Help sheet

Bridging Loan

Bank Australia

Our Bridging Home loan product allows a customer to purchase a new home prior to *selling* their existing home.

Once their existing home is sold, the Bridging loan is required to either be paid out in full, or if a residual debt is owed, the balance converted over to a standard home loan product.

Capacity to repay is calculated on the residual debt position. Broker loans will not be considered under Bridging terms unless there is a residual debt present.

Cannot be used for Investment to Investment – We can take an investment property as additional security for Owner Occupied to Owner Occupied but not to sell and buy investment.

Key features

- Capped at maximum **12 month** term only (although we have the ability to extend for a further 12 month period if property has not been able to be sold)
- A **$595** establishment fee applies. Current interest rates can be found here
- Repayments are **not** required
- The maximum funding LVR is **75%** (capped this way to allow accrued interest to take as high as 80%)
- Available for both new and existing customers, but we must be able to take security over the property being sold to control the sale proceeds

What are the advantages?

- No required loan repayments, allowing customer to concentrate on existing commitments
- A customer can make lump sum payments or extra repayments if able to do so
- Customer can borrow 100% of purchase plus an amount to cover costs if equity from their existing security allows
- Allows customer time to get their property ready or in best condition to place it on the market

What are the disadvantages?

- Interest is capitalised increasing the loan amount. To reduce this, we recommend that the customer considers making periodic repayments.
- Customer can end up with large residual debt if their existing property does not sell quickly or if it sells for a reduced price

Bridging Loan scenario

- Joe and Josie are existing BA home loan customers.
- They have a mortgage of **$270,000** and their home was last valued at **$475,000** in 2019.
- They believe that market value would be close to **$600,000** now.
- They purchased their existing home when they only had 1 child, but with a larger family now, their home is getting too small for their needs.
- They have found a more suitable house a few streets over priced at **$800,000**, but are scared of putting in an offer because they would struggle with having two mortgage commitments, and their existing home needs some work before they could place it on the market.

What can they do?

- Customers can look at funding their new purchase as a Bridging loan, but first we need to determine if the purchase is **viable** and if they can **afford** any possible residual debt.

Step 1

- Clarify with customer if they are looking to borrow the full purchase price plus costs, or if they plan on contributing a deposit.
- Calculate applicable stamp duty costs by using the **Stamp Duty Calculator** on our website
- Based on a purchased price of $800,000, example stamp duty could be $45,200
- In this case, customers are keen to borrow 100% of the purchase price plus costs if they can. *(Please note the below figures are examples only)*

Stamp duty	**$43,070**
Mortgage registration fee	$121.40
Transfer fee	$1,971.90
Title search fee	$36.20
Total fees & charges	**$45,200**

Step 2

- Open up the **Bridging Loan Viability Calculator** – you can reach out to your Bank Australia Relationship Manager or Broker Support to obtain this.
- Enter all purchase details into the **'Required Fields'** section of the calculator.
- The Bridging loan amount in this case will be the full purchase price plus stamp duty of $45,200, plus estimated conveyancing costs of $2,000 equalling **$847,200**
- The current loan amount will be their existing mortgage balance of **$270,000**, and sale amount will be the customers estimate of **$600,000**

Required fields		
Purchase price of new property	$	800,000
Sale amount of current home	$	600,000
Bridging loan amount	$	847,200
Current loan amount	$	270,000
Other security value being used	$	-

- Once these details have been entered the calculator will show us if the purchase is viable or not.
- Our key initial focus is to ensure that the 12 month residual LVR position is **less than 75%**, and that the residual debt at this stage (example here $579,950) is affordable.
- The calculator will also show what the residual debt position will be at the end of 24 months (if the sale was delayed) and if the sale price fell by 10% (if on the market too long). If this LVR level is above 80%, consideration from the Credit team is required to establish comfort that the property could be sold within a 12 month period – a short form valuation on the property being sold is imperative here for review.

Bridging loan	$	847,200
Plus accrued interest	$	41,750
Plus current loan	$	270,000
Total	$	1,158,950
Sale	$	600,000
Less commission	$	21,000
Net proceeds	$	579,000
Residual loan	$	579,950
Estimated LVR will be		72.49%
Position after 12 months		
Bridging Loan	$	847,200
Plus accrued interest	$	41,750
Plus second year interest	$	52,750
Plus current loan	$	270,000
Total	$	1,211,750
Sale	$	540,000
Less commission	$	19,000
Net proceeds	$	521,000
Residual loan after 2 years	$	690,750
Estimated LVR will be		86.34%

Required fields		
Purchase price of new property	$	800,000
Sale amount of current home	$	600,000
Bridging loan amount	$	847,200
Current loan amount	$	270,000
Other security value being used	$	-

Step 1. Fill out the required fields section above

Step 2. Copy & paste Sheet 2 into recommendation

Step 3. Work out affordability & RDI on the following loan sizes

Residual loan within 1st 12 months	$	579,950
Residual loan after 12 months	$	690,750
Interest only loan after 12 months	$	888,950

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0424 / BAU813