



Are You A Homeowner Looking To Sell Your Home And Purchase A New Home In The Greater Memphis, TN Area?



Maybe you're wondering how to secure a down payment in the process? Getting a bridge loan may be the answer. But before you commit, you'll want to know the benefits and disadvantages so you can choose whether it's the best path for you as you transition from one home to another.

What Is a Bridge Loan?

A bridge loan is a temporary, short-term financing option created to help home and real estate buyers secure funding and allow for transition time when selling one home and buying another. Here are five aspects of a bridge loan:

- **Collateral:** Your current home is used for collateral.
- **Short term:** 6-12-month payoff time is typical.
- **Interest rate:** Usually about 2% higher than the market.
- **Equity:** 20% equity is needed in your first mortgage to qualify for two mortgages. This is because lenders will often approve bridge loans at the value of 80% of both the borrower's current mortgage and the proposed mortgage they are aiming to attain.
- **Repayment penalties:** None. Payback a bridge loan early without any prepayment penalties.

5 Reasons to Get a Bridge Loan

1. **Buying at auction:** If you are buying your next home at auction, a bridge loan can provide the funds you need to beat others to the punch without having to come up with cash.
2. **Investors:** If you are an investor or developer, a bridge loan can provide the funds for flipping a property.
3. **Renovations:** Funds for renovating a home can come from a bridge loan when you expect a quick sale after the renovations.

4. **Relocating:** If you're relocating from one city to another because of work or another reason, a bridge loan can help you get the down payment you need if you're short on cash.
5. **New construction:** Buying a new construction home may require funding for its creation before securing a traditional mortgage; a bridge loan can be that in between funding needed.

Advantages

Now let's take a look at some advantages of getting a bridge loan. The primary benefit of a bridge loan is short-term financing. Here are five more advantages to consider.

1. **No buying restrictions:** Buy your new home while allowing time for the best offer to come through on your existing home. Or, search for your perfect next home without the worry of selling your current home beforehand.
2. **Opportunities:** Having a bridge loan allows you to secure opportunities that you might otherwise miss out on in the housing market.
3. **Speed:** Qualifying and being approved for a bridge loan is a faster process than applying for a traditional loan or an equity loan.
4. **Monthly payments:** When payments start on a bridge loan, they may be delayed by a few months depending on the lender and terms of the bridge loan.
5. **Payment options:** You may choose to pay off your bridge loan before or after securing long-term financing.

Is a Bridge Loan Right for You?

Whether a bridge loan is for you or not will depend on six elements:

1. The housing market
2. Your creditworthiness

3. Finances
4. Whether you've saved for a down payment
5. Qualifying for a home buying program
6. Qualifying for down payment program

Bridge loans are not ideal. However, they do serve a purpose. If you can qualify for down payment or home buyer assistance programs, it's likely you won't need a bridge loan. Similarly, if you have the savings to support a cash down payment, you'll have no need for a bridge loan.

However, if you are relying on the sale of your home for a down payment, and the market you're selling your home in is slow, but you need to move into your new home before the home you're in now sells, a bridge loan will allow you to make that transition. Just know that your creditworthiness and finances, including your monthly income, must allow you to cover the payments for two mortgages.

More On Bridge Loans

A bridge loan is a short-term loan designed to cover the time it takes a borrower to secure permanent financing or remove an existing obligation.

The bridge loan is an immediate source of cash that helps a borrower meet his or her payments.

It is:

- short-term (usually up to one year)
- interest-only
- carries a relatively high interest rate
- requires some form of collateral

A bridge loan might be taken if a homeowner buys a new house with a new mortgage but has not yet sold the old one and paid off its loan. The bridge loan covers the payments for one of the properties until the old house is sold. (During this time, the borrower makes interest only payments on the bridge loan.) Once the old house sells, the bridge loan is paid off with a lump sum. Another use for bridge financing is to pay off a construction loan upon the completion of a residence while the owner obtains a permanent mortgage

Call us at (901) 844-3333, email us at info@hardmoneylendingmemphis.com or fill out our online form [here](#) to find out more about a bridge loan.