



## Bridging the Gap

Moving up or changing from one home to another can present a challenge to a homeowner, who most likely has a mortgage on the current home. This homeowner must come up quickly with a down-payment and financing for the new home or lose out to someone else with ready cash.

The answer to the homeowner's dilemma is a "bridge loan". No longer a discrete product, a "bridge loan" is now a concept term for several ways to quickly get the money for the new home before the first one is sold.

"These quick and temporary loans are a God-send for helping people move from one home to another," says Jerry Frate, president of Rochester Area Mortgage Services, Inc. "They're short in duration, yet they enable the homebuyer to purchase the new home *without* depending on the immediate sale of the existing home."

If the homebuyer needs a quick, say, \$25,000 to seal the deal on a new home, Frate says, there are several ways to bridge the gap. The easiest way is to take out a home equity line of credit. But there's a catch: You must take out a home equity loan *before* the first home is listed for sale. "Once the first home is listed with a realtor, forget about a home equity loan," says Frate. "No lender will touch it."

A second way to bridge the gap is through a short-term, privately financed loan, which many mortgage brokers can arrange. The interest rates might be a bit higher, but the loan serves the purpose of a down payment on the newer home. Once the first home is sold, proceeds from that transaction can be used to payoff the private loan and settle into a more conventional mortgage.

The third way to quickly bridge the gap is through what we call an 80/15/5 loan. The 5 and the 15 represent two smaller loans that amount to a 20% down payment. You'll pay a bit more in interest for these smaller loans, but once the first home is sold, proceeds can be used to pay them off.

These three "bridge" options give the homeowner buyer the clout to make a serious offer on the new home without first having to sell the current home.

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