



BRIDGE IT.

Everything you need to know about bridging finance.

Intermediaries only.

PRECISE.



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As part of OSB Group, Precise sits alongside some of the industry's most acclaimed specialist lenders, working exclusively with intermediaries.

PRECISE. **RELY** **InterBay**

WHAT'S BRIDGING?

A bridging loan is a short-term, secured loan used to “bridge the gap” between needing funds and receiving them, typically for property transactions like buying a new home before selling an old one or securing quick finance for auctions or development.

These loans offer speed, using property as collateral, with repayment coming from a planned “exit strategy” like a future sale or long-term finance.





WHEN TO USE BRIDGING.

Bridging finance can be used for any legal purpose. Typical examples of short-term finance include:

- Buying a new property before selling an existing one
- Purchasing where quick completion is required, like at auction
- Refurbishing a property
- Raising funding quickly, for business or personal use
- Change of use such as HMOs/multi-unit conversions
- Home improvements for EPC, extensions, barn/garage/loft conversions
- Developer exit

REGULATED OR NON-REGULATED?

Regulated

In simple terms, a regulated mortgage contract is a loan secured by a charge over a residential property which has been lived in by the applicant or a family member.

Non-regulated

The loan is non-regulated if it's secured against a property that the applicant has never, and will never, reside in. For example, purchasing a buy to let property to retain or develop.

WHAT'S THE MAXIMUM TERM AVAILABLE ON A BRIDGING LOAN?

Regulated bridging loan terms are a maximum of 12 months with non-regulated terms up to 18 months. Minimum terms for both are one month and interest is charged daily. At Precise, our minimum term is one month, after which the interest is paid to the day the loan is redeemed.

SERVICED INTEREST VS RETAINED INTEREST.

Serviced interest is when the interest is paid monthly by the customer to the lender similar to a standard mortgage or loan.

Retained interest is when the monthly interest payment is not paid monthly by the customer, but is instead added to the original loan balance and paid when redeemed.

HOW LONG DOES IT TAKE TO COMPLETE A BRIDGING LOAN?

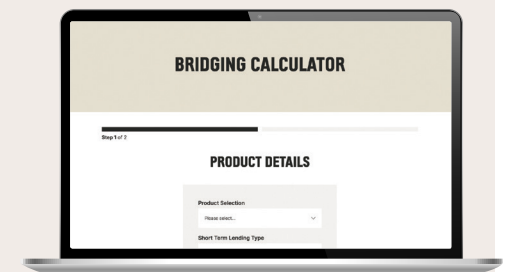
A bridging loan can typically be arranged on average in 1-3 weeks, and in some cases even faster where valuations and legal work move quickly. This could make them an ideal solution when speed is critical – whether that's securing a property at auction, breaking a chain or funding a time-sensitive opportunity.

To assist with speed, where applicable, an AVM will be used for the value of the security. When not available, a full physical inspection will be required.

Legal work can be expedited with the use of title insurance and/or the customer's choice of representation, such as dual rep legal.

CALCULATOR.

Visit our website to try our easy to use bridging calculator to compare different Precise bridging products, terms and produce illustrations.





BRIDGING EXAMPLES.

Standard bridging

No work to the property required.

Case example: customer owned a flat valued at £200k, she was relocating due to a new job and had found a property in a prime location worth £300k. The customer originally had a buyer for her current property but the sale fell through. The customer didn't want to miss out on purchasing the new property.

We were able to provide a regulated bridging loan for the full purchase price of the property and secure against her current 2-bed flat and the onward purchase property, to give her time to sell her existing property and not miss out on purchasing her new house.

This gave the customer 12 months to sell her current property and arrange a remortgage on the new property for the shortfall to repay the bridging loan.

AT A GLANCE.

Standard bridging

£200K

Current property value

£300K

Purchase price

£300K

Bridging loan

12-MONTHS

Term to exit

EXIT

Sale + remortgage

AT A GLANCE.

Light refurbishment

£400K

Purchase price

£50K

Refurbishment spend

£480K

End value

£450K

Bridging loan

EXIT

Sale of £600K property

Light refurbishment

The property needs some form of material improvement, without changing the footprint.

Case example: customers owned a large property, they wanted to downsize and purchase a bungalow in the local area. Bungalows in that area didn't come on to the market very often and were always sold quickly.

The couple agreed to purchase the property for £400k. The bungalow required modernisation including a new kitchen, bathroom and redecorating throughout. This would have cost them around £50k in total and was going to take around 3 months, but once completed would increase the value to £480k.

The couple owned their current residential property with a value of £600k unencumbered. They wanted to purchase the bungalow quickly to ensure they didn't miss out and due to their age they wanted to get the refurbishment work done to the bungalow before they moved in.

