Buy or sell first? Let's bridge the gap.

Bridging Loan guide

This guide will help you understand how bridging loans work and outline potential risks and obligations that you will need to consider before applying.

006-787 160625

Key considerations for Bridging Loans

If you find yourself in a position where you buy your next property before you've sold your existing one, we can help you bridge the gap.

A bridging loan is a short-term facility that covers the financial gap between the purchase of your new property and the sale of your existing property.

Loan type	Loan term	Minimum Loan	Maximum Loan
Standard Variable Rate home loan	Maximum Bridging Loan term is 12 months	$10,000	Based on the security properties, your borrowing capacity and Loan to Value Ratio (LVR)[1]

Eligibility

A bridging loan is available to eligible CommBank customers. Eligible customers:

- Must be an individual, non-trading company and/or family/unit/hybrid trust.
- Must be:
  - An existing CommBank[2] customer and have a post bridging debt with CommBank[3]; or
  - A new CommBank customer applying through CommBank proprietary channel with a minimum post bridging debt of $250,000[4].

The bridging loan option is only available on our Standard Variable Rate Home or Investment home loan products.

Benefits

- A bridging loan gives you the flexibility to purchase a new property before you've sold your existing property. In a competitive market this could be the difference between purchasing the ideal property or missing out due to timing.
- It can take the stress out of having to align your property settlement dates, to give you more control.
- It allows you to borrow more money than you otherwise could under normal circumstances. This is because we understand that your total overall home loan debt will be reduced once you have sold your current property and paid off the agreed loan amount.

Risks

- Interest is calculated daily and charged monthly, which means the longer it takes you to sell your current property, the more interest you will pay.
- You may end up selling your home for less than you expected, which may leave you with a higher home loan balance than expected. We may also charge you a default interest rate above the annual percentage rate applying at the time or adjust the interest rate by removing any discretionary margin in place.
- If you can't sell your current property within the 12 month timeframe from the day your bridging loan is funded, we may consider this a default and step in to assist with the sale of the property.
- In the event of a default, you can lose your property and you may still owe us money.

1 Loan to Value Ratio (LVR): The total you've borrowed for your loan as a percentage of your property value.
2 Existing CommBank customers are defined as having an existing credit facility (personal or business) for more than 6 months, or salary or transaction account (personal or business) for more than 3 months either with CommBank or Bankwest.
3 Some customers purchasing their owner-occupied home may not have a need for a post bridging debt and can discuss this requirement with their Home Lending Specialist or Broker.
4 If you're applying through a Broker, please contact them for more information about your eligibility.

Timeframe

Bridging loans have a maximum loan term of 12 months – so you need to sell and settle your current property within this timeframe.

Other Considerations

A bridging loan is not always suitable, or available to all customers. You should discuss your eligibility and suitability with your Home Lending Specialist or Broker.

Financial

- You must be able to demonstrate your ability to make Interest Only payments on the 'total debt' during the bridging period.
- If you have an existing CommBank home loan, it means that you may be paying interest on two loans – your bridging loan and the new loan – at the same time.
- You have the choice to pay 'Interest Only' on your loan(s) for the duration of the bridging loan period. You can discuss this with your Home Lending Specialist or Broker.
- You can pay back the bridging loan early if you choose – there are no penalties for early repayment.
- Once the bridging loan has been paid off, generally your ongoing home loan (known as post bridging debt) will revert to a Principal and Interest repayment option. You'll need to budget for your future repayments after your bridging loan has been repaid.

Meet James

James intends to sell his current property – which happens to be an apartment. However, before he is able to sell his apartment, he sees a house has come on the market in an ideal location. He doesn't want to miss the chance to buy his dream home, so he contacts his CommBank Home Lending Specialist or Broker – a bridging loan could be the answer.

How does it work?

We know bridging loans can seem complex. So here's an example with two scenarios, to help illustrate how they work.

James' apartment is for sale.

He has a $300,000 home loan with us and is paying Principal and Interest repayments.

James is 5 years into his 30 year term.

During the bridging period, James' existing $300,000 home loan becomes the bridging loan. The maximum agreed loan term decreases to 12 months.

