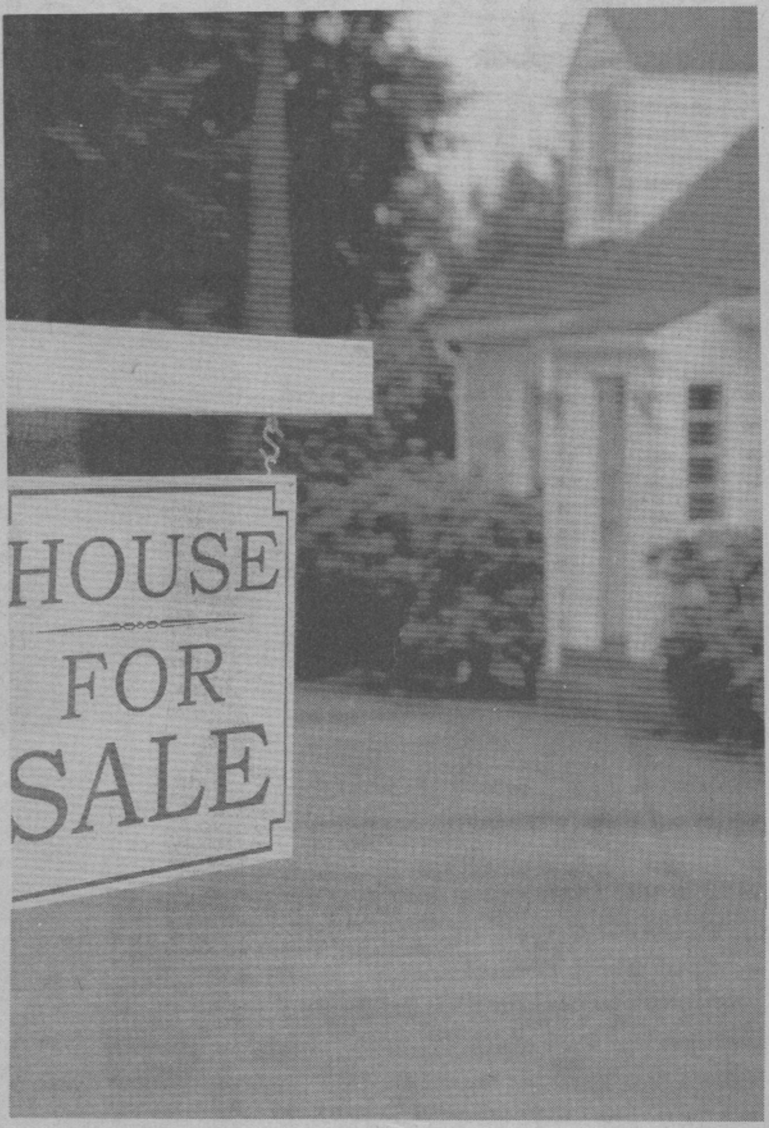
# Bridging the GAP




**Common candidates for a bridge loan are people who have built up a fair amount of equity in their home, and who are dedicated to the idea of selling their existing home.**

BY RODNEY WILSON

Financing a home-construction project can be a tricky endeavor. The costs involved are the same as buying an existing house, but the buyer can't very well live on an empty plot of land or in a half-finished house. So what to do when you can't sell your existing house but the bills are coming due on the construction project?

Bridge loans are a great solution for homeowners whose home construction has them facing the prospect of two mortgages.

"A bridge loan is basically a way to use the equity in your existing home for use as a down payment on the new home," says Snow Cimaglio, Cincinnati/Northern Kentucky regional manager for Third Federal Savings. "We can lend you the additional money and, at the same time, pay off your existing mortgage."

Cimaglio uses the example of homeowners with half of a $200,000 mortgage paid off, and who are looking to build a new home for their next house. "Let's say you want to pull out $50,000 to use as a down payment (to avoid PMI) on the new house until your house sells. We would do a loan for $150,000—we'd pay off that $100,000 that you currently owe to your mortgage company, and you would have no payments for a whole year." Cimaglio points out that this is ideal for buyers who are building a new home, because it allows them to focus on the construction project. "It buys you some time, because you don't know when your house is going to be completed. You don't want to sell your house and have to move twice."

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The main benefit of a bridge loan is security. "Once you move into your new house, you have a whole year to sell your existing home," says Cimaglio. "And you don't have to worry about the payment, because there is no payment. It gives you the peace of mind of not having two or three mortgages."

Stephanie Yadloski of Miamisburg applied for the bridge loan when finances involving her construction project became a source of worry. "When we were putting our house on the market, we had the concern that it wouldn't sell in time," says Yadloski, "We didn't know what we would do if our house was finished and our old house didn't sell." Approval for a bridge loan helped her sleep better at night. "It just gave us peace of mind being approved for the loan."

Cimaglio says that the bridge-loan-as-safety-net scenario is quite common, using the example of a buyer who, two weeks before closing on their new home, finds that their existing house might not sell in time or that the offers coming in don't match the house's value. "You can apply for the bridge loan and not have to reduce the price of your home just to get out of it," she says. "There's peace of mind in just knowing that it's available and knowing what it is."

Common candidates for a bridge loan are people who have built up a fair amount of equity in their home, and who are dedicated to the idea of selling their existing home. "Sometimes people tend to hang on to the old home. At some point, the bank will say, 'You have to sell that house, you owe us the money,' " Cimaglio said. "If somebody's trying to keep that other house, say, to rent it, they could find themselves in a predicament, because that's not the purpose if the bridge loan."

Cimaglio also says that, with interest rates beginning to creep up, many people are taking advantage of the option to lock in the current, lower rates sometimes without an additional charge.

Rodney Wilson is a local free-lance writer.