NMLS#174457

Joe Medrano
NMLS #1055063
Loan Consultant
3333 Warrenville Rd, Suite 630, Lisle, IL 60532
630.881.4161 Direct | jmedrano@loandepot.com

Bridge Loan Financing: A Smart Solution for Your Next Move

By: Joe Medrano, NMLS #1055063

As a mortgage loan officer, one of the most frequent questions I get is, "How can I buy a new home before selling my current one?" It's a common scenario—especially in a competitive market—but the answer isn't always straightforward. That's where **bridge loan financing** can come into play, offering a helpful solution for homeowners in this tricky financial spot.

What is a Bridge Loan?

A bridge loan is a short-term loan designed to "bridge the gap" between the sale of your current home and the purchase of your new one. This type of financing allows you to access the equity in your existing home before it's sold, providing you with the funds to move forward with your new home purchase.

How Does a Bridge Loan Work?

Typically, a bridge loan is secured by the home you're selling, and it allows you to use the loan proceeds toward the down payment on your new home. Once your old home sells, you can pay off the bridge loan with the proceeds. It's a temporary solution, usually with a term ranging from six months to a year.

Benefits of Bridge Loan Financing

Bridge loans can be an excellent tool for homeowners facing tight timelines or competitive real estate markets. Some of the key benefits include:

- **Speed and Flexibility**: With a bridge loan, you don't have to wait until your current home is sold before you can make an offer on a new property, non-contingent on the sale of your departing residence. This is an extremely advantageous value proposition, especially in markets where inventory is thin and sellers are typically more attracted to offers that have little to no contingencies.
- **Cash Flow Management**: A bridge loan provides immediate access to cash, which can be used as a down payment or to cover moving costs.
- **Opportunity to Maximize Sale Price**: You won't feel pressured to sell your home quickly or accept a lower offer because you've already secured financing for your new home.

- **Avoid Debt-To-Income Ratio Problems in Underwriting:** Bridge loans can be carefully structured in a way that allows the housing debt of the departing residence NOT be counted in the debt ratio calculation on the purchase loan for the new property. This means the buyer will not have to income-qualify with both mortgage liabilities of the departing residence and the new home purchase. This approach to calculating the debt ratio is more representative of how the buyers' financial snapshot will look like once the departing residence is sold.

Is a Bridge Loan Right for You?

Bridge loans are a powerful financial tool, but they are not the best fit for everyone. Homeowners with substantial equity in their current home and confidence in their ability to sell quickly can benefit the most from this type of financing. However, if the housing market is slower or your finances are more constrained, you may want to explore other options, like a home equity line of credit (HELOC) or contingent offers.

Conclusion

Bridge loan financing can offer the flexibility and financial breathing room you need when transitioning between homes. If you're considering buying before selling and want to explore whether a bridge loan is the right solution, let's talk. As your trusted mortgage loan officer, I'm here to help you navigate this important financial decision and find the best financing option for your needs.

Feel free to reach out if you have any questions or want to discuss your home financing options!

Contact Information:

Joe Medrano, NMLS #1055063
Mortgage Loan Consultant
loanDepot
Email: jmedrano@loandepot.com
Cell/Text: 630.881.4161