For his new house, James is approved for a new ongoing home loan for $600,000 on a Standard Variable Rate loan over a 30 year agreed loan term. James now has a combined home loan balance of $900,000.

($300,000 bridging loan + $600,000 ongoing home loan)

Scenario 1

During the bridging period, James has chosen to pay both home loans by making interest only payments.

SOLD

8 months later, James sells his apartment for $400,000, and pays off and closes his bridging (original) loan. He puts the remaining $100,000 towards his new (ongoing) home loan and reduces it to $500,000.

James chooses to switch his repayment type from Interest Only to Principal and Interest on this ongoing home loan now that his apartment has been sold.

Now each time James pays the minimum repayment he's paying off the principal loan amount as well as the interest.

James can manage his home loan at any time on NetBank, the CommBank app or by speaking to his Home Lending Specialist or Broker

Scenario 2

During the bridging period, James has chosen to pay both home loans by making interest only payments.

FOR SALE

12 months later, James has still not sold his apartment because he is unhappy with the value of the offers he has received.

SOLD

CommBank steps in to assist with the sale of James' apartment for the best offer of $280,000. A default rate is applied (or removal of any discretionary margin in place) to the bridging loan for the period the loan remains open after the 12 month loan term has ended.

The proceeds of the sale are not enough to pay off all of James' bridging (original) home loan. So subject to approval, his new (ongoing) home loan is increased to $620,000 to cover the difference.

$300,000 (bridging loan) – $280,000 (proceeds from sale on property) = $20,000 (amount remaining on bridging loan).

James pays Principal and Interest repayments on his $620,000 ongoing home loan now that his bridging period is over.

TIP: We understand that circumstances change, so you can adjust your home loan repayments to meet your needs. You can change your repayment type to Principal and Interest at any time in NetBank and the CommBank app. You can also speak to your Home Lending Specialist or Broker.

Common questions

What should I do if I realise I need my bridging loan for more than 12 months?	12 months is the longest we will provide a bridging loan. You should only consider taking out a bridging loan if you're confident you can sell your current home within this timeframe. If you take out a bridging loan and then realise you can't settle the sale of your home in 12 months (or if you would like to explore options to keep your current home), contact your Home Lending Specialist or Broker to discuss the relevant options available to you. Loan approval is subject to our standard lending criteria.
What if my current property doesn't sell for as much as I expected?	Under the bridging conditions, you will still be required to repay the outstanding balance remaining on your bridging loan. Before accepting the sale offer, discuss with your Home Lending Specialist or Broker the options available to you.
What if my current property sells for more than the property I am purchasing, do I still need an ongoing home loan?	If you are purchasing a property for an investment purpose, you must have both a bridging and an ongoing home loan. However for an owner occupied purchase, the need for an ongoing home loan will depend on your current and post bridging financial position and is subject to our standard lending criteria. Your Home Lending Specialist or Broker can discuss your individual circumstances with you.
Can I make lump sum payments or pay the bridging loan early?	Yes, you can make lump sum payments to the bridging loan. You may also pay back the bridging loan early if you choose – there are no penalties for early repayment. This will reduce your outstanding home loan balance, which will reduce the monthly interest charges.
If I can make Principal and Interest repayments on both home loans, can I still apply for a bridging loan?	Yes, although if we determine that you are able to afford the existing home loan and the new home loan amount required for your property – with Principal and Interest repayments – then bridging finance may not be appropriate for you. Your Home Lending Specialist or Broker will discuss your individual circumstances with you.

We’re here to help.

If you have any questions or want more information:

Book an appointment with a Home Lending Specialist at **commbank.com.au/appointment** or contact your Broker

Call us on **13 2224**

Visit **commbank.com.au/homeloans**

Things you should know:

This guide doesn’t consider your individual objectives, financial situation or needs. Before basing any decisions on this information please:

- Consider its appropriateness to your circumstances
- Consider obtaining professional advice specific to your needs, including financial, taxation and legal advice

Loan applications are subject to credit approval and any loan offer includes full terms and conditions. Fees and charges apply – see our fees and charges brochure at **commbank.com.au/homeloanfees**. All examples and scenarios are illustrative only.

This guide is subject to change without notice.

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