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MORTGAGE TEAM

Bridge Financing: Everything You Need to Know

Bridge Loan: What Do You Need to Know?

- What is bridge financing?
- Is the Bridge Loan Right For You?
- Advantages & Disadvantages of Bridge Loans
- Bridge loan's qualification criteria

What is bridge financing?

KEY THINGS TO KNOW

A bridge loan is used when you've bought a new home and the closing date happens before your old home closes. It is a temporary financing option, designed to help homeowners "bridge" the gap between the sale of an existing home and the purchase of a new one.

You can use the equity in your current home for the down payment and closing costs on your next property purchase, while you wait for the sale of your current home to complete.

To qualify for a bridge loan, a Firm Sale Agreement must be in place on your existing home.

Is bridge financing right for you?

Is Bridge Financing Right For You?

Like your home buying situation, your home financing needs are unique. Here are some tips to help you decide:

- You need time between closing dates. Maybe you want to move into your new home before your current home closes to do some renovations. In that case, bridge financing may be an option;
- Have chosen a new home and are in a seller's market in which houses sell quickly;
- Want to purchase a property, but the seller won't accept an offer contingent on the sale of your current home;
- Can't afford a down payment on the new property without first selling your current home;
- Want / need to close on a new home before selling your current home;

Keep in mind, bridge financing is a **short term** (typically 15 to 90 days) **loan for the down payment.**

The rest of the mortgage will fund at a regular mortgage rate, at the agreed-upon terms and amortization. It's the loan for down payment and closing costs, that the bridge financing terms apply to.

What are the Advantages and Disadvantages of Bridge Loans?

Potential Advantages

- Gives you a peace of mind by giving you more time to sell your home;
- Can prevent you from having to accept a lower offer on your old home;
- Can help you buy a house before yours sells;
- Allows you to use the equity in your current home for a down payment on your new home;
- Can give you the funds and time to make upgrades to your new home before moving in;
- Bridge loan only needs to be paid off once you sell your old home.

Potential Disadvantages

- Higher interest rates than some other types of loans, like HELOCs or conventional financing;
- Can vary widely in terms, costs and conditions;
- Lenders typically require borrowers to have at least 20% home equity;
- Additional cost of higher rates and fees to attain bridge financing.

Next Steps?

For more help please email the The Morrison Mortgage Team

EMAIL advice@morrisonmortgages.com

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