

# Bridging Finance 101

*A plain-English guide for Australian home buyers — from LenderBridge*

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Finding your next home before the current one has sold is a good problem to have, and a stressful one. Bridging finance is the loan that lets you buy first and sell second, by carrying both properties for a while. It can work beautifully, but it lives or dies on a couple of numbers that are worth understanding before you make an offer.

This guide explains how bridging works, the number most people miss, and how to tell whether a bridge stacks up. It pairs with the LenderBridge Bridging Loan Estimator, which works out your peak debt, the interest over the bridging period, and the end debt you would be left with.

## Peak debt vs end debt

Two numbers do most of the talking in any bridging scenario:

- **Peak debt** is everything you owe at once, while you hold both properties: the debt still on your current home, plus the price of the new one, plus your buying costs. It is the big, alarming figure, and it is temporary.
- **End debt** is what remains after your current home sells and the net proceeds come off the loan. It is the number you actually have to live with once the dust settles.

Most people fixate on the peak debt. Lenders care just as much about the **end debt**, because that is the loan that has to be sustainable for the long run.

## The end-debt test

This is the part that catches buyers out. Your end debt has to stand up as a **normal loan in its own right**, usually at or below an **80% loan-to-value ratio (LVR)** on the new property. If the end debt lands above that, the bridge can be hard to get approved, even when the purchase makes complete sense to you.

So the question is not just “can I afford the repayments during the bridge?” It is “will the loan left over after the sale be serviceable on its own?” Run that number first, and you will know whether a bridge is realistic before you fall in love with a property.

## How the interest works

During the bridging period you carry the full peak debt, and interest is charged on all of it. Bridging interest is usually **capitalised**, meaning it is added to the loan rather than paid monthly. That keeps your cash flow manageable while you hold both properties, but it quietly grows the balance over the bridging period, so a longer time to sell costs more.

Bridging rates are typically a little higher than a standard home loan rate, reflecting the short-term, higher-risk nature of the facility. The estimator uses a typical rate and lets you adjust it.

## Closed vs open, and the clock

Lenders distinguish between two situations:

- **Closed bridging** — your current home is already under an unconditional contract with a settlement date. Lower risk, and lenders are far more comfortable.
- **Open bridging** — you have bought but not yet sold. Higher risk, shorter patience, and lenders will scrutinise how realistic your expected sale price and timeframe are.

Either way, the **bridging period** (often up to six or twelve months) is a deadline. The faster the current home sells, the less interest capitalises and the smaller your end debt.

## What moves the number

Two things move your end debt more than people expect:

- **The sale price you actually achieve.** The estimate assumes your current home sells for the figure you entered. Come in under that, and the end debt rises directly.
- **Selling and buying costs.** Agent commission and marketing on the sale, plus stamp duty and fees on the purchase, all feed the peak and the end debt. The estimator includes a selling-cost allowance you can adjust.

## A worked example

Say the new home is \$900,000, your current home is worth about \$750,000 with \$300,000 still owing, and you expect to sell within six months:

- **Peak debt** while you hold both: around \$1.2 million.
- **Bridging interest** over the six months: roughly \$46,000, usually capitalised.
- **End debt** after the sale, including capitalised interest: around \$515,000.
- **End-debt LVR** on the new home: roughly 57%, comfortably under 80%.

That last figure is the green light. It tells you the loan you are left with is serviceable as a standard mortgage, not just affordable for a few months.

## What to do next

1. Run your real numbers through the Bridging Loan Estimator and note your peak debt, end debt, and end-debt LVR.
  2. Pressure-test the end debt against a **lower** sale price, not just your best case.
  3. Aim to have your current home under contract before you settle the purchase if you can. Closed bridging is far easier.
  4. When you are ready to plan the move, get in touch. Bridging varies more between lenders than almost any other loan, and the right lender choice is what makes it work.
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