before they have completed the sale of their existing one.



A bridging loan is typically secured against the borrower's existing property and is classed as a mortgage in its own right. The loan amount is typically based on the value of the existing property, the equity in it, and the value of the property being purchased. The borrower will also be required to pay interest on the loan, which can be either rolled up or paid monthly.

Why might they be needed?

Usually, bridging loans are used where a client is purchasing a property where other funds or a 'high street' mortgage are not available, or not available within the time restraints required.



What is the process?

Usually instructions go through to a conveyancer straight from the bridging lender directly. The conveyancer will open a file and go through their due diligence process. Once complete, they then begin the legal work – which includes ordering and reviewing searches (if your bridging lender requires this), reviewing the legal title to the property, along with other contract and property documents. They usually receive your mortgage offer from the lender amongst this process, once they have undertaken a valuation. Once the conveyancer is satisfied with all enquiries and documents, they can then report to you on the same with documents to sign and return, and bring your matter to a conclusion. At Lightfoots we also act on separate representation matters, where you might have your own local or family solicitor acting for you in the transaction, but they are not on the panel of approved solicitor firm's for the particular bridging lender you are using, so we step in to review the transaction for the lender on their behalf.

What are the advantages of using a bridging loan?

If all goes smoothly, you can usually get funding much quicker than by using a 'high street' mortgage. Some bridging lenders can offer funding where 'high street' lenders can't, and have more flexible requirements.

What are the disadvantages of using a bridging loan?

Interest rates can be high. Some bridging lenders can have quirky requirements and additional hoops to jump through. Bridging loan fees for valuations and legal fees can be high.



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How can we help?

We've helped generations of clients buy and sell their homes and are proud of our unrivalled reputation of excellence. Our award winning residential conveyancing service is provided from both our Thame, Marlow and Princes Risborough offices, helping clients buy and sell their homes in Oxfordshire, Buckinghamshire and across the UK. So whether it's your first home, new home or retirement home you'll be in safe hands. At each of our offices, you will have a dedicated, experienced and qualified Conveyancer or Solicitor acting on your behalf from day one until the day of completion.

YOUR RESIDENTIAL CONVEYANCING TEAM



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