# How to Buy Your Next Home Before Selling Your Current One

## Bridging Finance, Timing and the Options Most Movers Don't Know They Have

A practical guide to bridging loans, deposit bonds and settlement timing for upgraders

By the team at Loan Experts · 2026 Edition

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Buying your next home before your current one sells lets you avoid the stress of moving twice and missing out on the right property while you wait — but it requires careful financial planning. This guide explains the tools brokers use to bridge the gap between settlements, the real cost of each option, and the mistakes that most often catch upgraders out.

## The Three Tools Covered in This Guide

### Bridging Loan

A short-term loan covering both properties until your current home sells.

### Deposit Bond

Secures your new purchase without tying up cash while funds are still tied up.

### Extended Settlement

Negotiating settlement dates so both transactions land close together.

No. 1

# The Core Problem — Timing Two Settlements

Why buying and selling at the same time creates a financial gap

When you buy before you sell, there's almost always a gap between the day you need funds to settle on your new home and the day your current home actually settles and releases your equity. Even a well-marketed property can take 30 to 90 days to go unconditional, and settlement itself typically adds another 30 to 60 days on top.

Without a plan to bridge that gap, buyers either lose the new property because they can't fund it, or scramble into a rushed, underpriced sale of their current home just to free up cash in time. Both outcomes are avoidable with the right finance structure in place before you make an offer.

- Average time-on-market plus settlement period often exceeds 90 days
- Lenders generally won't release new finance without a clear funding plan for the gap
- Rushed sales under time pressure tend to settle below true market value
- A pre-arranged bridging facility removes the pressure from both transactions

**EXPERT TIP**

Speak to a broker before you make an offer, not after — bridging finance is far easier to arrange proactively than once you're already under contract.

No. 2

# Bridging Loans Explained

A short-term facility that funds both properties at once

A bridging loan temporarily combines the debt on your current home with the purchase price of your new one into a single facility, sized against the combined value of both properties. Once your current home sells, the proceeds pay down the bridging debt, leaving you with a standard home loan against the new property only.

Lenders calculate what's called 'peak debt' — your existing mortgage plus the new purchase costs minus any cash contribution you're making — and assess your ability to service that peak debt for the bridging period, even though in practice you'll only ever pay interest on it for a matter of months.

- Combines existing mortgage and new purchase into one facility
- Peak debt is assessed for serviceability, even though it's short-term
- Typically runs for 6 to 12 months depending on the lender
- Reverts to a standard loan once your current home settles

**EXPERT TIP**

Lenders look closely at how realistic your expected sale price and timeframe are — an overly optimistic estimate can see your application declined or your peak debt capped lower than expected.

No. 3

# How Bridging Loan Interest Actually Works

Capitalised interest versus paying as you go

Most bridging loans let you capitalise interest on the bridging portion, meaning the interest is added to the loan balance rather than paid monthly out of pocket — useful if your cash flow is tight while you're effectively carrying two properties. The trade-off is that capitalised interest compounds, so the longer the bridging period runs, the larger the final payout figure when your current home sells.

Some lenders offer 'closed' bridging loans with a fixed end date tied to an existing sale contract, which typically carry a lower rate than 'open' bridging loans where no sale is yet locked in. Open bridging is more flexible but priced higher to reflect the added uncertainty for the lender.


**EXPERT TIP**

If you can lock in a sale contract before settling on your new purchase, ask your broker to convert from open to closed bridging — the rate difference adds up quickly over several months.

No. 4

# Deposit Bonds — An Alternative to Cash Deposits

Securing your new purchase without tying up cash early

A deposit bond is a guarantee, issued by an insurer or lender, that stands in place of a cash deposit at exchange. Rather than transferring 10% of the purchase price upfront — money that may still be tied up as equity in your current home — you pay a smaller fee for the bond, and the guaranteed amount is only paid in the rare event you fail to complete the purchase.

Deposit bonds are particularly useful when your current home hasn't sold yet, since they free up the equity question until settlement rather than requiring cash you don't yet have access to. Not every vendor or selling agent accepts them, so it's worth confirming this is workable before you rely on one in a competitive offer.

- Replaces a cash deposit with an insured guarantee at a fraction of the cost
- Useful when your deposit is still tied up as equity in your current home
- Short-term bonds (under 6 months) are generally cheaper than long-term ones
- Confirm with the selling agent that a deposit bond will be accepted before offering

**EXPERT TIP**

Deposit bond fees rise sharply for terms over 12 months — they work best when your sale and purchase are reasonably well aligned, not as an open-ended solution.

No. 5

# Settlement Date Alignment and Extended Settlements

Negotiating timing so both transactions land close together

Sometimes the simplest solution isn't extra finance at all — it's negotiating the settlement dates on both contracts so they fall close together. An extended settlement on your sale (say, 90 or 120 days instead of the standard 30 to 60) buys you time to find and settle on your new home without needing a bridging facility at all.

This depends heavily on market conditions and what buyers and sellers will agree to. In a slower market, buyers of your current home may be more willing to accept a longer settlement; in a fast-moving market, you may have less negotiating room and need to lean more on bridging finance or a deposit bond instead.

