The Loans Engine™
Specialist Finance Broker

BRIDGING & DEVELOPMENT

We start where the high street stops

August 2023

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The Loans Engine

Overview

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Overview

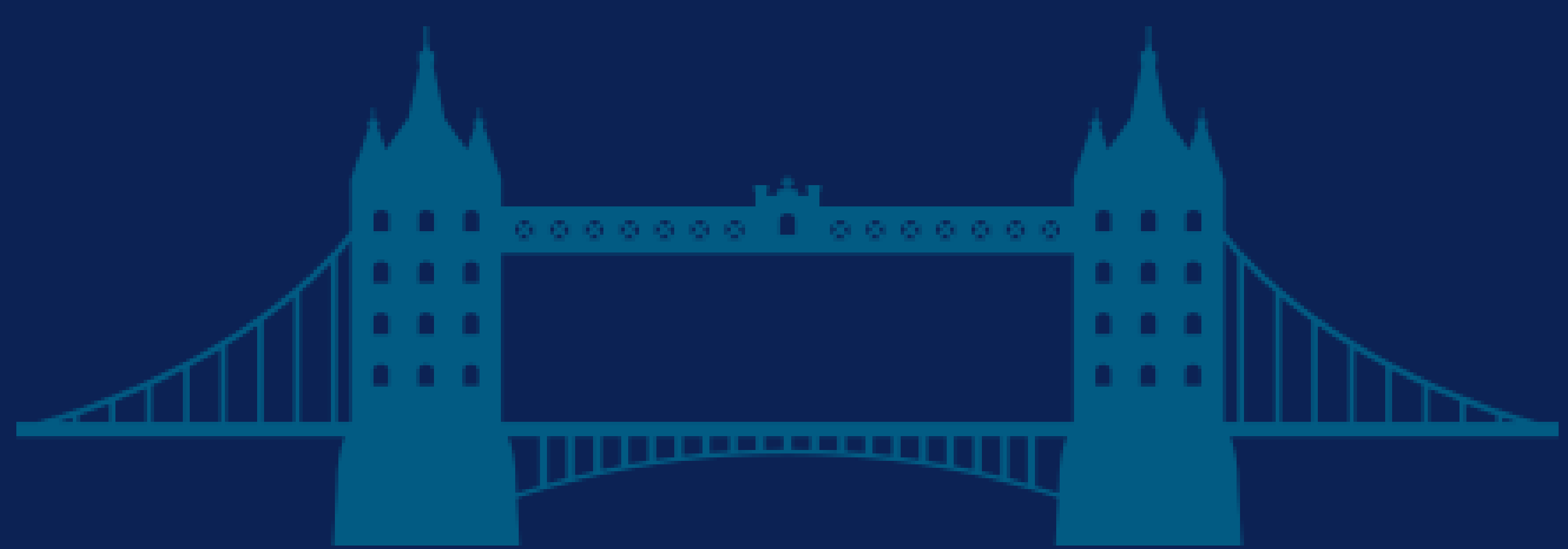
There may be situations where your clients need a fast, flexible funding solution to cover certain purposes. Our range of regulated and non-regulated bridging solutions could be exactly what is needed.

Regulated Bridging

- ✓ Up to 75% LTV over one or multiple properties combined – *see Cross-Charge*
- ✓ All property types considered
- ✓ Any legal purpose
- ✓ No exit fees (in most cases)
- ✓ Adverse credit accepted
- ✓ Loans from £10k to £50 million
- ✓ Terms from 1 to 12 months (exit dependent)

Non-regulated Bridging

- ✓ Up to 85% LTV over one or multiple properties combined – *see Cross-Charge*
- ✓ All property types considered
- ✓ Any legal purpose
- ✓ No exit fees (in most cases)
- ✓ Adverse credit accepted
- ✓ Loans from £10k to £50 million
- ✓ Terms from 1 to 24 months (longer term may be available, depending on the deal)



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Cross Charge Bridging

Overview

A significant number of bridging cases we complete involve cross-charge against additional properties.

Why Cross-Charge?

It allows the client to:

- ✓ Borrow 100% of the purchase price of a new property;
- ✓ Raise the maximum capital for funding of a heavy refurbishment project; or
- ✓ Maximise the borrowing across their property assets.

Cross-charging is key for both regulated and non-regulated bridging. It sounds complicated but the principles are straight forward.
Take the total property values, multiply by 75% (our max LTV), subtract any outstanding mortgages = available gross loan to clients.

Case study*

Client wanted to purchase a £765k property as their new main residence, but didn't want to move out of their current residence until they had been able to refurbish their new home.

Our solution:

- ✓ We raised £600k using the new property and their existing residential property as security.
- ✓ By cross-charging we were able to raise the required cash amount; and
- ✓ Get a lower rate by reducing the effective LTV to <60%
- ✓ A comfort charge was also used against a commercial property owned by the client, as sale of this was part of the exit plan.

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Residential Bridging is where the bridging finance is being secured against the client's residence or intended residence.

Why a Residential Bridge vs Standard Mortgage?

The key thing to remember, this is usually an **emotional choice!**
We explain it this way because the total costs of arranging the loan may seem expensive.
BUT – if the bridging loan allows the client to achieve their desired outcome – the cost is a means to an end.
Where this is the case, the 'emotional' decision is more important than the cost, and the case will progress!

