



COURSE 05 / Beginner / Intermediate / 15-20 min

Bridge Loans for Real Estate Investors

Branded cheat sheet: the calculations and decisions to keep beside your next scenario.

Core decision checklist

1. Use bridge capital for a defined transition.
2. Distinguish interest payment from total borrowing cost.
3. Fund carry and delays with adequate liquidity.
4. Verify an exit before the loan closes.

Worked examples at a glance

01 When a Bridge Loan Fits

An investor buys a vacant \$250,000 rental requiring \$25,000 of work. An acquisition-only bridge funds part of the purchase but no repairs. The investor must supply the renovation cash or choose an eligible rehab product. Calling both products bridge loans does not make their funding schedules identical.

02 Interest-Only Does Not Mean Low Cost

A \$200,000 interest-only balance at an illustrative 12% annual rate costs \$2,000 monthly. Six months cost \$12,000 interest. Two origination points add \$4,000, bringing these two costs to \$16,000 before other fees and property carry. Principal repayment is still \$200,000.

03 Keep Enough Cash for the Transition

Loan interest is \$2,000 monthly and property carry is \$600. A three-month delay costs \$7,800 before extension fees. If liquid cash is \$10,000 but \$4,000 is committed to the final contractor payment, only \$6,000 remains for carry. The downside case already shows a \$1,800 gap.

04 Verify the Exit Before Closing

A \$300,000 value at illustrative 75% LTV supports \$225,000. Coverage restricts the new loan to \$210,000. With \$205,000 bridge payoff and \$8,000 refinance costs, required cash is \$3,000. Using the \$225,000 value cap alone would incorrectly suggest extra proceeds.



Apply it to your deal

Use documented inputs. Keep lender qualification, investment economics and cash timing visible as separate calculations.

Practice before submitting

When a Bridge Loan Fits

Write a two-sentence purpose for your bridge: the current obstacle and the event that removes it. List acquisition, rehab and carry needs separately. Ask whether the proposed product funds each need, then identify the document or milestone proving readiness for the permanent loan or sale.

Verify the Exit Before Closing

Prepare a refinance payoff worksheet and a sale fallback worksheet. Ask the permanent lender which conditions remain unresolved. Work backward from bridge maturity to set application, appraisal and decision dates. Include a cash contribution for the downside case and confirm extension conditions before closing.

Quick glossary

Bridge loan: Temporary financing for a defined transition.

Holdback: Commitment reserved for later disbursement.

Stabilized asset: Property operating at a sustainable occupancy and income level.

Point: One percent of the defined loan amount.

Interest-only: Payment that excludes scheduled principal.

Balloon: Remaining principal due at a specified maturity.

Carry: Recurring ownership and financing expenses.

Interest reserve: Earmarked funds for contractual interest payments.

Primary-source reading

Lima One: construction draw process

These sources provide context, not universal program requirements. Formulas, eligible costs, qualifying income, seasoning and fees depend on the transaction. Examples are illustrative and are not actual loan offers.