

Buying your next home before you sell in Minnesota

Michael Affeldt, Realtor® · Counselor Realty · Licensed in Minnesota
Last checked 2026-10-03. Every legal statement names its source.

Not lending advice. I am a Realtor, not a lender. This page explains how the common options work in general, and the sources are listed under each section. Loan programs and lenders set their own limits and change them over time. Talk to a lender about your own numbers before you act on any of it.

In short

- Buying first means paying the next down payment before your current home's equity is in cash, and qualifying while you still own the current home.
- The common ways to reach that equity are a home equity line of credit (HELOC), a home equity loan, a cash-out refinance, or a bridge loan. Each has different costs and rules.
- Two things often decide how far you can go: your debt-to-income ratio with both housing payments counted, and how much a lender will lend against your home's value.
- The main risk is carrying two homes longer than planned if the first one sells slowly or for less.
- Two alternatives avoid borrowing against the current home: an offer that depends on your sale, or selling first and arranging somewhere to live in between.

Can you buy your next home before selling your current one?

Yes, if you can fund the down payment and closing costs for the next home and qualify for the new mortgage while you still own the current one.

Many homeowners who want to move have the down payment, but it is tied up in the house they live in. Buying first means getting at that equity before the sale, or finding the down payment somewhere else. People choose to buy first for three main reasons: one move instead of two, no need to live in the house while it is shown, and an offer on the next home that does not depend on selling this one.

What are the options for using your equity?

The four common options are a HELOC, a home equity loan, a cash-out refinance and a bridge loan, and they differ in cost, in how the payment is set and in when they must be repaid.

Where this page says "under Fannie Mae's guidelines", it describes Fannie Mae's published rules for the mortgages it buys from lenders. FHA, VA and other government loans follow their own agency's rules.

Source: Fannie Mae Selling Guide B3-6-02, Debt-to-Income Ratios, <https://selling-guide.fanniemae.com/sel/b3-6-02/debt-income-ratios> · checked 2026-10-03

Home equity line of credit (HELOC)

A HELOC is a revolving line of credit secured by your current home that lets you borrow repeatedly against your equity. If you already have a mortgage, the HELOC is a second mortgage, paid in addition to the first.

- **Why people choose it:** you make payments only on the amount you draw, and your existing first mortgage stays in place.
- Most HELOCs have adjustable rates, so the payment changes with rates and with the balance.
- If you sell the home, you will generally have to pay the line off in full at the sale.
- Fees are covered under what each option costs.

Home equity loan

A home equity loan is a lump sum, typically at a fixed rate, also secured by your current home as a second mortgage. You borrow the whole amount up front and typically repay it in equal payments.

- **Why people choose it:** a payment that usually stays fixed, and the first mortgage stays in place.

Cash-out refinance

A cash-out refinance replaces your current mortgage with a bigger one and pays you the difference in cash.

- **Why people choose it:** one mortgage payment instead of two. Second mortgages often carry higher rates than first mortgages, and a cash-out refinance replaces your current mortgage with one new first mortgage.
- Because the new mortgage replaces the old one, its rate applies to everything you owe, and it may be higher than the rate on your current mortgage.
- Closing costs are generally higher than for a HELOC.

- Under Fannie Mae's guidelines, you generally must have owned the home for at least six months, and a home that is listed for sale must be taken off the market by the time the loan funds. Other programs set their own rules, so ask your lender.

Bridge loan

A bridge loan is a temporary loan made to buy a new home before you sell your current one. Federal lending rules treat a bridge loan of 12 months or less as its own category.

- **Why people choose it:** it is built for exactly this gap between buying and selling.
- Under Fannie Mae's guidelines, a bridge loan counts in your debt-to-income ratio unless your current home is under a signed purchase agreement and the buyer's financing contingencies have been cleared. On a new mortgage sold to Fannie Mae, the bridge loan cannot be cross-collateralized against the new home, which means the new home cannot also secure the bridge loan.
- **What to ask a lender:** the rate and fees, the term, whether payments are due monthly or at the sale, how the loan is counted when you qualify for the new mortgage, and what happens if the current home has not sold when the term ends.

Sources: Consumer Financial Protection Bureau, Regulation Z 1026.43 (temporary or bridge loans of 12 months or less), <https://www.consumerfinance.gov/rules-policy/regulations/1026/43/>; Fannie Mae Selling Guide B3-6-05, Monthly Debt Obligations, <https://selling-guide.fanniemae.com/sel/b3-6-05/monthly-debt-obligations>, and B3-4.3-14, Bridge/Swing Loans, <https://selling-guide.fanniemae.com/sel/b3-4.3-14/bridgeswing-loans> · checked 2026-10-03

What does each option cost?

