

Bridge financing:



what you need to know

A bridge loan is a short-term financing tool that helps you “bridge” the gap between old and new mortgages when you move from one home to another. You may be taking possession of your new home a week or two in advance of closing on your current home, either because of how your closing dates worked out, or because you want to do some renovating on your new home before you move in. Whatever the reason, bridge financing is going to be your best friend for a few weeks: making it possible to easily transition from the old to the new.

Here’s what you need to know:

- 1. It’s for a specific amount**, which is your home’s selling price minus your current mortgage and costs (realtor/legal).
- 2. It’s for a short period of time** i.e. 1 to 30 days, and your lender will want to see a firm sale agreement for your existing place, with conditions waived.
- 3. Not all lenders offer** bridge loans, although there are many private lenders that meet this need. Since you are working with a mortgage broker, you are in good hands: I can put together a combination of a new mortgage and bridge loan even if it’s not with the same lender.
- 4. Expect to pay more.** Your bridge is going to be at a higher rate than your mortgage, and will include administration fees. If your bridge loan and your new mortgage are with the same lender, the lender doesn’t look to make money, but instead to facilitate your mortgage closing. Bridge loans from private lenders – let’s be realistic – need to make some profit on a very short-term arrangement so their rates will be higher. For most homebuyers, the convenience is worth it!
- 5. Plan in advance just in case.** Together we’ll discuss your ability to carry two mortgages in the event that a rare worst-case scenario plays out. Your lawyer will pay out your bridge loan from the sale proceeds of your home. If for any reason the sale falls through, your lawyer will register the bridge loan as a charge on the property.

Most homebuyers say a bridge was well worth it to buy some extra time for a smooth transition. If you think you’ll need a bridge, let’s talk. My ability to offer you multiple lending options definitely works in your favour!



Warren Ross

Chartered Real Estate Mortgage Broker

T: 514.731.2333

M: 514.994.9377

warren@warrenross.com

www.warrenross.com

