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06.02 Bridging Loan

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1. Description

A variable rate Interest Capitalised loan for short-term finance, to enable the borrower to purchase a new owner-occupied residential property prior to an existing residential property being sold.

The net sale proceeds of the existing property are used to repay the Bridging Loan in full.

2. Purpose

The loan funds **can only** be used for:

- Owner Occupied property purchase

Also refer to Loan Purpose section of the [Eligibility](#) Policy.

3. Eligibility

Applicant(s) can be:

- Individuals
- Discretionary or Family trusts (individual trustees only).

Owner occupied home loans can only be made available in the name of a trust if the beneficiaries are to occupy the property (i.e. **not** the trustees).

Also refer to [Eligibility](#) policy > Eligible Borrowers for a Consumer Mortgage Loan.

Not available for:

- Investment purposes
- Owner builders
- Partnerships
- Unit trusts
- Family-Security Guarantee
- Purchasing vacant land with no intention to complete a build within 12 months
- Companies
- 2nd mortgages
- Loan increases
- Debt consolidation
- Refinances
- Business purposes
- Discretionary or Family trusts (non-individual trustees)

4. Security collateral

Security collateral:

- is to be a registered mortgage over the residential owner occupied property(s) and
- must include both the existing property (the current residence being sold) **and** the new property (the future residence being purchased)
- cannot be cross-collateralised to support other home loans

5. Special conditions

- A Bridging Loan can be originated in combination with another home loan
- The Bridging Loan must be repaid in full via the net sale proceeds of the existing (sale) property. Refer to [Sale Equity Rule](#)
- Maximum 12 month term
- Must comply with [Lending Value Ratio \(LVR\)](#) policy for Bridging Loans
- The progressive drawdown option is **not** available

6. Sale Equity Rule

To ensure the Bridging Loan will clear from the net sale proceeds of the existing property, the proposed Bridging portion of the loan cannot exceed:

- 85% of the security collateral value of the existing property(s) to be sold

This rule applies to the bridging portion of the loan only not any end debt.

Also refer to '[Security Collateral Value Assessment](#)' policy.

6.1 Repayment where more than one security to be sold

- Full net proceeds (including purchasers deposit paid) must always be received to the Bridging Loan **and**
- Remaining Bridging Loan debt against the security collateral value of the remaining property(s) to be sold cannot exceed the Sale Equity Rule **and**
- Overall LVR must comply with [Lending Value Ratio \(LVR\)](#) policy for Bridging Loans

7. Interest

Interest must be capitalised.

8. Policy exclusions

The below policies, **either in part or in full** do not apply to Bridging ICAP loans with no end debt. Refer to each policy to identify the applicable exclusions.

- [Serviceability Assessment](#)
- [Verifying Income](#)
- [Commitments](#)
- [Living Expenses](#)
- [Maximum Loan Term and Exit \(Repayment\) Strategy](#) > *Exit (Repayment) Strategy - Responsible Lending*
- [Loan Application and Approval > Validation of information provided by the customer](#)

Change History

Amendment number	Amendment issue date	Description of changes
1	3 November 2021	First OBP issue online for Brokers on the OKA platform.
2	10 November 2021	Links updated
3	26 July 2022	Updated section 'Security collateral' to include 'cannot be cross-collateralised to support other home loans.'
4	2 October 2022	Change 1 Update to section 3. Eligibility Old wording Also refer to Eligible Borrowers section of the <i>Eligibility</i> Policy New wording

Amendment number	Amendment issue date	Description of changes
		<p>Also refer <i>Eligibility</i> Policy > Eligible Borrowers for a Consumer Mortgage Loan</p> <p>Change 2 Update to section 8. Policy exclusions</p> <p>Old wording Maximum Loan Term>Exit Strategy policy</p> <p>New wording Maximum Loan term and Exit (Repayment) Strategy > Exit (Repayment) Strategy – Responsible Lending</p>
5	21 May 2023	Throughout document, redirected references and links from 'Validation of information provided by the customer' policy chapter to 'Loan Application and Approval > Validation of information provided by the customer'. Housekeeping change only

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