

When you first start exploring bridging loans, numbers like **0.75% monthly bridging rate** can look quite attractive—especially compared to traditional mortgage rates. But is 0.75% per month really a good deal? How do you know you're getting the most competitive and transparent terms without hidden costs sneaking up on you midway through the short-term financing?

In this post, we'll cut through the jargon and break down key aspects of bridging loan pricing, including total cost ranges, how monthly bridging rates work, loan-to-value (LTV) impact on pricing, and why exit strategies matter critically. Companies like *Iredell Free News* have highlighted common pitfalls borrowers face, so we'll also touch on best practices including third-party tools like **independent valuation reports** and strong **legal representation for borrower and lender**. We'll weave in examples from well-known lenders such as *KIS Finance* and *KIS Bridging Loans* for context.

Understanding Bridging Loan Interest and Total Cost

You often see bridging loans quoted as a simple monthly rate, such as 0.75% per month. This can be confusing because, unlike traditional mortgages that usually show annual interest rates, bridging lenders prefer monthly rates to clarify the short-term cost structure. But does that make 0.75% good or bad?

How is Bridging Loan Interest Calculated?

Bridging loan interest typically accrues on a monthly basis, based on the outstanding loan balance. The **bridging loan interest calculation** goes like this:

1. Interest rate (monthly) × Loan amount = Monthly interest cost
2. Total cost = Monthly interest cost × Number of months held + Fees

If you borrow £100,000 at 0.75% per month, the interest is £750/month. For a 6-month term, simple interest would be $£750 \times 6 = £4,500$.

However, total cost includes fees beyond interest. Always sanity-check if fees are rolled into the balance and thus accruing interest themselves—it's a nasty shock if you're not watching.

Why Do Lenders Quote Monthly Rates?

Bridging loans are usually short term—like 3 to 12 months rather than decades. Expressing rates monthly helps borrowers see exactly what they pay if they repay early, without annualising confusion. Annualised bridging rate comparisons become misleading if you just multiply the monthly rate by 12 without considering fees, exit penalties, or changing balances.

For example, a 0.75% monthly rate annualises roughly to 9% ($0.75\% \times 12 = 9\%$). Sounds reasonable, right? But with fees, valuation costs, legal representation, and compounding interest if fees are added to the balance, your effective annual cost could hit 12%–15% easily.

Typical Bridging Loan Total Cost Ranges

The combined cost of bridging loans (interest plus fees) typically ranges between:

- **7% to 15% per annum** equivalent total cost
- This depends hugely on LTV, exit strategy, and lender pricing

So, that headline 0.75% monthly rate (or 9% annually simple) fits well within the typical band. But remember:

- **Lower LTV loans** often score better monthly rates and fewer fees—sometimes under 0.60% monthly
- **Higher LTV loans (75%–80%)** can push monthly rates towards 1% or higher
- Valuation and legal fees typically add 1–3% of the loan amount on top

Example Total Cost Table

LTV Range	Monthly Interest Rate	Fees (Valuation + Legal)	Approx. Annualised Total Cost
Below 55%	0.55% – 0.65%	1% – 2%	8% – 10%
55% – 75%	0.65% – 0.80%	2% – 3%	10% – 13%
75% – 80%	0.80% – 1.00%	2% – 4%	13% – 16%

Loan-to-Value (LTV) as a Key Pricing Lever

KIS Finance and *KIS Bridging Loans*, among other providers, emphasise that LTV is the principal lever lenders use to price bridging finance. Lower LTV means less risk in their eyes because the property's value covers the loan more comfortably in case of default.

Why Below ~55% LTV Often Has Better Rates

Loans under about 55% LTV tend to attract the lowest monthly rates—sometimes down to as low as 0.50% per month. The lower risk profile allows lenders to offer better terms and reduce fees.

Above 75–80% LTV, bridging loans become niche and highly specialist, with monthly rates pushing over 0.90%–1.00%, and fees can add significantly.

The Importance of Exit Strategy Clarity and Evidence

Many borrowers overlook the critical role an exit strategy plays in pricing and approval. Lenders want to see a clear, credible plan for repaying the bridging loan within the term.

- Repaying from property sale proceeds
- Remortgaging to a traditional mortgage
- Capital injections from investors or developers

Iredell Free News has often called out “hand-wavy exit strategies” as a key cause of bridging loan rejections or last-minute cost escalations. Lenders use the exit plan to gauge risk and decide pricing bands.

Providing Evidence

Demonstrating a robust exit strategy with evidence—like a solicitor’s letter confirming a sale underway, a mortgage offer in principle, or documented investor funds—can unlock much better rates from lenders including *KIS Finance*.



Third-Party Costs: Independent Valuation and Legal Representation

Beyond interest rates, always budget for essential third-party costs:

- **Independent Valuation Report:** A professional valuation ensures the lender understands current market value. This cost can run to £350–£500 or more, impacting total costs but protecting borrower and lender alike.
- **Legal Representation for Borrower and Lender:** Both sides require legal advice to handle contracts, title checks, and security documents. Typical costs might range £750–£1,500 or higher depending on complexity.

These fees typically aren't included in headline bridging rates and often can't be rolled into the loan without incurring additional interest. If rolled in, your effective annual cost can balloon beyond the advertised monthly rate.

Common Pitfalls to Avoid: Don't Ignore Fees and Interest-on-Fees

From my 9 years' experience as a specialist bridging loan case manager, I always sanity-check whether fees are charged upfront or capitalised (added to the loan) and bear interest. Many borrowers only realise halfway through a short 6-month term that their fees have been rolled in, resulting in unexpected extra costs.

Always ask:

- What is the monthly interest rate, and is it fixed for the term?
- What fees apply (valuation, legal, arrangement)?
- Are fees payable upfront or added to the loan balance?
- What is the official exit strategy and how is it evidenced?

How Does 0.75% Monthly Rate Stack Up?

If your bridging lender quotes 0.75% per month (roughly 9% annually simple), on the surface, this is in the normal mid-range for bridging loans.



Sanity check example: For a £150,000 loan over 6 months:

- Monthly interest: $£150,000 \times 0.75\% = £1,125$
- Over 6 months: $£1,125 \times 6 = £6,750$ interest
- Assuming fees total 2% upfront (£3,000), total cost = £9,750
- Total cost as % of loan over 6 months = about 6.5%
- Annualised (doubling 6-month cost) ~13% total cost including fees

This aligns with typical bridging costs—neither a bargain nor overpriced. With a strong exit strategy and fees paid upfront, it can be a good deal.

When 0.75% Isn't So Good

- If fees are rolled into the balance, you pay interest on the fees too
- If your LTV is under 55% but you're paying 0.75%, possibly you can shop around
- If the lender is vague on exit strategy requirements, risk cost surprises

Final Takeaways

Is 0.75% monthly bridging rate good? Yes, it falls within expected industry ranges. But don't judge bridging finance by monthly rates alone. Look at total cost including fees, independent valuation reports, and robust legal representation. Scrutinize the exit strategy for clarity and evidence. Avoid lenders who gloss over costs or try to bundle fees into the loan principal without clear explanation.

As *Iredell Free News* [bridging loan total cost 7% 15%](#) and readers of *KIS Bridging Loans* often advise: "Bridging finance is a powerful tool when understood thoroughly, but a trap if you rely on low headline monthly rates alone."

Always sanity-check totals as a percentage of your loan, ask to see sample legal packs, and confirm how valuations are commissioned. That's how to make a bridging loan work for you, not against you.