

# How to Buy Property In Downturn Market Using Short Term Bridging Finance And What Are Your Options...



Many people are asking me how they take advantage of lower property prices with all the other restrictions placed by the lenders on mortgages.

What you need to do is look at the new market and forget what used to be available yesterday .... as this has gone, “for good” at least for the time being .....

Short term/Bridging finance is an excellent way to make the purchase on the basis they ensure they can re-mortgage out of the bridging loan within 7 months from date of purchase.

Why 7months?

If you are going to use a BTL, Buy to Let, mortgage the majority of lender’s, i.e. 99%, will want to see 6months ownership, a paying tenant and six months mortgage payments to the Bridging Company.

However, if you are an existing landlord with a well performing portfolio with gearing below 70% then there are other opportunities we can explore...

You will require some money upfront for Valuation/s, Solicitor’s undertakings, if purchasing under auction conditions you will need your 10% deposit

You will need to put in some basic measures by working “backwards on forward predications” of today’s value if you want to put a Buy to Let or Commercial Mortgage on the property.

Property valued today at say £100,000

- Please note that the sale price the estate agent may market the property, may greatly differ from the OMV, Open Market Value, valued by qualified RICS valuer. Therefore do your research...

Research the forward predicted value in the 8 months time.

Today OMV = £100,000

8 Months Time = £92,000 (- 8%) assuming the market continues to drop

More Remortgage 75% of £92,000 = £69,000 for a qualifying BTL mortgage

Your target purchase price, before fees are deducted, will need to be carefully worked out. In this current market most bridging lenders will only lend more than the purchase price if your assets & liabilities have additional security available.

To use short term/bridging finance you will need to allow the following as estimates:

Say 10% in fees and costs of the net loan = £6,000

Valuation Fee and legals say £2,000

Today’s valued £100,000	£100,000	
Less future Write down £8,000 (8%)	£ 92,000	
Remortgage at 75% of OMV after 6mts		£ 69,000
Cost of bridging £6,900 for six months	£ 6,900	
Bridging Legal fees and costs	£ 2,000	
Remortgage Legal Fees and costs	£ 1,500	£ 10,400

Therefore to purchase at “no cost“ (you will need to invest the legals, valuation and deposit initially). Target Purchase Price £59,500. Or 59% of the RICS Valuation so you may need to start negotiations lower, at say 50 – 55%...

This is an illustration to be used as a guide and information sheet and does represent an offer of lending, Any loan that is secured on your property may be at risk of repossession if you fail to keep up payments.