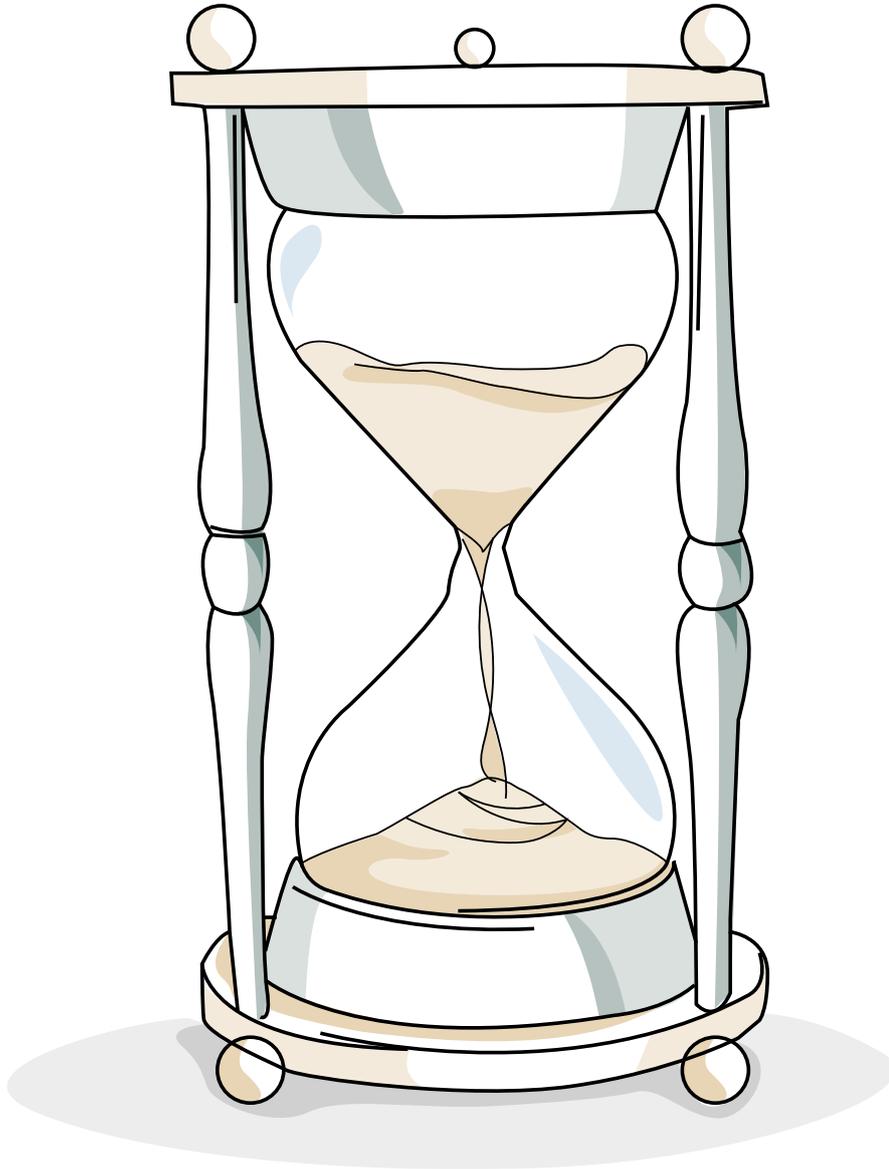




ENNESS



THE BRIDGING FINANCE GUIDE BY ENNESS

THINKING OF A BRIDGING FINANCE SOLUTION?

What you should know and consider when you need a short-term loan

“Bridging Finance is becoming an increasingly popular and readily available product, well adopted to work with the ever increasing, fast-paced London property market.”

– Chris Whitney, Head of Enness Bridging Finance



Introduction

What is bridging finance and when should you use it?

Bridging loans are short-term funding options typically used to ‘bridge’ a gap between a financial obligation, or a debt that is due, and the client’s available funds.

A typical view of bridging finance is that it is a ‘product of last resort’, an ‘eye watering expense’ and a market dominated by shady characters. We disagree.