We were able to provide a light refurbishment bridging loan of £450k (net) to allow them to purchase the property and fund the refurbishment work. The exit of the bridge was the sale of their current property worth £600k. They were able to move into the bungalow once the work had been completed.

Heavy refurbishment

The property needs some major works, is a self-build, or requires extensions or major structural changes.

Case example: customer was an experienced landlord developer who purchased properties at auction, converted them into larger HMOs, and then refinanced them with HMO mortgages which increased the rental yield and value of the property.

The customer had the opportunity to buy a 5-bedroom property for £650k. The customer wanted to purchase the property and convert the loft into a new bedroom and get planning for an extension on the side of the house. This would increase the property to an 8-bedroom HMO. They had already spoken to the local council who advised that given the area, planning should be achievable.

We were able to lend the customer 70% LTV (gross) on day one for them to purchase the property. We did this over an 18-month term, to give them time to get planning permission, do the heavy refurbishment works and obtain an HMO mortgage to exit the bridge. The works cost £200k to complete and we were able to support them with drawdowns (sometimes referred to as staged releases) during the term of the bridge as the refurbishment progressed.

They obtained planning permission for the extension, completed it and repaid the bridge by refinancing the property on to an HMO mortgage at the uplifted value of £1.15m. The customer tenanted the property quickly and now has rental income from an 8-bed HMO.



AT A GLANCE.

Heavy refurbishment

£650K

Purchase price

£200K

Refurbishment

70%

LTV (gross)

£1.15M

End value

EXIT

HMO refinance



AT A GLANCE.

Auction finance

£150K

Purchase price

75%

LTV (gross)

£225K

End value

28-DAY

Completion

EXIT

Buy to let refinance

Auction finance

A bridging loan used to buy property at auction as there is usually a strict 28-day time limit for completion.

Case example: ABC limited wanted to grow their property portfolio, they decided to attend a modern auction online.

They had previously highlighted a handful of properties they were interested in and were successful at auction, buying a tired property in need of some work. They agreed to buy the property for £150k and like most auctions a 10% deposit was required with the remainder to be paid within 28 days.

We were able to lend 75% LTV (gross) day one for the purchase. We obtained an AVM to save time on a physical valuation. The customer was able to pay the auction house well within the 28-day deadline.

The customer knew the area well and expected that with modernisation the value would increase to approximately £225k. They refinanced the bridging loan with a buy to let mortgage once the property had been updated.



Second charge bridging loans

A second charge bridging loan is a short-term, secured loan placed behind an existing first mortgage, allowing property owners to unlock equity quickly without disturbing their current mortgage. Ideal for property development and property purchases which need to complete quickly such as at auction. These loans can be secured against residential or buy to let properties, some lenders may also consider commercial properties. We offer second charge bridging loans, giving you and your customers another flexible funding option when a first charge isn't available or appropriate.

Commercial and semi-commercial bridging

You can purchase and refinance commercial or semi-commercial properties through InterBay, another OSB Group specialist lender.

Hints and tips

- You could consider exploring a customer's Asset and Liability Statement (A&L) to unlock the potential of cross charging. This could mean using spare equity to reduce physical cash input, bringing down LTVs and providing access to lower rate bridging products.
- When it comes to refurbishments, a thorough schedule of works goes a long way. Be sure to include timelines and costs so the valuer has everything they need to assess the project and validate the top GDV. Taking the time to get it right can pay off.
- A carefully considered exit strategy is key to any bridge. Have a plan A and a plan B for most situations.



Refurbishment buy to let

A refurbishment buy to let mortgage (sometimes referred to as bridge to let) helps property investors purchase and renovate a property to increase its rental value. This could involve covering purchase costs and renovation expenses, often with short-term finance and a deferred refinance after works (usually within 6 months). It's typically used for light updates, though heavy refurbishment options exist, bridging the gap until the property is ready to let. Lenders base the loan on the estimated future value (gross development value) and rental income, releasing funds for the initial purchase and allowing refinancing onto a standard buy to let mortgage once completed.

Types of refurbishment

Light refurbishment: cosmetic updates like new kitchens, bathrooms, redecoration, or rewiring, not requiring planning permission or structural changes, with a typical 6-month timeframe.

Heavy refurbishment: structural changes, loft conversions, extensions, or commercial conversions, requiring planning permission and potentially a bridging loan before switching to a buy to let mortgage.



HOW IT WORKS.

① Valuation

A lender values the property at its pre-refurbishment value and estimates the post-refurbishment value (gross development value or GDV).

② Funding

Funds cover the purchase price and costs for the renovation works, often up to 75% of the pre-works value and 100% of the works, provided the GDV allows.

③ Drawdowns

Funds for renovations are released in stages as work progresses.

④ Completion and refinance

After works (within the permitted timeframe, for example 6 months), the property is revalued and refinanced onto a standard buy to let mortgage, often using the same valuer to save costs.

