

### **Bridge loans can give you a competitive advantage**

In a seller's market, the competition for houses can be fierce. Many sellers will turn down any offer they receive that has a contingency clause (for example, a clause that states the offer is contingent on the buyer selling their own house). This can be problematic for the buyer who does indeed have a house to sell.



To stay competitive in a tight market, some buyers make the choice of securing a bridge loan (also known as a swing loan or bridge financing). A bridge loan covers the gap between the time a buyer closes on their new home and the time in which their old house sells.

Typically a bridge loan is structured as a one year loan. The bridge loan pays off the buyer's first house with the remaining funds, minus closing costs and six month's of interest, going toward the down payment for the new house.

If after six months the first house has not sold, the buyer will begin making interest-only payments on the bridge loan. When the first house sells, the bridge loan is paid-off. If the old house sells within the first six months, any unearned interest payments will be credited to the buyer.

This is the typical bridge loan scenario for most buyers. In some cases a buyer may qualify for a bridge loan that simply adds the cost of their new house to their current debt.

A bridge loan can help you make a competitive offer on a property even though your first house has yet to sell. If you'd like this extra bit of negotiating leverage, let's get together to talk about your options. We look forward to helping you!