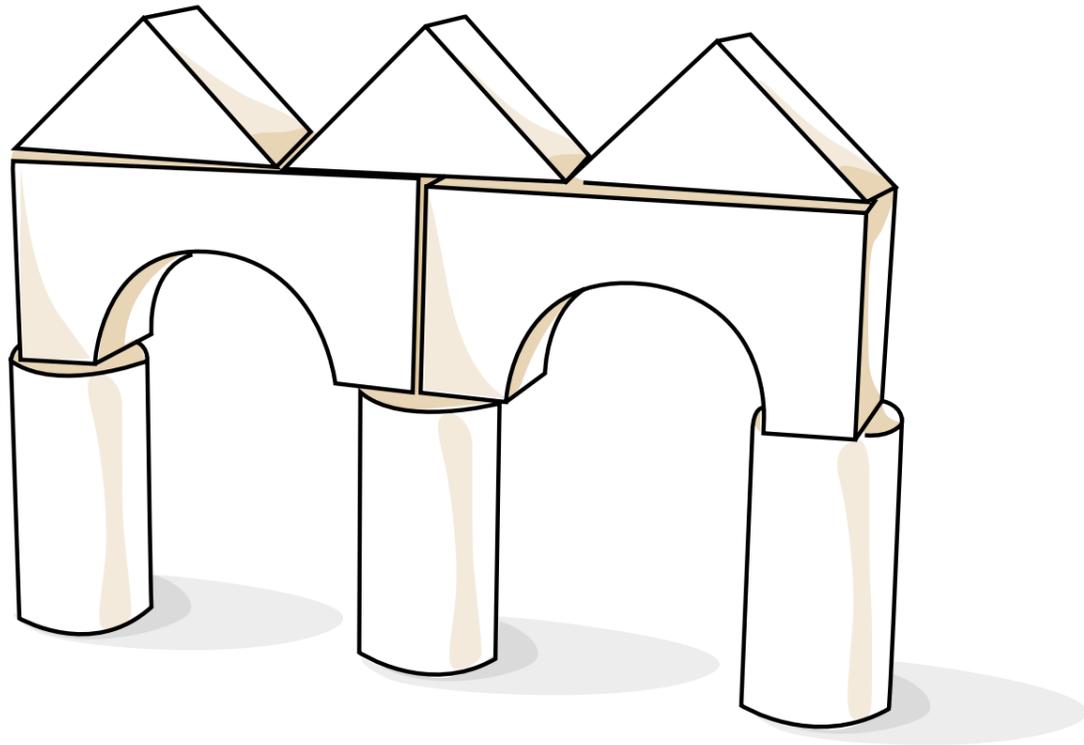
Our Bridging Finance team believes that bridging finance is no longer a ‘dirty’ word for last-minute financial solutions, as was the case in the 80s. Instead, we understand that a bridge is often the best financial solution for entrepreneurs and strategic investors so they don’t miss out on a key opportunity.

This product is mainly used for property transactions because of the inherent time pressures. It is often put in place quickly whilst the main line of credit is being facilitated. We have offered terms in little as a week for our clients in the past.

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About Bridging Finance



Using personal income to boost buy-to-let lending

BRIDGING FINANCE – WHAT'S IT FOR?

Bridging finance has exploded in the financial marketplace. This short-term facility is an attractive product which can be used extensively for a variety of purposes. It can, for example, bridge the gap if you have found a new property you need to complete on when you haven't managed to sell your old one yet. Alternatively, it can help with a deposit so you can make an onward purchase. Bridging is also the go-to solution for property developers in need of short-term, immediate finance who want to stretch their borrowing ability.

BRIDGING FINANCE – HOW EXPENSIVE IS IT?

The misconception about bridging finance is that it is always hugely expensive. This often holds true, but does not have to be the case. The price is dependent on the circumstances of the transaction, how much time we have, the viability of the transaction and the nature of the asset being used as security. Your personal circumstances and how the bridging loan will ultimately be repaid are also very important so it's essential that you are willing to discuss the ins and outs of your finances with your broker.

BRIDGING FINANCE REGULATIONS: HOW EASY IS IT TO ARRANGE?

The main advantage of using bridging finance is that it is typically a very speedy product to put into place. As a result of the minimised due-diligence and regulation surrounding this in comparison to a mortgage, it is considered a 'riskier' product as the lender is acting quickly.

REGULATED AND UNREGULATED BRIDGING

Although the bulk of these loans are unregulated, there are a few circumstances where a bridging loan falls into a regulated space. This is where the loan relates to anything that involves a main residence, for example a short-term loan to fund a refurbishment or to bridge a sale. If you need a regulated loan then you should be aware that there are fewer lender options that will lend into this space but it will not take longer to secure. There are some exceptions to this rule. If you are putting in place a bridging loan on a second charge basis and borrowing for business purposes then the loan will be unregulated. In all other instances, a bridging loan tends to be unregulated. Most bridging finance falls into this space, with an abundance of active lenders, ranging from 'two-man bands' to well established, bridging finance specialist providers 'that exclusively bridge'.