Key benefits

Less cash needed upfront: can fund purchase and renovation.

Faster route to rental income: converts a rundown property into a lettable asset and adds value to it.



Developer exit

Developer exit bridging finance is a short-term, specialist loan designed for property developers to repay their original, often more expensive, construction loan once a project is at or near practical completion. It provides a “bridge” in funding, offering more time and lower interest rates while the developer sells the completed units or arranges long-term financing. We offer developer exit bridging finance as an option, helping developers move smoothly from build stage to sale or refinance.

Key purposes and benefits

Developers primarily use this type of finance for several strategic reasons:

- **To reduce costs:** once a property is completed (typically “wind and watertight”), the risk to the lender is lower than during the initial construction phase, so interest rates are significantly less expensive than standard development finance rates.
- **To gain time and flexibility:** it extends the repayment deadline, preventing developers from being forced into rushed, discounted sales to meet the original loan term’s end date. Loan terms typically range from 1 to 18 months.
- **To release capital:** developers can free up equity from the completed project to start their next venture without waiting for all units of the current project to be sold.
- **To avoid penalties:** using exit finance to pay off the initial loan on time helps the developer avoid potentially costly extension or late fees from the original lender and maintains a positive lending relationship for future projects.

HOW IT WORKS.

① Refinancing

The new developer exit loan replaces the existing development finance facility.

② Security

The loan is secured against the completed or nearly completed property assets.

③ Exit strategy

Lenders require a clear and viable exit strategy (repayment plan) before approving the loan. Common exit strategies include:

③ *continued*

- Selling the individual units of the development.
- Refinancing onto a longer-term commercial or buy to let mortgage if the developer plans to retain the properties for rental income.

④ Interest payment

Interest can be paid monthly (serviced interest) or added to the total loan and paid as a lump sum at the end of the term when the properties are sold (retained interest).

BRIDGING JARGON BUSTER.

Glossary of terms.

Auction finance: a bridging loan is often used to buy property at auction as there is usually a strict 28-day time limit for completion.

AVM: automated valuation model, used by lenders to speed up the process which reduces the cost and time to value the property dependent on the type and location.

Assets and Liabilities (A&L): assets are things you own that have value, liabilities are things you owe or debts you need to repay.

Closed bridging loan: there's a fixed repayment date with a known exit strategy.

Cross charge: this means that the bridging loan is secured across two properties.

Developer exit: a short-term loan for developers used at or near completion of the project to replace more expensive development finance while the properties are completed or sold.

Dual representation: is where one agent represents both the buyer and the seller in the same transaction.

Energy Performance Certificate (EPC): an EPC is a document that shows how energy efficient a property is.

Exit fees: a charge (typically 1-2%) from the lender when the loan is redeemed.

Exit strategy: the means to repay the loan, for example selling the property or refinancing onto a buy to let mortgage.

Flipping: purchase of a property below market value and then selling at a higher price once refurbishment or development has taken place.

Gross development value (GDV): the estimated market value of the property or development after all construction or refurbishment work is completed, in other words the open market value (OMV).

Gross loan: the total loan amount including the lender's fee.

Heavy refurb: loan is used to extend property or major renovations, converting a property etc. Often planning permission and building regs are required.

House in Multiple Occupation (HMO): a HMO is a property rented by three or more people who are not from the same household but share facilities like a kitchen or bathroom.

Light refurb: loan is used to refurbish a property with no structural changes, for example, a new kitchen/ bathroom, redecoration, flooring etc. The footprint of the property is not changed.

Mezzanine finance: mainly used by developers, essentially additional funding often as a second charge registered behind the main lender on a project or development.

Net loan: the loan amount the applicant receives which does not include the lender's fee.

Non-regulated loan: secured against a buy to let or commercial property for investment of business purposes.

Open bridging loan: doesn't have a fixed repayment date offering flexibility but usually has a maximum term of 12-24 months.

Re-bridge: refinancing of a bridging loan with another bridging loan.

Regulated loan: secured against a property that the applicant (or immediate family member) has lived in or intends to live in.

Retained interest: interest is accrued and added to the loan balance with the total redeemed at the end of the loan term.

Serviced interest: interest payments are made monthly, similar to an interest-only loan.

Staged payments: funds are released in instalments on a project at pre-defined stages, this manages risk and cashflow for the borrower and the lender.

Title insurance: is a policy that protects a property owner or lender against issues affecting the legal ownership (title) of a property.

How to submit business

If you're new to the bridging process or simply need a little extra support, you can refer your case to a master broker or packager. Our Specialist Finance Account Managers (SFAMs) are also available to help you with bridging enquiries, so you can place cases confidently.



GET IN TOUCH.

For more information on Precise bridging loans,
visit our website or call **0800 116 4385**.

Intermediaries only.

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