



# White Rose Finance

Fast Competitive Finance Solutions



## White Rose Finance Guide to Bridging Loans

### Commendations

*“Just a note to say thank you for all your help. The loan is arranged and we’re moving into the new place the week after next. Whenever we’ve told anyone that we’ve taken a bridging loan there has been a sharp intake of breath. No one can believe that we found one at such a reasonable rate. I hope you don’t mind if we recommend you to anyone else we find in a similar situation.”*

- Dr Knight

*“A quick email to say THANK YOU VERY MUCH for all your help with the purchase of ..... All your help and support was very much appreciated. We are now in our new home and starting to sort out and settle in”*

- Mr & Mrs Williams

### Taking out a bridging loan

Historically people have approached bridging loans with a certain amount of reticence, they have been seen as expensive and full of hidden costs. However, as with all products, bridging loans have their uses and strategic advantages as a form of finance.

Bridging finance is quick to arrange and relatively non-status when compared to the increasingly strict criteria that high street lending asks for. Often a bridging loan will be the only type of finance available to take advantage of undervalued property, when time is at a premium or to avoid selling an asset under market value.

White Rose Finance is committed to making the application of a bridging loan transparent and straightforward, providing finance with our own dedicated funding line as a principal lender. We also allow our customers to benefit from the keenest of rates negotiated through the special relationships we have developed with high street banks and other niche lenders.

In most cases we will provide the applicant with an agreement in principle within hours of discussion with one of our qualified consultants, which can be used as proof for a vendor that subject to valuation and legal due diligence an agreement of funding is available.

Bridging loans can be put into place within days and you will receive a dedicated account manager for contact who will oversee the application right through to the drawing down of funds.

In the interest of continuing to make our bridging loan process as easy as possible this guide has been produced to explain some of the terms associated with this type of finance.



## Commonly Used Terms

### Loan to Value

As with many forms of finance a bridging loan is calculated as a percentage of the value of an asset with the asset class determining the maximum funds available to lend. For example, a house valued at £100k with a potential maximum LTV of 70% would enable a loan of £70k to be secured against it.

The value of the asset itself will be dependent on individual lenders criteria and can be based on the Open Market Value (OMV) or the Forced Sale Value (FSV) at 60/90 or 180-day marketing periods.

FSV lenders base their lending on the value of the property if it had to be sold quickly being limited to 60/90/180 days – the shorter the time frame the heavier the discount on the OMV with a 60 day FSV generally calculated as being at least 10% less than the OMV.

The lower the level of risk perceived by the lender the higher the LTV available for the applicant. Lowest level of risk is associated with residential properties; ascending through commercial properties to land with full planning permission and the riskiest being land without planning permission and recently completed new build properties.

In the current economic climate the maximum LTV will generally be circa 70%OMV on residential loans, 65-70% on commercial loans and 60-65% on land with the higher LTV loans attracting higher interest rates.

### First / Second Charges

A bridging loan can be a first charge i.e. the only loan that is secured on a particular asset, or a second charge, which means a loan already exists on the asset and the second charge uses the security as well, in effect sitting behind the first charge.

A second charge on a property may use a slightly lower LTV than a first charge as the lender has a larger risk involved having second call on the security in case of a default situation. As of the start of 2009 there are fewer lenders happy to lend on a second charge and LTV's will be restricted to a maximum of 65%.

With a second charge loan, consent from the first charge holder must be obtained and the addition of this other company into the process can lead to a longer time frame to completion of the loan.

A first charge on a residential property becomes an FSA regulated product if the applicant or a family member live in the property, and as such a regulated loan is governed by different rules than a non-regulated bridging loan. White Rose Finance can arrange both regulated and non-regulated, first and second charge bridging loans.

### Open vs. Closed Bridging loans

An open bridging loan is a loan made where the exit (repayment) strategy for the loan is known but not fully finalised i.e. the sale or re-finance of a property.

A closed bridging loan is one where the exit (repayment) strategy is known and finalised i.e. there exists a confirmed re-finance offer or sale with exchange of contracts in place.

Lenders as of 2009 have become a lot more vigilant with regards to the exit strategy of a loan to the extent that some forms of bridging will only now be available if the lend is seen as closed.

## Minimum / Maximum Lend

The minimum bridging loan that we can put into place for an applicant is £30 000 but the maximum lends can be into the millions of pounds.

White Rose Finance has access to syndicated funds for large scale bridging requirements beyond the remit of most UK bridging companies.

As a general rule, the higher the value of the loan required the lower the LTV will be asked for on the asset used as security.



## **Distressed value and 100% LTV Lending**

For a client to take advantage of an undervalued property they will need to have a RICS valuation of that property which states that the property is valued substantially higher than the price being paid for it.

At White Rose Finance despite the current financial climate we still have the ability to lend to the true Open Market Value of property enabling the applicant to put in less of his or her own money to complete the property purchase.

Buy to let mortgage providers are currently at most able to offer 75% of the purchase price and when refinancing will ask for a property to have been held for a minimum 6 months before allowing the owner to refinance at 75% of the OMV.