To discuss your bridging finance options, contact Enness and one of our brokers will be happy to help.



Lenders in this Space

Prior to the 2007 credit crunch, credit was easy to obtain and bridging finance was a very last resort, due to its high interest rates. Mainstream lenders typically backed away from providing it as those who needed a bridging loan tended to be deemed riskier.

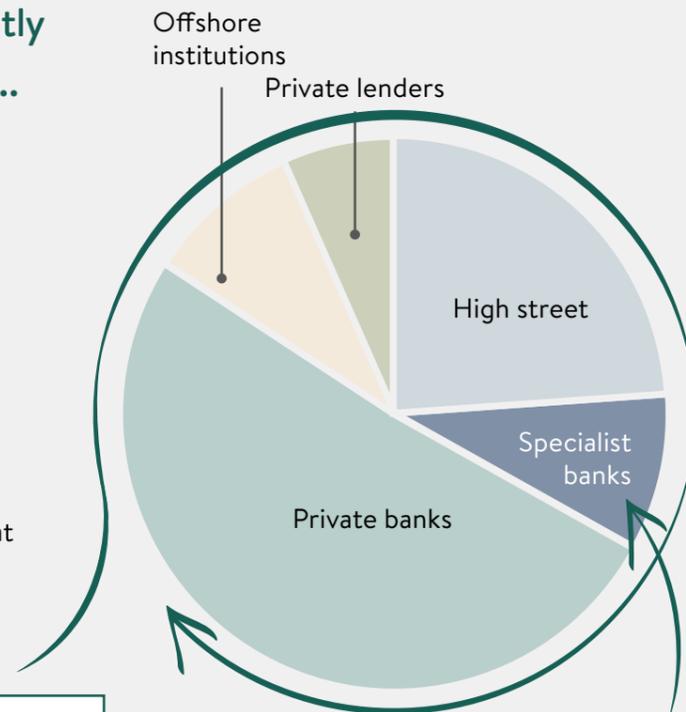
However, as a result of increased affordability checks and the death of self-certification, there are now over 200 lenders in the short-term lending market, so it's gone from a marginal market to a max prominent market in a little over 10 years.

The upside of increased competition is competitive rates and a variety of options to suit a wide range of circumstances. Lenders include challenger banks, specific short-term finance lenders, funds, and smaller private lenders. We are also seeing the emergence of peer to peer lenders (P2P) in this space.

Enness Private Clients currently works with over 200 lenders...

- 70% of which we transacted with last year alone
- The number of lenders who lend in the UK who we don't work with? – 1 (Skipton International – which is pending)
- That means thousands of different mortgage products
- Half of our lenders are private banks that can create bespoke products.

Lenders that will lend in the UK, including high street lenders, specialist banks, private banks, offshore institutions and private lenders.



Within the vast footprint of all our lender relationships, we work with all lenders in the bridging market.

