

# Bridging Loan Guide

Our Bridging Loan is available to help you buy your new dream home when you haven't already sold your existing home. It also provides a competitive fixed rate and the certainty of knowing that your rate won't increase during the Bridging Loan period.

Our Bridging Loan is available for up to 12 months allowing you the flexibility to sell your existing home while enjoying the comfort of your new home.

## Key features and benefits

- **Flexibility:** there is no need to make repayments during the 12 month Bridging Loan period.
- **Fixed rate:** we offer a competitive fixed rate giving you certainty of your repayments.
- **Convenience:** avoid the costs of renting by not having to sell your existing home first.
- **Additional repayments:** there are no penalties for early repayment.
- **Redraw:** you can also redraw these funds if you need them.

## How does a Bridging Loan work?

A Bridging Loan allows for the purchase of a new home when you haven't already sold your existing property. To show you how a Bridging Loan works we have put together the example overleaf.

## Financial considerations and risks

- You should be able to demonstrate your ability to make Interest Only payments on your peak debt during the bridging period.
- The longer it takes to sell your property the more interest you may pay. You will pay interest on two loans during the Bridging Period.
- You may end up selling your home for less than you expected, which may leave you with a higher end debt than planned. In some circumstances, you could sell your existing property and still owe us money.
- If you can't repay your Bridging Loan by the end of the 12 month term, this can be treated as a default and we may step in to assist you to sell your properties.
- Bridging Loans are only available for owner occupied purchases.

## Are you eligible?

- We recommend contacting us to discuss eligibility requirements as a Bridging Loan is not suitable for all customers.
- Applications for finance are subject to Newcastle Permanent's normal credit approval process. Full terms and conditions will be included with our loan offer. Fees and charges are payable.

## Worked example<sup>1</sup>

- In the below scenario Gretchen is selling her existing property for which she has \$100,000 remaining on her home loan.
- Gretchen converts her existing \$100,000 loan into a Bridging Loan for a 12 month maximum term.
- Gretchen also commits to purchase a property worth \$600,000 and is approved for a new home loan<sup>2</sup> to pay for this purchase.
- Therefore the **peak debt** that Gretchen owes is \$700,000 until she is able to sell her existing home.
- Assuming Gretchen sells her existing home for \$450,000 she will have an **end debt** after the Bridging Loan period of \$250,000.



<sup>1</sup> All examples and scenarios are illustrations only and do not take into account your personal financial circumstances.

<sup>2</sup> You may in some circumstances also borrow additional funds to cover legal fees and stamp duty if required.

Frequently asked questions	
Can I extend my Bridging Loan after 12 months?	We only offer a maximum term of 12 months for a Bridging Loan. If you won't be able to sell your property within 12 months, we recommend contacting us as early as possible to discuss your options.
What happens if my existing property doesn't sell for what I hoped for?	We will still require you to pay any outstanding balance on the Bridging Loan. Before accepting an offer below what you have expected, you can contact us to discuss your options.
Do I need to make regular repayments on my Bridging Loan?	During the Bridging Loan period you are not required to make any repayments to the loan. Interest is capitalised until you pay out the loan.
Can I make additional repayments?	Yes, you can make additional repayments with no penalty. This may mean you will pay less interest over the loan term. You can also redraw any available funds.

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