

A bridge to your dream home

Buy now, sell later



This information booklet will help you understand how bridging loans work and if it could be a tool to secure your dream property.



community
first bank

Demystifying Bridging Loans

You may have heard of the term Bridging Loan, wondered how it works, and how it can help you purchase your new home.

A bridging loan, also known as bridging finance or bridging mortgage, is a short-term loan used to bridge the gap between purchasing a new property and selling an existing one. In Australia, bridging loans are commonly used by homeowners who would like to secure a new property but have not yet sold their current one.

No matter whether you are upsizing, downsizing or simply relocating, a bridging loan could be the answer when your purchase and selling dates don't align. Here's a detailed breakdown of how bridging loans work, including the steps, benefits, understanding how they operate, and some available options.



How it Works: The Steps



1

Application:

The borrower applies for a bridging loan through a bank or a mortgage broker. The application process involves providing financial information, details about the new property if known, and some updated information around their existing home.

2

Approval:

Although the borrower loan amount will be highest when you have both properties, the bank will work off the expected loan amount once the new home and the old home is sold.

3

Accessing Funds:

The bridging loan funds will be used to payout the existing mortgage and purchase the new home. This allows the borrower to secure the new property without having to wait for the sale of their current property.

4

Ownership Transfer:

Upon purchasing the new property, the borrower becomes the owner. They now have two properties: the new one and the one they are selling.

5

Sale of Existing Property:

The borrower proceeds with selling their existing property. Once the sale is completed, the proceeds are used to repay the bridging loan, including any accrued interest and fees.

6

Transition to Long-Term Finance:

Depending on the scenario and structure of the bridging loan, the borrowers may have an end debt – an ongoing loan that continues after the bridging loan has been paid out and closed.

This loan becomes the mortgage on their new home.



The Benefits

A bridging loan can facilitate a seamless transition:

Bridging loans enable homeowners to smoothly transition from one property to another without waiting to sell their existing property.

Feel less rushed: Members have time to move into their new home at their own pace, and make updates to their current property to prepare it for sale. This can be less frantic at an already stressful time.

Opportunity to secure desired property:

Borrowers can seize opportunities in the property market by securing their desired dream home before it's sold to someone else.

You can minimise moving costs:

A bridging loan means you only have to wear the cost (and hassle) of moving once. On the other hand, if you sell before buying elsewhere, you could be up for rent on temporary accommodation, and have the added expense of moving furniture twice.

FLEXIBLE

You have up to 12 months from the date of settlement of your new property to repay your Community First Bridging Loan. Usually the sale of your current home will pay out the bridging loan

SIMPLE

Unlike some lenders, our bridging loans are interest only, excluding the end debt. No repayments are required during the bridging period which can help with budgeting.

CHOICE

If you'll still have a loan after paying out the bridging loan, choose from one of our other competitively priced home loans for this part of the loan.



What to Look Out For

Costs: Bridging loans typically come with higher interest rates and fees compared to standard mortgages. A Community First Mortgage Specialist can help explain the costs involved.

Timing Risks: There's a risk that the existing property may take longer to sell than expected, leading to a longer bridging period and higher interest costs.

Market Fluctuations: Changes in the property market can impact the sale price of the existing property, affecting the amount available to repay the bridging loan.

Length of Term: A Bridging Loan is designed as a short-term option and allows the borrowers a maximum of 12 months to sell their current home.

Eligibility: A bridging loan may not suit all people or be available for all members. To determine if you meet all the eligibility criteria speak with a Community First Bank Mortgage Specialist.



Let's look at an example of how a Bridging Loan would operate

John and Mary are in the process of selling their current house, however, they've already found their ideal dream home before finalising the sale of their current property.

To ensure they don't lose the chance to buy it, they choose to take out a bridging loan. This loan allows them to purchase their dream home before selling their current one, bridging the financial gap between the two transactions.



EXAMPLE



Options To Consider

Whilst a bridging loan can be a useful tool for homeowners looking to purchase a new property, it is essential to weigh the benefits against the costs and risks involved and proceed with caution.

A bridging loan is short-term finance that can help you buy the dream home you've found while giving you up to 12 months to sell your existing home.

What are my other options?

Alternatively, if you are planning on selling and have a current mortgage there may be other options you can consider.

It might be possible to arrange a simultaneous settlement, or even complete a substitution of security on your current mortgage which could save you both time and money.

We recommend contacting us to explore all your options. A Community First Mortgage Specialist will be able to take you through each scenario to allow you to make an informed decision on the best choice for you.

You can view:
Target Market Determination here.



Giving yourself a head start

The decision to take a bridging loan can be both exciting and daunting as homeowners navigate the delicate balance of selling their current property while securing a new one. Here's some tips to keep in mind to help guide you down a smoother path:

- Do the maths and give yourself a buffer. It's important to chat to your Community First Mortgage specialist and real estate agent to work out the costs, repayments and how much you can borrow based off some worse case scenarios rather than best case scenarios. That way you'll be able to withstand any shocks to your budget or borrowing power and avoid any nasty surprises.
- Get a hand in running the numbers: If you're property hunting now, be sure to talk to a Community First Mortgage Specialist before you make any offers. The maximum LVR during the peak debt is 70% so if you haven't built up a lot of equity and don't have a deposit to contribute to your next purchase, you may not be eligible for a bridging loan. It's always a good idea to talk to your lender and understand your affordability based on your current circumstances before you tread too far down a certain path.
- Prioritise getting your home sale ready. If you need to do any repairs or renovations to your home prior to selling, it may be better to get these out the way before you commit to purchasing another property. If any delays should occur then it won't impact the 12 month timeframe you have to sell the home under the bridging loan. Plus, you can get a more accurate appraisal from the real estate agent if they're able to see the finished product, which helps with estimating your budget.





This information on this brochure is general advice only and does not take into account your objectives, financial situation or needs (your “personal circumstances”).

Before deciding whether to buy any product you should consider your personal circumstances. You should read and consider the Terms and Conditions when deciding to use any product (terms and conditions, fees and charges may apply).



Our product Conditions of Use are available at:

<https://communityfirst.com.au/support/important-information/disclosure-documents>

For more information chat to one of our banking specialists on:

1300 13 22 77

or go to the website:

<https://communityfirst.com.au/products/bridging-loan>