**STEP 1**
List current home with extended settlement terms

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**STEP 2**
Negotiate matching settlement on new purchase

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**STEP 3**
Run both contracts toward aligned settlement dates

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**STEP 4**
Settle both transactions within days of each other

**EXPERT TIP**

Extended settlements are a negotiation, not a guarantee — build in a fallback bridging pre-approval in case the timing doesn't align exactly as planned.

No. 6

# Selling First vs Buying First

Weighing the risk of each approach honestly

Selling first removes the financial risk of carrying two properties, since you know exactly how much you have to spend before you make an offer on anything. The trade-off is housing risk: you may need to rent in between, move twice, or feel pressure to buy quickly once your sale settles, sometimes settling for a property that isn't quite right.

Buying first protects you from that housing risk and lets you take your time finding the right property, but introduces financial risk if your current home takes longer to sell than expected or sells for less than anticipated. The right choice depends on your risk tolerance, the strength of the local market, and whether bridging finance is genuinely available to you.

- Selling first: lower financial risk, higher housing and moving risk
- Buying first: lower housing risk, requires bridging finance or a deposit bond
- Strong, fast-moving markets favour buying first with shorter bridging periods
- Slower or uncertain markets often favour selling first or extended settlement

**EXPERT TIP**

There's no universally right answer here — a broker who knows current local market conditions can help you weigh the financial risk against the housing risk for your specific situation.

No. 7

# Common Mistakes That Derail a Bridging Purchase

What catches upgraders out most often

The most common mistake is overestimating the sale price of the current home when applying for bridging finance — if the eventual sale comes in lower than expected, the shortfall has to be funded somehow, often forcing a less favourable refinance once the bridging period ends. A close second is underestimating how long the sale will actually take, especially in a softening market.

Other frequent issues include not confirming upfront whether a deposit bond will be accepted by the vendor, missing the fine print on capitalised interest caps, and failing to get pre-approval sorted before making an offer — leaving too little time to structure finance properly once a contract is signed.

- Overestimating the expected sale price used to calculate peak debt
- Underestimating realistic time-on-market in the current conditions
- Not confirming a deposit bond is acceptable to the vendor before offering
- Leaving finance structuring until after a contract is already signed
- Ignoring how capitalised interest compounds over a longer bridging period

**EXPERT TIP**

Build in a buffer on both your expected sale price and timeframe — a conservative estimate protects you if the market moves against you mid-transaction.

No. 8

# How a Broker Helps You Time the Move

Structuring finance before you make an offer, not after

Timing a buy-before-you-sell move correctly means having finance structured and pre-approved before you make an offer — not scrambling to arrange it once you're under contract. A broker coordinates the lending side so you can move with confidence on both transactions.

### Bridging Pre-Approval

Arranges bridging finance pre-approval before you start making offers on a new home.

### Peak Debt Modelling

Calculates a realistic peak debt figure based on conservative sale price estimates.

### Deposit Bond Arrangement

Sources and arranges a deposit bond where it suits your situation better than cash.

### Rate Comparison

Compares open vs closed bridging rates across lenders to minimise your interest cost.

### Settlement Coordination

Liaises with your conveyancer and agent to align settlement dates where possible.

### Capitalised Interest Caps

Checks the fine print on interest capitalisation limits before you sign anything.

### Fallback Planning

Builds a fallback plan in case your sale takes longer or settles below expectation.

### Lender Matching

Identifies which lenders on the panel offer the most flexible bridging terms for your case.

**NEXT STEP**

Book a free assessment and we'll model your peak debt, compare bridging options and confirm exactly how much buying room you have before you start making offers.

# Your Buy-Before-You-Sell Self-Check

Tick off what applies to you before you start making offers

- ☐ I have a realistic, conservative estimate of what my current home will sell for
- ☐ I understand how peak debt is calculated and what my likely serviceability looks like
- ☐ I know whether bridging finance or a deposit bond suits my situation better
- ☐ I've confirmed whether the selling agent will accept a deposit bond, if relevant
- ☐ I understand the difference between open and closed bridging interest rates
- ☐ I've discussed extended settlement terms as a possible alternative to bridging
- ☐ I have a fallback plan if my current home takes longer to sell than expected

**GET YOUR FREE ASSESSMENT**

Ticked fewer than five? A free assessment with Loan Experts will model your peak debt and confirm whether bridging finance or a deposit bond is the better fit before you start making offers.

## Quick Reference — Bridging Loan vs Deposit Bond

| BEST WHEN | BRIDGING LOAN | DEPOSIT BOND |
|---|---|---|
| Sale not yet under contract | Suitable (open bridging) | Suitable, term-dependent |
| Sale already under contract | Suitable (closed bridging) | Less commonly needed |
| Deposit cash unavailable | Covers full peak debt | Covers deposit only |
| Cost sensitivity | Interest accrues on full debt | Lower fixed fee |

# Ready to Plan Your Move?

We'll model your finance options before you make an offer — free, no obligation.

**Get Your Free Assessment**


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