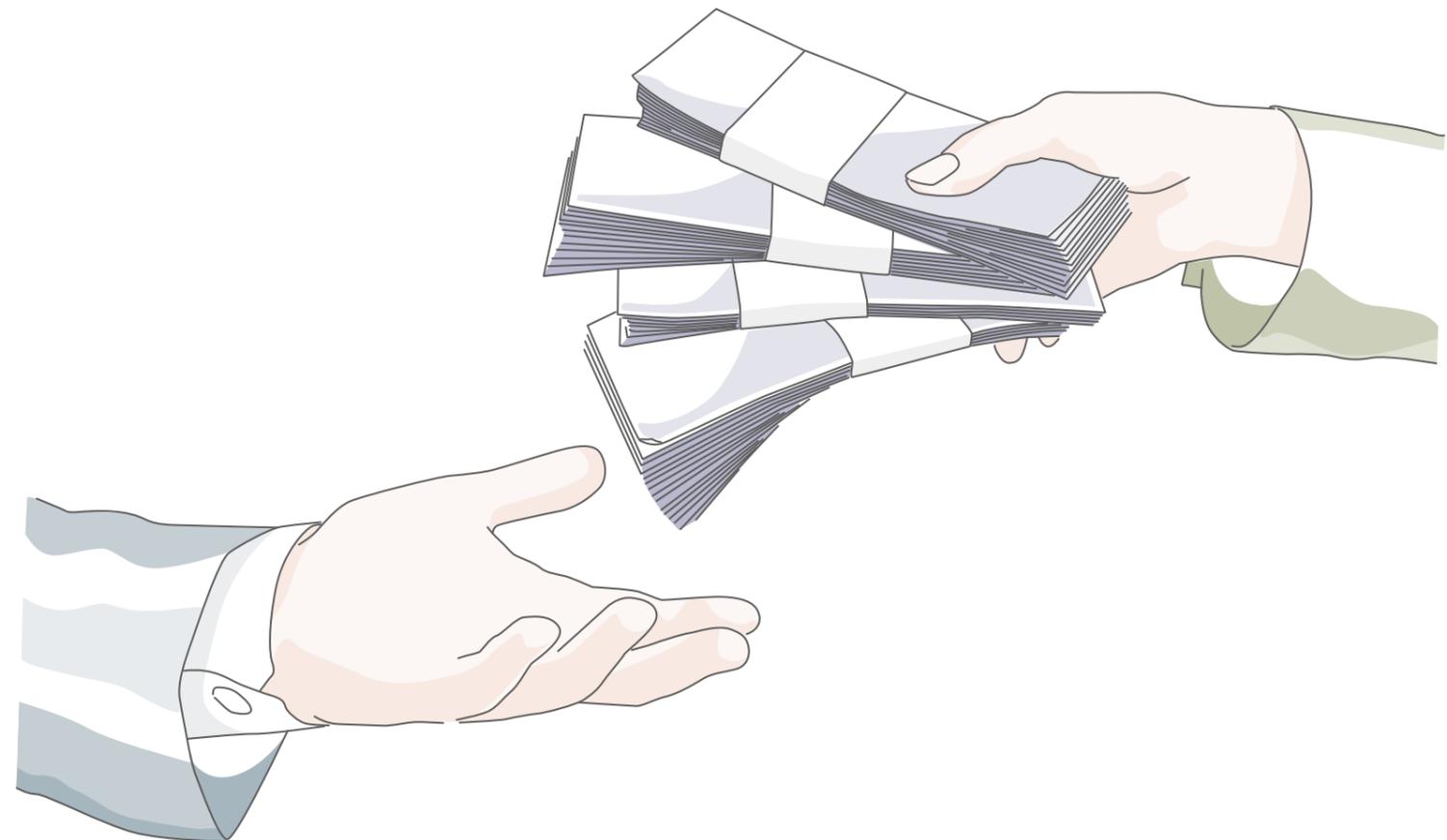
How much will Bridging Finance Cost?

How much bridging finance costs is directly linked to the complexity of the transaction, location of the property, how quickly funds are required, the nature of the asset being used as security, your personal circumstances and how the bridging loan will ultimately be repaid.

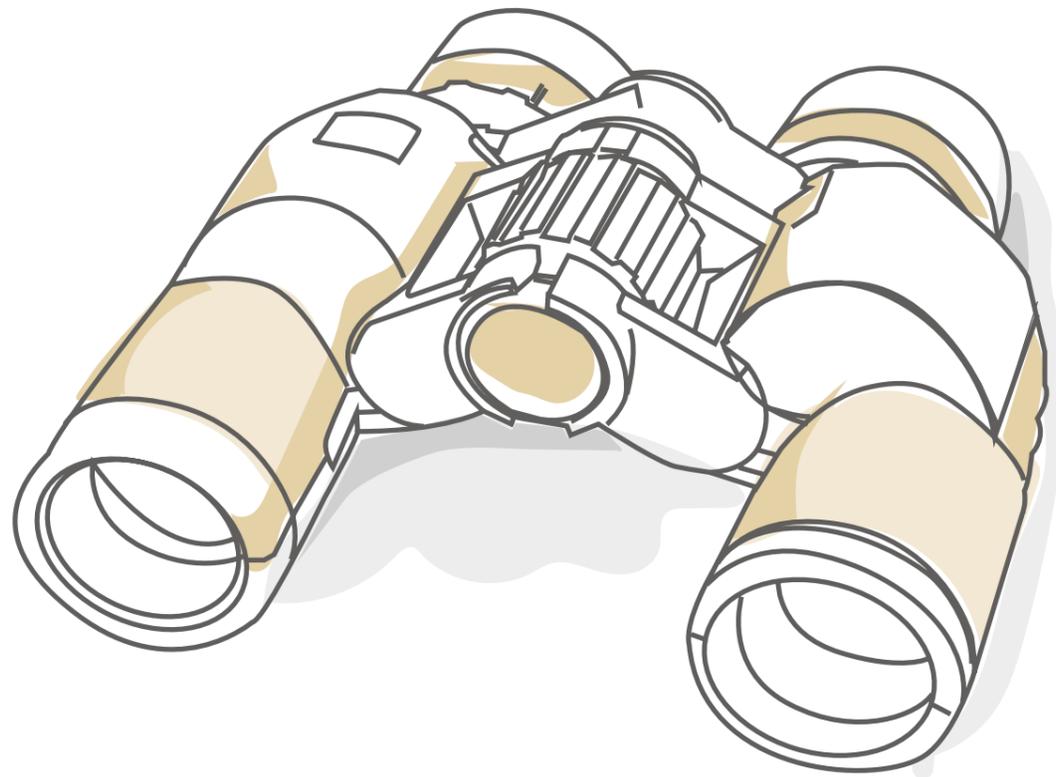
There is no standard 'price guide' for this type of product. What you will be offered will depend not only on the above facts, but also how well your case is presented and, in some cases, how well the broker is respected both personally and professionally.

