

Buying a property at auction: Bridging finance product scenario

This product scenario is an example of when Precise Mortgages' bridging finance products may provide an option for your customers. They do not reflect actual customers or applications made.



Customer profile

Mr Toms (45) and Mrs Toms (48) like to keep a keen eye on the property market and often watch property programmes such as 'Homes under the Hammer' and 'Escape to the Country'. They have recently started to visit property auctions and have decided to bid for a property.



Current situation

They are looking to bid on a three bedroom terraced property that will make an ideal rental. The property is currently uninhabitable and needs refurbishment before being offered on the rental market.

Mr and Mrs Toms meet with Anna, their local mortgage broker. Anna introduced the couple to bridging finance and talked to them in more detail about how this could help them purchase a property at auction.

Mr and Mrs Toms are thrilled when they secure their preferred property at auction for £120,000. They have set aside £15,000 to refurbish the property, including a new kitchen and bathroom, a full rewire and decoration throughout.



The solution

Anna advised that a bridging loan to complete the purchase in the tight deadlines required by an auction sale would also enable Mr And Mrs Toms to complete the refurbishment works and then remortgage onto a buy to let remortgage.

Precise Mortgages were able to offer the couple a loan of £82,969.36 at a fixed rate of 0.95% per month. The loan amount comprised £78,000 to assist with the purchase of the property, £3,079.36 retained interest and £1,890 in fees.

The loan was taken over a four month period, but the works were completed within six weeks, meaning Mr and Mrs Toms could pay off their bridging loan in a shorter time frame.

Mr and Mrs Toms settled the bridging loan utilising Precise Mortgages' bridge to let facility. This enabled them to exit onto a Precise Mortgages' buy to let mortgage at the enhanced value of the property (£190,000) on a 5 year fixed, 4.94% rate.

*Facility of £82,969.36 includes £1,560 arrangement fee, admin fee of £295 and TT fee £35. Other costs associated with the loan are valuation fees of £300 and estimated legal fees of £540 + VAT & disbursements. Rates correct as of 18.08.2016.

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