Each option has its own fees and interest, and in Minnesota a new mortgage may also carry the mortgage registry tax.

- Fees to set up the line or loan. For a HELOC these can include an appraisal fee, an application fee, points, and closing costs such as title, recording and attorney fees. With a cash-out refinance you often pay closing costs too. Ask each lender for its fees in writing.
- Interest for every month the loan is open, including the months the current home is on the market.
- Any annual fee, or a cancellation fee if a line is closed early.
- Minnesota mortgage registry tax, charged when a mortgage is recorded and figured on the debt it secures. Ask your lender how it applies to the option you choose.

General information about publicly available tax law, not tax advice. Individual circumstances change the answer. Verify with your CPA before acting.

What does it take to qualify for both homes at once?

Lenders generally look at your income against your monthly debts, your credit and your assets, and each loan program sets its own limits.

- **Debt-to-income ratio.** The lender adds up your monthly debt payments and compares the total with your gross monthly income. In a buy-first plan, under Fannie Mae's guidelines, that generally includes the payments on your current mortgage and the new mortgage. Ask your lender how a line or loan against your current home will be counted. Each program sets its own maximum.
- **If the current home is already under contract,** Fannie Mae's guidelines let the lender leave its payment out when there is a signed purchase agreement and any financing contingencies have been cleared. In a true buy-first plan the current home is usually not under contract yet, so its payment is likely to count.
- **If you plan to rent the current home instead,** Fannie Mae's guidelines let a lender count 75% of the home's market rent against its payment. The rent is documented with an appraisal rent schedule or market rent data, not a lease.
- **Reserves.** Under Fannie Mae's guidelines, a lender can require cash reserves after closing, and the requirement can be larger if you will own other financed homes. Each program sets how reserves are calculated.

A preapproval is based on your income, assets, debts and credit, and on assumptions. If you plan to buy before you sell, tell the lender about your current home and any loan against it, so the assumptions match your plan.

Sources: Consumer Financial Protection Bureau, Get a preapproval letter, <https://www.consumerfinance.gov/owning-a-home/explore/get-a-preapproval-letter/>; Fannie Mae Selling Guide B3-6-02, Debt-to-Income Ratios, <https://selling-guide.fanniemae.com/sel/b3-6-02/debt-income-ratios>; B3-6-05, Monthly Debt Obligations, <https://selling-guide.fanniemae.com/sel/b3-6-05/monthly-debt-obligations>; B3-6-06, Qualifying Impact of Other Real Estate Owned, <https://selling-guide.fanniemae.com/sel/b3-6-06/qualifying-impact-other-real-estate-owned>; B3-3.8-05, Rental Income from a Departing Residence, <https://selling-guide.fanniemae.com/sel/b3-3.8-05/rental-income-non-subject-property-departing-residence>; B3-4.1-01, Minimum Reserve Requirements, <https://selling-guide.fanniemae.com/sel/b3-4.1-01/minimum-reserve-requirements> · checked 2026-10-03

How much of your equity can you actually use?

Usually less than the full difference between your home's value and what you owe. For a home equity line, many lenders set the limit by taking a percentage of the home's appraised value and subtracting what you owe on the mortgage, and they also weigh your income, debts and credit.

A hypothetical example, using round numbers only to show the arithmetic:

- Home value: \$500,000
- Current mortgage balance: \$250,000
- If a lender allowed total borrowing up to 80% of value, that is \$400,000.
- Room to borrow: \$400,000 minus \$250,000 = \$150,000, before closing costs and fees.

The percentage in that example is an assumption, not a quoted limit; the CFPB's HELOC booklet uses 75% in its own example. Because the limit starts from the appraised value, a lower appraisal lowers the amount you can borrow.

What are the risks?

The main risk is carrying two homes for longer than you planned.

- **A slow sale.** Every month the current home is unsold, you pay both mortgages, the loan against the current home, and the taxes, insurance and utilities on both.
- **A lower price.** If the current home sells for less than you planned, less is left after paying off its mortgage and the loan against it.
- **Rising rates.** A variable-rate line costs more if rates rise while it is open.
- **A line that shrinks.** A lender can freeze or reduce an open HELOC in some circumstances, such as a significant drop in the home's value.