We work with an unrestricted number of lenders, (ranging from private and international banks, right through to private individuals lending their own funds). We are a professional firm with an outstanding reputation in this market.

The right lender and accessible rate for you will be a result of deductive reasoning based on the above mentioned factors and help from a broker.



Spotlight on: High Loan-to-value Bridging



- Recently there has been even more competition in the bridging space, with lenders stretching their products. The recent product trend is high loan-to-value (LTV) loans - in response to popular demand.
- It is a mix of serviced, retained or rolled up payment profiles. You can now obtain a 75% bridging loan gross with 80% LTV options becoming possible.
- As this is a riskier product for lenders to offer it is likely to be reflected in higher rates.
- Some lenders will then lend against market valuations if the property is sold quickly.
- 100% LTV bridging finance is an option. For property investors who own multiple properties, a cross-collateralised loan can be arranged, which would raise 100% of the short-term finance required.

International Bridging Loans

There's no simple answer to this...



International bridging offers a solution for clients who require short term finance, but the majority of borrowers aren't aware of it as an option. The most common reason for international bridging loans is to release equity in the short term – for example, whilst waiting for a property to be sold, or to fund renovation work – something which is rather uncommon in Europe.

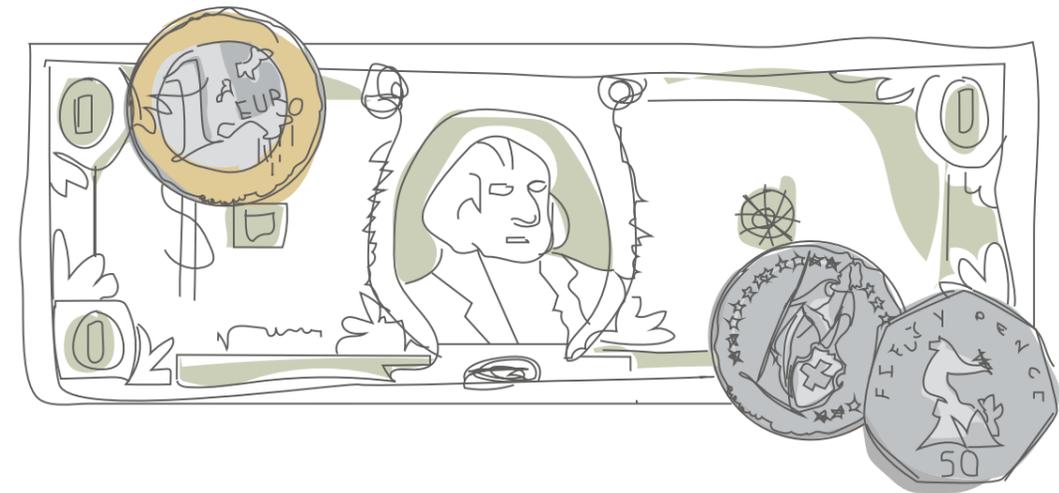
In Europe, releasing equity would only usually be done in order to purchase a property whilst waiting for the current property to sell. Property in the UK is viewed as a long term investment with the opportunity for capital growth so lenders take a more liberal approach, considering a client's entire financial situation when assessing the potential risk. As such, they are far more willing to lend on international property in the short term.

We work with trusted valuers who understand the intricacies of how valuations are written across different jurisdictions and can value your property anywhere in the world. We can also assist clients with support from solicitors, as finding one who can navigate the various legal systems can also present challenges.

Finally, our partnership with foreign exchange (FX) specialist Argentex enables us to assist clients whose funds are in worldwide currency. We can help with the entire process and pride ourselves on our ability to do so.

Foreign exchange & currency management for expats and foreign nationals

If you are looking to buy property in the UK whilst living abroad, it is likely you will need to transfer money across currencies, both during the initial move and once you have settled.