Why would a client do this?

Chain-breaking is often the main reason. Downsizing & upsizing, taking a property off the market. Particularly important in the fast moving, sellers' market we are in.
Heavy refurbishment of their main residence (see case study below) can also be the motivating factor.

Case study*

A client wanted to build a property to live in, but their money had run out before they had completed the works.

Our solution:

- ✓ Residual value of the property: £290k
- ✓ Loan needed: £120k to finish the works, which we arranged
- ✓ Property value once finished : £525k
- ✓ Exit to repay bridge: traditional re-mortgage
- ✓ Rate: 0.55% per month (standard bridging rates, no uplift despite level of works required)

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Light & Heavy Refurbs

Overview

Bridging is incredibly valuable to property investors / developers – particularly where a property is uninhabitable or / and un-mortgageable.

Why a Bridging Loan?

This is all about increasing the property value and making a gain. If the upside is enough, the cost of the bridge is just a part of the build / works.
We explain it this way because that's what is important for the client.
Look at the case study below.

Why would a client do this?

Often, properties that have a good upside once extensively renovated are out of the reach of buyers because they are not in a mortgageable condition.
Bridging lenders will fund against the property in its current condition. This provides the client with the funds they need to purchase and renovate.
IMPORTANT - To make it worthwhile, there must be enough profit in the property once cost of works and bridging are factored in.

Case study*

Our client wanted to convert an existing swimming pool outbuilding into a single storey 4 bedroom dwelling and oak porch.

Our solution:

- ✓ Term: 12 months
- ✓ Rate: 0.78% per month
- ✓ Loan: £535,690.17 to fund all the works
- ✓ Expected GDV £850k

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Auction Purchase

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Overview

Bridging finance is synonymous with auction purchases and is often used by property developers to secure cut-price properties from auction houses.

Why a Bridging Loan?

Bridging is often needed for auction purchases because the lenders are flexible on property condition e.g. un-mortgageable properties, and the speed at which deals can be funded.

Why would a client do this?

A standard, term mortgage lender will not accept the property e.g. the property is in poor condition and a BTL or residential lender cannot accept the property because a surveyor would assess it as uninhabitable or the high street lender will not complete fast enough – the client typically has 4-8 weeks to transfer funds and complete the purchase.

Case study*

Retired couple were looking for ways to boost their pension income. They went to auction and won a property for £180,000, which had 28 days to complete under auction terms. The couple needed to raise the full purchase price of the property. They intended to get planning, add a side extension to the property and sell it on for a profit.

Our solution:

- ✓ Cross charge over the auction property and another investment property they owned – giving them the full £180,000
- ✓ Obtained competitive rates (even with the element of structural works being carried out)
- ✓ Completed within the required 28 days

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Title Splits

Overview

Having multiple properties on one title can be inefficient, limit the clients options with the individual units, and cause them to borrow at higher rates – so splitting the title of a freehold with more than one dwelling or commercial unit can be very useful.

Why a Bridging Loan?

Standard mortgage lenders will not allow the splitting of a title when they have funds secured against the property. Bridging lenders will allow the title split to occur as part of their acceptance of the case!

Why would a client do this?

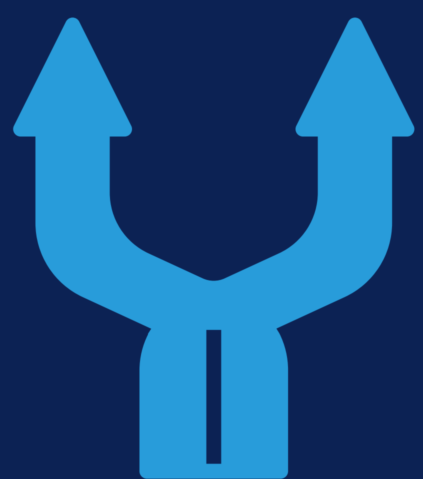
Allows the client to sell off some of the units i.e. 2 of the 4 flats previously on one title
To make it easier to mortgage each flat, shop, etc... individually.
Enhance the value of the properties by having them truly separate... or
Where they have to build a second property on existing land as in the case below:

Case study*

A client wanted to purchase a property and seek planning approval to build a second dwelling on the plot. The client also wanted to refurbish the existing property, split title and separate the potential development land when selling the original property.

Our solution:

- ✓ Term: 12 months;
- ✓ Rate: 0.85% per month;
- ✓ Loan: £210k to support the plan;
- ✓ Placed the client with a lender who is comfortable with the plan for title split and planning applications further down the line.



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Development Finance

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- ✓ Up to 70% LTV day 1 release
- ✓ 100% of building costs can be funded
- ✓ Funding from £100,000 with no maximum limit
- ✓ Repayment terms up to 36 months
- ✓ Funds are available in stages
- ✓ No experience required
- ✓ No exit fees with some of our lenders

Case study*

Our client had an opportunity to buy a plot of land with planning permission agreed. They wanted to raise funds to complete the purchase and fund the building costs. The individual had previous ground up and conversion experience. Predicted GDV was £700k.

Here was our solution:

- ✓ Full £230k offer agreed
- ✓ Funded 100% cost of works (in arrears)
- ✓ Cross charge against main residence to get full amount required

*All case studies are from 2021/2022, as such the rates shown may not reflect the current market. Please contact us to discuss available options.