At White Rose Finance we can arrange funding at circa 65% of the OMV with interest coverage for the six months, before converting the loan onto a long-term product – at this point the client can often recoup the initial funds outlay.

Another way to guarantee 100% finance is to use more than one property as security for the loan, a call through to one of our finance consultants would be the best way of gaining advice on acquiring property at 100% funding.



## Professional Costs

There are only two costs that an applicant will be faced with prior to the draw down of funds, and in every instance White Rose Finance will try to minimise these, knowing full well that a bridging loan is often accompanied not only with a sense of urgency but at a point when personal funds may be short.

These costs are to cover the professional third parties involved, namely the RICS surveyor and the lenders solicitors.

### Valuation

As a bridging loan is worked out solely as a proportion of the assets value then the valuation of the asset is fundamental and will determine the amount of money available to the applicant.

Although an applicant is free to arrange their own valuation addressed to ourselves or our underwriters, through our day-to-day relationship with valuers on our panel we are normally able to commission a full mortgage valuation prepared on the property within days, and at a lower cost than if arranged by an applicant.

In every instance we will try to minimise costs, if an appropriate valuation has already been paid for within the past three months, we may be able to arrange a re-type addressed to ourselves at minimal cost.



### Solicitors

In all cases solicitors are required to clarify title on the asset and in most cases this will result in a solicitor representing the client and another solicitor to perform and check the due diligence for the lender. The applicant will be liable financially for both parties but we will try in every instance to arrange so that this is payable only on draw down of the loan.

Many applicants fixate on the speed of valuation as being key to the speed of funds being drawn down and although the valuation is indeed essential as to how much is lent, invariably it is the legal dialogue that ultimately determines the speed by which the funds move from ourselves to the client.

It is in our interest to make the loan available to our clients as swiftly as possible and as a consequence our solicitors are extremely efficient in processing the information provided by our client's solicitors. Within a few hours of receiving all the documents requested we will sign off on the loan and cleared funds will be sent through to the client's solicitor.

### **Applying for a bridging Loan**

Before detailing the information that we would require in order to put a bridging loan into place one point is worth noting

*We do have a specific funding line – our Mortgage Gap Bridging Loan, which we have specifically set up for people in the process of moving house, wishing to purchase property prior to completing the sale of their existing property.*

*If this is the scenario that you find yourself in then the good news is we are able to arrange a loan at much lower rates than with conventional bridging finance.*

*Please call our office and one of our Mortgage Gap consultants will be able to give full details of this funding line.*

*(See Appendix A)*

To proceed with our conventional bridging loan we would need the following information:

- a) Your full name and home address.
- b) Full Address of the property to be taken as security for the loan.
- c) Details of any other person registered on the title deeds of the property offered as security.
- d) Details of any other loans (including mortgages) on the property
- e) Name and address of your solicitor along with contact numbers and e-mail.
- f) Payment of any valuation fee required

An application can be made through our website address or through contacting our head office at the address below.

<http://www.whiterosefinance.com/bridging-application.html>

White Rose Finance Group  
Ousegate Business Centre  
Ousegate  
Selby  
YO8 4NN  
Telephone: 0845 838 1954  
Fax: 01757 700963  
Consumer Credit Licence: 570063



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## Appendix A : Mortgage Gap Bridging Loan



**NEED LOW COST BRIDGING FINANCE?**

Don't lose out on that dream property – consider a

**Mortgage GAP<sup>®</sup>**  
Bridging Loan  
from

 White Rose Finance  
Fast Competitive Finance Solutions

Flexible short-term loans  
at interest rates starting from just  
**2% above base rate**  
per anum \*

- Have you yet to sell your own property?
- Do you need to repay an existing mortgage before you can move?
- Found a new property, which is too good to lose?
- Are you emigrating or retiring overseas?
- Think that bridging finance would be far too expensive?

If the answer to any of these questions is yes then please read on. Our unique 'Mortgage GAP' bridging loan could be exactly the solution you need to help you complete your purchase at a manageable and affordable interest rate. If you have financial equity in your current property then we can release this via a fully flexible bridging loan. The loan is secured by way of a first charge on the property being sold with the funds being used to pay off any existing mortgage and the balance used to supplement the purchase of your new property.

- Borrow up to 80% of the value of your existing property.
- Interest Only flexible loan with no minimum or maximum term.
- Interest charges can be added to the loan\*
- Loans secured on multiple properties
- No charges or penalties for early redemption.
- One clear arrangement fee covering Valuation, Legal and Admin charges
- Loans approved in 48hrs and funds available in days

\* All bridging finance applications are subject to status and affordability. Interest rates may vary and in all cases an arrangement fee will be charged. Accrual of interest charges is discretionary and subject to amount of loan required, a commitment fee is payable upon formal loan offer and fully refunded on funds drawn-down.

LOANS ARE SECURED ON YOUR PROPERTY AND YOUR HOME MAY BE AT RISK IF YOU FAIL TO KEEP UP WITH PAYMENTS.

For a no-obligation personal illustrative offer

**Call now on: 0845 838 1954**

or complete the attached pre-paid postal enquiry form