The way you manage these transfers will make a considerable difference to the cost of each one and how far your money goes.

Enness works closely with foreign exchange specialists **Argentex** to give clients access to a dedicated currency service for their property purchases and ongoing requirements.

With the global political climate currently somewhat uncertain, exchange rates are likely to fluctuate. Argentex can help navigate these changing rates and prevent unnecessary losses when transferring deposits between currencies.

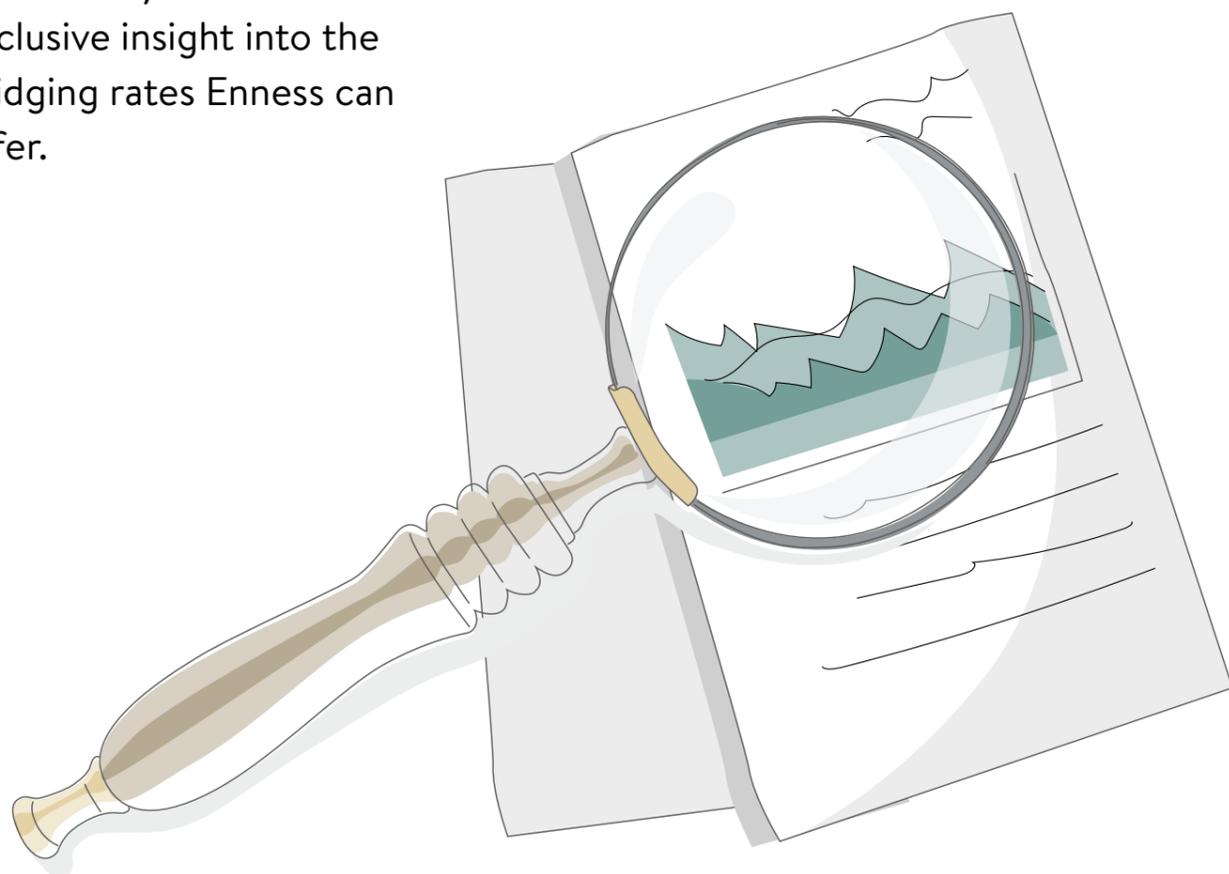
Typical transfer requirements you may have:

- Transferring funds for your initial purchase
- Moving savings to your country of residence
- Regular transfers for pension, school fees or salary transfers
- One-off international transfers
- Monthly transfers towards a mortgage
- Transfers for renovations and developments

Contact us to discuss how we can assist with your foreign exchange needs.

Different Products for Different Needs

Robert Heywood offers an exclusive insight into the bridging rates Enness can offer.



