

Roma
#LovetoLend



A Guide to Bridging & Development Finance

Check out how much you can save as an  LNPG member!



FIBA Partner



Bridging Finance

What is Bridging Finance?

A bridging loan is a short-term, interest-only loan secured against a property.

The loans can be taken for a term of up to 24 months and are available on residential, development and commercial properties (and sometimes on land).

They are usually available up to 75% of the property's value. This can be increased to 100% funding in cases where the applicant has additional properties in the background.

Regulated & non-regulated loans

Regulated: If you're buying a home to live in (or for family). Always first charge

Non-regulated: If you're buying or refinancing as an investment. Can be first or second charge

Roma Finance offers non-regulated short-term finance only.

Fees

Bridging loans come with fixed or variable interest rates.

These rates are stated on a monthly rather than annual basis and the borrower can repay it in various ways. They can choose to pay monthly (serviced), on a set date or at the end of their term (rolled up/ retained) when they repay the sum borrowed as well as the interest incurred.



Types of Bridging Loans

Bridging loans can be open or closed:

Open: No set repayment date, but there is a maximum term. Often used by landlords or developers who can't guarantee timings and need the loan for longer.

Closed: Fixed repayment date, suits buyers whose property chain has broken down, helping them bridge the gap between buying and selling.

Who can get a Bridging Loan?

Borrowers are homeowners or homebuyers, landlords or property developers. What they have in common is a need for fast, short-term finance secured against a property.

A bridging loan could be suitable for the following customers:

- They are buying a new home but haven't sold their existing home
- A quick completion is needed on the property they are buying
- They are buying an unmortgageable property to renovate before letting out or selling

- They need to raise funds for business purposes or to pay a tax bill
- They are buying a property at auction

How much can customers borrow?

Bridging loans range from £25,000 up to over £50 million. The amount you can borrow depends on your needs, the value of your property, your equity or savings, and your repayment plan (exit strategy), such as selling, refinancing, or using other funds.

For development projects, lenders also consider the current value, cost of works, and expected value after improvements.

At Roma, bridging loans are available from £75,000 to £3 million. Larger loans can be considered on a case by case basis.

Finding the right Bridging Loan

There are many lenders offering bridging finance, from large banks to specialist providers. Some offer only regulated loans, others only unregulated, and some offer both.

Bridging loans are usually short-term, so while rates are a factor, other features and fees can have a big impact on the overall cost.

If you have unusual circumstances or a credit issue, you may still get a loan, but your lender options could be limited.

If speed matters, look for lenders with fast turnaround times and good service, such as a named contact or project meetings.

Lenders and trade associations are also working to make the sector more transparent, professional, and fair.

Key benefits

- Quick to arrange – agreement can be reached in a day or two, with funds available within two weeks.
- Access to large sums secured against property.

- Allows investors to act on time-sensitive opportunities.
- Flexible lending for non-standard borrowers.
- Available for non-standard properties.

Drawbacks

- Interest rates can be high if borrowing over a long period.
- Fees can be significant, including arrangement, valuation, exit, legal, and early repayment charges.
- Other finance options, like let to buy or second charge mortgages, may sometimes be more suitable.
- Your home is at risk if you don't keep up repayments.
- No access to compensation or the Financial Ombudsman if using an unregulated lender, so choosing the right lender is essential.

Development Finance

What's a Development Loan?

Development finance is a short-term loan used to buy land and/or fund building works. You usually need full planning permission before funds are released, though some lenders will lend on land without it, allowing you to switch to a development loan once permission is granted.

Loans are typically up to 70% of the property's Gross Development Value (GDV). Development loans are often used to build properties for sale or as long-term investments for rental income or capital growth.



Security & exit

There is flexibility when it comes to security. If no cash contribution is available, a charge over an additional property can be used alongside the development site. Equity from an unencumbered property (first charge bridging) or a low-mortgage property (second charge bridging) can also be used to fund a new purchase.

Once the development is complete, the property can be sold to repay the loan, interest, and fees. A developer exit is available once the site is wind and watertight.

Exit options include refinancing onto a developer exit product to clear the original loan and reduce the interest on the existing loan once the property is wind and watertight, subject to a fee to vary the loan terms.

Development Definitions

Refurbishment - Where you are looking to make significant changes to an existing property, whether the use or the size.

Light refurbishment - Cost of works are 20%-50% of CMV

Medium refurbishment - Cost of works are 50%-100% of CMV

Heavy refurbishment - Cost of works are over 100% of CMV

Ground up development - This involves looking to purchase land, or demolish an existing property/building and to rebuild on top. Development finance can fund residential units or a mix of residential and commercial units.

Commercial to residential - Converting existing commercial premises into residential e.g. HMOs

Extra costs

With development finance, a development appraisal is required. This is carried out by a valuer to assess the cost of works, along with the current and end value of the property.

If the development is classed as medium or heavy, or the loan exceeds £500,000, a quantity surveyor may also be required. For an additional cost, they will complete a cost appraisal, commenting on whether build costs are in line with industry averages, and provide interim reports for drawdowns during the build.

For light developments, or medium/heavy schemes with loans under £500,000, drawdowns are still possible but will incur an additional fee.



LNPG Member Benefits

Save around £1,400 on your loan when using Roma Finance for funding!*

**Based on a £400,000 loan (our average bridging loan size)*

As an LNPG member, you can benefit from significant savings when arranging bridging or development finance through Roma Finance, thanks to exclusive discounted arrangement fees and special terms only available to members.

Our aim is to help you maximise value across your property projects through more flexible and cost-effective funding.

Your dedicated Relationship Managers:



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Let's talk. Call **0161 817 7480**, to see how we could support you and your business, alternatively you can email us **Inpg@romafinance.co.uk**.



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