Source: Consumer Financial Protection Bureau, Regulation Z 1026.40(f)(3)(vi),
<https://www.consumerfinance.gov/rules-policy/regulations/1026/40/> · checked 2026-10-03

- **A purchase that falls through.** If the new purchase does not close, you may be carrying a loan you no longer need. Ask what it costs to close it early.
- **An empty house.** Before you move out, ask your insurance agent how a vacant home is covered, since policies can treat vacancy differently.
- **Over-borrowing.** Borrow what you need for the down payment and costs, not the maximum available.

Before you commit, work out the monthly cost of carrying both homes: both mortgage payments, the payment on the loan against the current home, and the taxes, insurance and utilities on both. Multiply that monthly cost by the months you expect the sale to take, and again by double those months, and check you could cover the larger total from income and savings.

When should you set this up?

Set up the financing before you list the current home and before you write an offer on the next one. If you plan to use a HELOC, ask the lender before you list whether it will open a line on a home that is already on the market.

1. Talk to a lender about which option fits, ask how long it will take, and allow time. Federal rules build in waiting periods: for a HELOC, home equity loan or refinance that adds new borrowing and is secured by the home you live in, you generally have three business days after signing to cancel, and funds are not released until that period ends. That right does not apply to the mortgage you use to buy the new home.

Source: Consumer Financial Protection Bureau, Regulation Z 1026.15 and 1026.23, Right of Rescission, <https://www.consumerfinance.gov/rules-policy/regulations/1026/15/> and <https://www.consumerfinance.gov/rules-policy/regulations/1026/23/> · checked 2026-10-03

2. Tell the lender handling the new purchase about the current home and any loan against it before you get your preapproval.
3. Get the current home ready to sell while you shop, so it can be listed soon after you move.
4. Buy the next home with an offer that does not depend on selling the first.
5. Move, then list the current home when it is ready to show.
6. At the sale, the mortgage and the loan or line are paid off from the proceeds. Ask the lender on a home equity line whether paying it to zero also closes it and releases its lien on the home. Under Minnesota law, a lender must deliver a satisfaction of the mortgage within 45 days after you request it in writing and pay the balance in full; check the county records afterward to confirm the lien was released. Sources: Minn. Stat. 47.208, <https://www.revisor.mn.gov/statutes/cite/47.208>; Consumer Financial Protection Bureau, checking that a lien was released, <https://www.consumerfinance.gov/ask-cfpb/after-i-have-paid-off-my-mortgage-how-do-i-check-if-my-lien-was-released-en-206/> · checked 2026-10-03

What if you would rather not borrow against your home?

The two alternatives are an offer that depends on selling your current home, or selling first.

- **An offer that depends on your sale.** You can make your purchase contingent on selling your current home. You avoid borrowing against it, but many sellers see this as a weaker offer and it may not be accepted in a competitive situation. Depending on the contract language, the seller may be able to keep marketing the home and ask you to remove the contingency or step aside if another offer comes in.

- **Sell first.** Sell, then buy with the cash in hand. You avoid carrying two mortgages, but you need somewhere to live in between: a short stay in the sold home if the buyer agrees in writing, a rental, or closings on both homes scheduled close together. A stay or a rental means rent or occupancy costs and often two moves. Closings scheduled close together narrow the gap but depend on both sales staying on schedule. If you stay after closing, the buyer should confirm the arrangement with their own lender.

What about taxes and homestead?

Owning two homes for a time, and the timing of the sale, can raise tax questions, including how homestead applies to each home, so ask before you act. A tax professional can tell you the tax side, and your county assessor can answer the homestead question.

General information about publicly available tax law, not tax advice. Individual circumstances change the answer. Verify with your CPA before acting.

Want to see how the numbers look for your home?

Start by asking me what your home is worth, so you know what your equity is likely to be, then talk to a lender about which option fits.

Home value request: michaelaffeldthomes.com/#val · Call or text (612) 440-4673

I reply personally, usually the same day and always within one business day.

Related guides

- What to sort out before you list (michaelaffeldthomes.com/guides/before-you-sell-twin-cities/)
- The seller's inspection checklist (michaelaffeldthomes.com/guides/seller-inspection-checklist/)
- How selling a home with me works (michaelaffeldthomes.com/guides/how-selling-with-me-works/)
- All guides (michaelaffeldthomes.com/guides/)

Michael Affeldt, REALTOR® · Counselor Realty, Inc.

12800 Whitewater Drive, Suite 100, Minnetonka, MN 55343

Equal Housing Opportunity · Licensed in Minnesota · (612) 440-4673 · Michael@MichaelAffeldt.com

General information, not lending, tax or legal advice. Loan terms and qualifying rules come from your lender and your loan program.

<https://www.michaelaffeldthomes.com/guides/buy-before-you-sell-minnesota/> · checked 2026-10-03