Private Bank Bridging Finance (From 3% to 8% per annum)

Description	This is for £1 million plus loans where the borrower can show background wealth, assets and a definite exit route
Typical Pricing	Interest Rate - from 3% per annum. • Fees - 1% on application, early repayment charges - none
General Criteria	<ul style="list-style-type: none"> • Minimum income of £300,000k or extenuating assets of £3 million • No poor credit history or other extenuating circumstances • Expect a full application process and 2-3 week turnaround time to offer

Mainstream Bridging (8% - 12% per Annum)

Description	This is the bulk of the marketplace and where there is a concentration of lenders all looking for good business.	
Typical Pricing	<ul style="list-style-type: none"> • 0.67% - 0.99% per month • Fees from 1% on application 	<ul style="list-style-type: none"> • Early repayment charges - usually within 3 months of up to 1%
General Criteria	<ul style="list-style-type: none"> • Applications here will be full status and borrowers will need to show income, a definite exit strategy and a clean credit history • Loan-to-value up to 75% are possible for good properties 	

Niche and High Speed Bridging Finance (15% - 21% per Annum)

Description	This is for sensible lending requirements but with one or two factors which deter the 'mainstream' lenders. These lenders are often able to complete in very short time-frames.	
Typical Pricing	<ul style="list-style-type: none"> • From 15% to 21% per Annum 	<ul style="list-style-type: none"> • 1-12 Month Term • 1% Application fee
General Criteria	<ul style="list-style-type: none"> • Applications here will be full status and borrowers will need to show income, a definite exit strategy and a clean credit history • Loan-to-value up to 75% are possible for good properties 	

High Risk Bridging (21% and More Per Annum)

Description	This special band is reserved for high loan-to-value, complex property types and other high risk scenarios. These lenders are usually able to complete the fastest and are often an option for very fast completions.	
Typical Pricing	<ul style="list-style-type: none"> • From 1.75% to 2.5% per month • 6-12 Month Terms 	
General Criteria	<ul style="list-style-type: none"> • Non residential assets • No exit strategy other than sale of property 	<ul style="list-style-type: none"> • Bankrupts and other bad credit history • High risk individuals

CASE STUDY

Gibraltarian Special Purpose Vehicle (SPV) equity release on Spanish property for bridge

THE SCENARIO:

Through one of our trusted introducers, I was recently introduced to a client wishing to release equity from a holiday home in a highly desirable area of Marbella. My client was a partner within a large management consultancy and had a very distinguished record within his industry.

My client wished to acquire a bridging loan through equity release on his holiday property via an SPV which was based in Gibraltar. The property itself was a four-bedroom villa equipped with a swimming pool and other luxury accessories, valued at €600,000. My client required €400,000 for his equity release, around 66% loan to value (LTV).

Initially, there were two causes for concern with this case: firstly, borrowing through a foreign based SPV can conjure a raft of issues which are not present when borrowing directly and secondly the valuations process in Spain can often be unreliable, which can cause delays in the mortgage process.

Spanish valuations are known to overvalue properties in question, so to avoid any difficulties here I contacted a trusted valuation partner of mine in Marbella to ensure an independent, realistic valuation. Fortunately, they were able to do this the next day and the original Spanish valuation was not wildly off the mark, allowing the process to continue unhindered and without delay.

As a point at Enness, we will always conduct a new valuation on properties in question to give peace of mind to both client and lender.

With regard to using the Gibraltar SPV as a lending vehicle, my client's situation was transparent and straightforward, meaning the lender had no issues lending this way. Equity release in Europe is often harder than in Britain but fortunately, terms were offered very quickly.

This case is an example of the efficiency and rapidity with which we are able to process bridging loan enquiries. From the initial enquiry to completion, this case took around three weeks. For those looking for bridging finance, this is an excellent time-frame to work to. Bridging, by its nature, is a short-term finance solution and it is only right that terms are offered as quickly as possible.

My client was offered the full amount, €400,000 at a very impressive rate of 0.8%. Needless to say, my client is ecstatic at the work we have done for him and looks forward to working closely with us in the future.

CASE STUDY

Bridging loan to allow simultaneous completion for property developer

THE SCENARIO:

One of our recent clients needed a bridging loan to allow simultaneous completion on the property he was selling and the property he was purchasing. We secured him a larger loan at a lower monthly rate than other brokers could offer.

My client in this instance was a property developer. He had bought a new main residence for £2 million. Between exchange and completion, he had been allowed access to the property and had carried out extensive renovations. The work increased the value of the property substantially; once he had finished, it had a market value of £3 million.

