

Bridging loans, often used for short-term property finance, come with unique cost structures that can be confusing at first glance. A common question we hear at **Iredell Free News**, especially from readers exploring options at **KIS Finance** and **KIS Bridging Loans**, is whether a *0.75% monthly bridging rate* is good value.

Let's break down the numbers together, diving into typical total cost ranges, the logic behind monthly interest rates, how loan-to-value (LTV) ratios influence pricing, and why exit strategies demand close scrutiny. We'll also flag some key elements that borrowers often overlook, like legal representation and independent valuation reports, which are essential for safeguarding your investment.

Understanding Bridging Loan Interest Rates: Why Are They Quoted Monthly?

It's vital to understand that bridging loans are short-term, usually repaid within 6 to 12 months. Because of this, lenders quote interest rates on a **monthly basis**, rather than as an annual percentage rate (APR), which is more typical for mortgages.

This monthly quoting can trip up borrowers. For example, a 0.75% per month interest rate might sound low, but if you annualize it (i.e., multiplying $0.75\% \times 12$ months), it amounts to around 9% annually.

However, caution is needed here. Bridging loan providers don't always compound interest monthly as a credit card might. Often, monthly interest is charged on the original loan amount, and fees are mostly upfront or added separately, but sometimes fees and interest get rolled into the loan balance. Always sanity-check the total cost by calculating how much you will pay overall, not just looking at the monthly percentage.

Typical Bridging Loan Interest Rate Bands

- **Low-risk cases (LTV < 55%):** Monthly interest rates typically range from *0.4% to 0.65%*. These are usually loans on prime properties with strong exit strategies and clean valuations.
- **Mid-risk cases (LTV 55% - 75%):** Monthly rates rise to around *0.65% to 0.85%*, reflecting higher risk or more complicated situations.
- **High-risk cases (LTV 75% - 80%):** The highest monthly rates, sometimes reaching *1% or more*, generally apply here due to increased lending risk.

In this context, a 0.75% monthly bridging rate slots into the mid-risk category, which can be reasonable — but only if your exit strategy and property valuation support it.

How Loan-to-Value (LTV) Impacts Bridging Loan Pricing

The loan-to-value ratio is one of the key determinants of [The original source](#) bridging loan interest rates. Essentially, the higher the LTV, the more risk the lender takes on and therefore the higher the monthly interest rate you'll face.

LTV Range	Typical Monthly Interest Rate	Risk Factor
< 55%	0.4% – 0.65%	Low
56% – 75%	0.65% – 0.85%	Moderate
76% – 80%	0.85% – 1.0%+	High

This means if you are being quoted a 0.75% monthly rate but your LTV is around 80%, it is a comparatively good deal. On the other hand, the same 0.75% rate on a loan with 50% LTV could be on the high side.

Total Cost of Bridging Loans: More Than Just Interest

One of my biggest pet peeves, after nearly a decade in the bridging sector, is when borrowers focus solely on the monthly interest rate and forget the other fees. From **independent valuation reports** to **legal representation for both borrower and lender**, these costs add up and affect the real expense of your loan.

Typical total costs—including interest, arrangement fees, valuation fees, broker fees, and legal costs—usually fall within the 7% to 15% band of the loan amount. For a 6-month loan, even a “low” monthly interest rate can contribute significantly to this total, especially if fees are added to the loan balance and accrue interest.

Typical Fees Breakdown

- **Arrangement Fee:** 1% to 2% of the loan amount, sometimes more.
- **Broker Fee:** Often around 1%, paid upfront or on completion.
- **Valuation Fee:** £300 - £1,000 depending on property location and type. Obtained through an *independent valuation report*.
- **Legal Fees:** £750 - £2,000 per side, covering both borrower and lender representation. Necessary to protect all parties and ensure smooth transaction.

These costs can easily push the effective annual interest rate up much higher than a simple monthly interest figure suggests.



The Importance of Exit Strategy Clarity and Evidence

No bridging loan discussion is complete without a strong, evidence-backed **exit strategy**. Lenders at firms like **KIS Bridging Loans** insist on this because it directly influences risk and thus pricing.



The exit strategy explains how you plan to repay the loan—whether through property sale, refinance, or other means. Vague or hand-wavy exit plans are a red flag, often leading to higher rates or refusal.

What Lenders Look For in Exit Strategies

- **Feasibility:** Is the plan realistic within the loan term?
- **Evidence:** Market comparables, sales agreements, or refinance approvals.
- **Backup Options:** Is there a Plan B if the primary exit fails?

Without clear evidence, lenders price risk at a premium, meaning less favourable rates, or insist on lower LTVs.

Bridging Loan Interest Calculation: How to Do It Yourself

To properly understand the cost of a bridging loan with a 0.75% monthly rate, consider this example:

Loan Amount Monthly Interest Rate Term Interest Cost £200,000 0.75% 6 months $£200,000 \times 0.0075 \times 6 =$
£9,000

If arrangement and broker fees add another 2% (£4,000), valuation and legal another £2,500, total costs become £15,500.

This equates to a total loan cost of approximately 7.75% over six months — which, if annualized, is roughly 15.5% per annum. This example perfectly illustrates why averaging costs and including fees is essential to true cost evaluation.

Common Misconceptions to Avoid

1. **Comparing monthly bridging rates directly with annual mortgage rates:** This is misleading. Bridging loans are inherently short term and priced differently.
2. **Ignoring valuation and legal costs:** These fixed costs can inflate total expenses significantly and are often underestimated.
3. **Assuming "low rates available" mean cheap overall costs:** Always check how fees and interest accumulate across the loan term.

Final Verdict: Is 0.75% Monthly Bridging Rate Good?

Overall, a **0.75% monthly bridging rate** is reasonable if:

- Your LTV is around 60-75%, reflecting moderate risk.
- You have a solid, documented exit strategy.
- Fees and valuation/legal costs are transparent and factored into your budget.

If your loan sits in this sweet spot, working with brokers and lenders such as **KIS Finance** and **KIS Bridging Loans** can offer competitive packages. But always sanity-check total costs as a percentage of your loan, and never overlook independent valuations and legal safeguards.

Remember, bridging finance might be short term, but the costs and risks can add up quickly. Being well informed helps you avoid surprises and secure the best deal possible.

For more tips and insights on specialist property finance, keep following **Iredell Free News**.