

If you're considering a bridging loan with a Loan-to-Value (LTV) of 75%, understanding the total costs involved is crucial to making a sound financial decision. Bridging finance is often used for quick property transactions, refurbishments, or auction purchases, but it comes with costs that can quickly add up if you're not fully aware. In this post, we'll break down typical cost ranges, why rates are quoted monthly, how LTV impacts pricing, and why having a clear exit strategy supported by evidence is non-negotiable.



Understanding Bridging Loan Costs: What You're Really Paying

Bridging loans are short-term, interest-only loans typically used for property purchases or refurbishment projects. Unlike traditional mortgages, bridging loans come with a risk-based pricing model that heavily factors in your LTV, the exit strategy, and property valuation.

When you borrow at 75% LTV, you're generally operating at the upper end of the risk scale compared to loans below around 55% LTV, where cheaper rates tend to apply. Let's explore typical cost ranges and what that really means for your loan.

Typical Total Cost Ranges: 7% to 15% Annualised

The total cost of a bridging loan usually ranges between **7% and 15%** annualised, including interest, arrangement fees, valuation fees, legal costs, and other lender charges. The final cost depends on multiple factors, but most borrowers looking at a 75% LTV should expect to pay more towards the higher end of this spectrum.

- **Interest rate:** Most bridging loans charge interest on a monthly basis, typically between *0.75% and 1.25% per month*. This can feel steep compared to traditional mortgage rates expressed annually but remember, bridging loans are short-term (usually under 12 months), so monthly rates make sense.
- **Arrangement fees:** These are upfront fees for processing your loan, typically 1% to 2% of the loan amount.
- **Valuation fees:** An independent valuation report is almost always required to confirm the property's value. This usually costs a few hundred pounds but ensures fair risk assessment.
- **Legal fees:** Both borrower and lender require legal representation to ensure all contracts are airtight. While lender legal fees might be included, as a borrower, you'll want your own solicitor to review terms—these fees

often range from £500 to £1,500.

Always sanity-check these fees by calculating them as a percentage of your loan and remembering they can be rolled into the loan but then accrue interest, compounding your costs.

Why Are Bridging Loan Rates Quoted Monthly?

A key confusion point for borrowers is how bridging rates compare to traditional mortgages. Bridging loan lenders quote **monthly rates**—say between 0.75% and 1.25% per month—rather than annual percentage rates (APR). This is simply because bridging loans are designed as short-term finance, often for 3 to 12 months. Calculating the rate on a monthly basis allows borrowers to understand exact monthly cash flow costs and avoids the false impression that the loan is cheaper than it is.

For example, a 1% monthly interest rate translates roughly to a 12% annual interest rate without compounding, but actual costs over 6 or 9 months are accurately captured [iredellfreenews.com](https://www.iredellfreenews.com) by monthly billing.

Iredell Free News recently featured a case where borrowers had underestimated costs by comparing bridging monthly costs to annual mortgage rates—an error that cost thousands in unexpected interest!

LTV as a Pricing Lever: Why 75% Stands Apart from Below 55%

LTV ratio is perhaps the most impactful lever affecting bridging loan rates. Risk-based pricing means that the higher the LTV, the greater the risk to the lender, so naturally, the higher the interest rate.

LTV Band	Typical Monthly Interest	Risk Consideration
Below 55%	0.5% to 0.75%	Lower risk, secured against more equity, cheaper rates
55% to 70%	0.75% to 1.0%	Moderate risk, rates rise accordingly
75% to 80%	1.0% to 1.25%+	Higher risk, reflected in higher interest and fees

Bridging specialist lenders like **KIS Finance** and their **KIS Bridging Loans** product line use this risk-based pricing to set monthly interest rates that reflect LTV bands carefully. This means if you're borrowing at 75%, expect your rate to be on the higher side—often starting around 1% monthly.

The Importance of a Clear Exit Strategy and Evidence

One of the most common pitfalls in bridging finance is a vague or hand-wavy exit strategy. Lenders stress-test your exit plans vigorously since bridging loans are short-term and depend on a definite exit route to repay the loan.

- **Sale of property:** Providing a signed sales contract or strong evidence from an estate agent can boost lender confidence.
- **Refinance:** Evidence of an existing mortgage offer or pre-approval helps.
- **Development completion:** Detailed refurbishment plans with cost estimates and market value projections.

Your exit strategy must be credible and backed by documentation, especially at higher LTVs where lenders perceive more risk. An unclear exit plan often leads to higher fees or outright refusal.

Independent Valuation Report and Legal Representation: Why They Matter

Don't overlook the cost and necessity of an **independent valuation report**. This report protects both lender and borrower by providing an unbiased market value of the property, which determines the loan amount and LTV.

Additionally, legal costs for both borrower and lender are a part of responsible borrowing. You should have your own legal representation to scrutinize the bridging loan documentation carefully, protecting you from surprises such as early repayment penalties or hidden fees.



These elements, although sometimes seen as add-ons, actually form the backbone of a sensible bridging loan application and protect your interests.

Final Thoughts: Don't Fall for "Low Rates Available"

I hate vague claims like "low rates available" because bridging loan rates vary widely based on your exact situation, particularly LTV and exit strategy. As you look around, including options through brokers like **KIS Finance**, always ask for transparent monthly rate quotes, full disclosures of all fees, and clarity on total cost projections.

Borrowing at 75% LTV is feasible but expect a pricing band of roughly 1% to 1.25% monthly interest, plus fees for valuation, legal, and arrangement costs. Crucially, have a watertight exit strategy backed by evidence to avoid costly rollover scenarios.

For borrowers serious about property finance, resources like the *Iredell Free News* provide valuable insights into market trends and case studies—helping you avoid the common traps in bridging lending.

Summary Table: Typical Cost Breakdown for 75% LTV Bridging Loan

Cost Item	Typical Range	Notes
Monthly Interest Rate	1.0%–1.25%	Risk-based pricing for 75% LTV
Arrangement Fees	1%–2% of loan	Usually upfront, sometimes added to balance
Independent Valuation Report	£300–£600	Required to confirm property value
Legal Fees (Borrower/Solicitor)	£500–£1,500	Protects borrower interests
Lender Legal Fees	Often included in arrangement	Varies by lender

Always cross-check total fees as a percentage of your loan and beware of rolling costs into the loan balance where you pay interest on fees.

Your bridging loan decision is critical—armed with these insights, you can strike a balance between cost and opportunity.