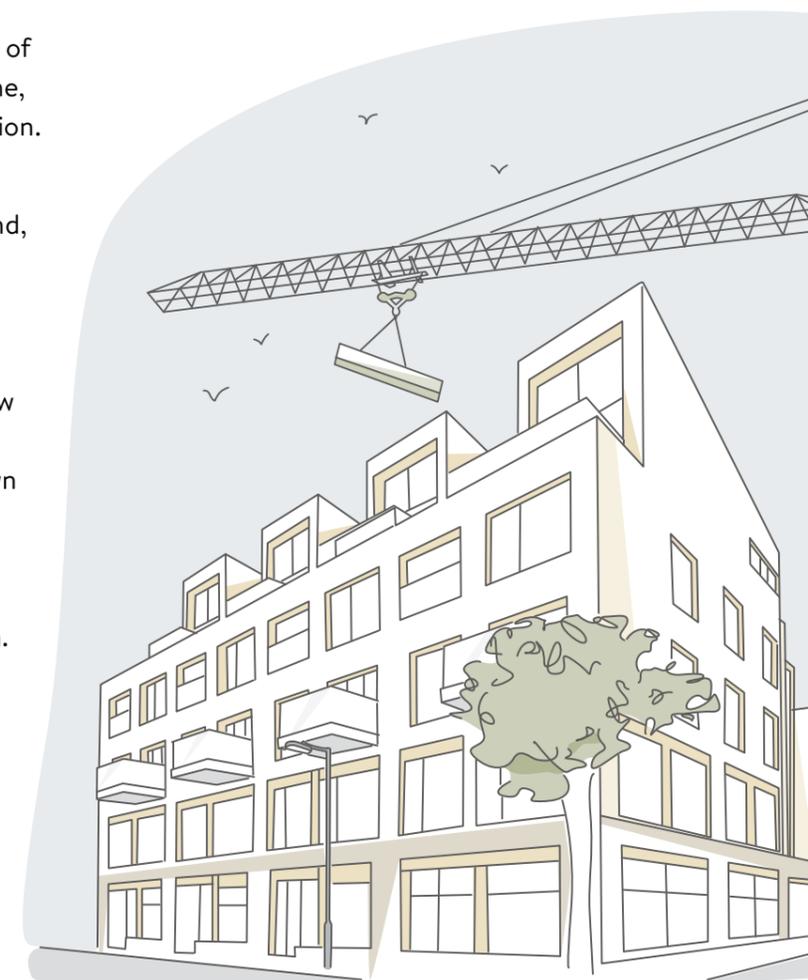
In order to complete simultaneously on the sale of his old property and the purchase of the new one, he was looking for a bridging loan of over £1million.

Within 3 working days we had an offer out for him. He had been speaking to another broker and, as well as being faster, our terms had a couple of significant advantages over the terms he had already been offered.

By persuading the lender to lend against the new market value of the property, we were able to nudge the loan to value (LTV) of the bridge down to under 50%. This meant our client was able to secure a larger loan than expected; we added £100,000 to the loan he had already been offered, meaning total borrowing of £1.4 million.

This in turn meant we were able to take 0.1% off the monthly rate the other broker had offered, bringing it down to 0.65% and therefore making his payments cheaper.

All in all, a £1.4 million bridging loan at 0.65% was a fantastic result for my client.





Conclusion

Please remember that these rates are indicative - they are to be used as an example of what we can achieve.

We've only discussed four solutions out of the countless ones available on the market. Rest assured we'll get the best terms for you. For us to do that, we'll need to understand your circumstances, your plans and preferences.

Once we've found the best solution we will then only charge you should you choose to instruct us.

To discuss your requirements with one of our brokers please give us a call.

[CONTACT US](#)



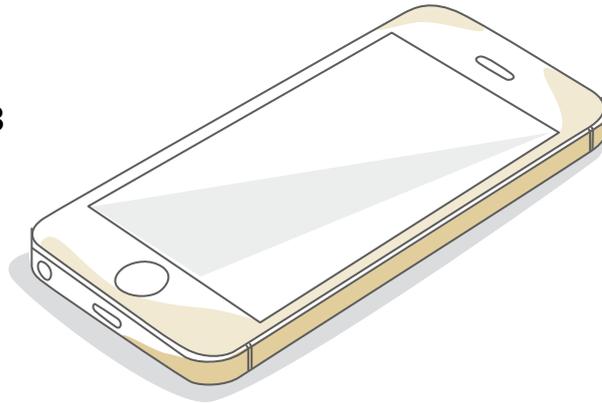
ENNESS

Are you thinking about investing in a mortgage?

Pick up the phone and give us a call for a free consultation.

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