

The Guide to QBE Deposit Bonds Issued by DBA

The most effective way
to pay the deposit when
buying property



Deposit Bond Australia

What is a Deposit Bond?

A Deposit Bond is a form of guarantee accepted by Vendors in lieu of cash when Buyers must pay deposit monies to secure their commitment to purchase Residential or Commercial Properties.

The Underwriter, QBE Insurance (Australia) Limited ("QBE"), guarantees payment of the deposit bond value to the Vendor. By law a deposit bond must be an Unconditional Demand and as such is an accepted equivalent to cash.

QBE Deposit Bonds issued by Deposit Bond Australia Pty limited ("DBA") are simply the most time efficient and cost effective way of securing the commitment to buy a property.

They are also the only means by which a deposit can be paid AND the Buyer's capacity to settle qualified, BEFORE committing unconditionally to the Contract for Sale terms.

Deposit Bonds are a form of financial guarantee and NOT an insurance policy. Purchasers CANNOT walk away from a deposit bond without risking a default listing on their credit rating and being subject to a full recovery process. Accordingly, Purchasers must always declare any commitment to buy using a deposit bond as a contingent liability when completing statements of financial position.

NOTE:

There are **Only 2** instances when a Deposit Bond **Cannot** be used:

1. Purchasers who are unable to prove their financial capacity to settle as at the date of application.

OR

2. When a Vendor requires release of deposit monies prior to settlement.

Who can apply for a Deposit Bond Issued by DBA?

Investors or Owner Occupiers who can prove their financial ability to settle including:

- Individuals buying in their own name, or with an ABN; Self Employed; First Home Buyers or Retirees
- Corporate Entities including Companies, Trusts, Superannuation Funds or Partnerships

Do I qualify?

Any Deposit Bond Applicant MUST prove their financial capacity to pay 105% of the purchase price on the contract settlement date to be approved by DBA. The assessment of the Purchasers' financial position is made as at the date of application, not based on future earnings, savings or asset acquisition.

The application process is kept simple. The special needs of different categories of buyers can be accommodated.

- There are 2 requirements for DBA to approve and issue a deposit bond:
 - Purchasers' income must be able to service all existing and proposed commitments
 - Purchasers must prove adequate net equity ownership in suitable assets.
- The credit assessment process is equivalent to that of the retail banking procedure, which means DBA approved Deposit Bond applicants have the best opportunity to qualify for loan monies.

Why use a Deposit Bond Issued by DBA?

- Deposit Bonds are UNSECURED, which means assets, savings or lines of credit can be kept intact, until settlement – important in any market.
- DBA offers a PROFESSIONAL service through its' approval process being renowned as the most streamlined available. Ensuring personalised, efficient and user friendly client service and direct contact with DBA Credit Risk Analysts.
- FAST APPROVAL - A fully completed DBA Deposit Bond application form can be assessed, approved and issued by DBA within 4 – 48 hours of receipt, subject to the complexity of the Purchaser's situation.
- QBE Deposit Bonds issued by DBA are ACCEPTED NATIONALLY by all lenders and major property groups.
- DBA issued Deposit Bonds are very COST EFFECTIVE even in a low interest rate market, particularly for extended settlements. Purchasers using a Deposit Bond rather than a line of credit are protected against inevitable interest rate rises between exchanging contracts and settlement.

Which Property Types are Acceptable for DBA to issue QBE Deposit Bonds ?

Australian properties being:

- Residential; Commercial; Industrial; Retail or Vacant Land
- Freehold; Strata; Leasehold; Community or Company Title

Available Terms of Deposit Bonds Issued by DBA:

With Finance approval: up to 6 months

Without Finance approval: from 3 – 48 months

NB: Terms differ with Property and Applicant type – just ask DBA.

What if my circumstances change?

Should a Purchaser's financial situation alter and as a result can no longer settle, the Vendor will become entitled to receive the Purchaser's deposit monies. By the Vendor making a claim against the deposit bond it is "cashed in" via QBE making the appropriate payment within the timeframe specified on the face of the guarantee.

The Purchaser is then required to reimburse QBE. If the Purchaser fails to do so, the Underwriter has the right to take legal action against the Buyer. Full recovery of the deposit bond value and costs will be sought in accordance with the Indemnity included and signed by every Applicant Purchaser and each Guarantor in the relevant Deposit Bond Application form.

The Underwriter:

QBE has been a Deposit Bond Underwriter since February 2000. QBE is one of Australia's largest general insurance groups and has a Standard & Poors' Rating of A+(Stable). QBE is a specialist provider of surety bond products.

The Agent:

DBA has been an authorised Agent and Issuer of Deposit Bonds since March 1998. During this time DBA has approved, issued and settled thousands of deposit bonds on behalf of 3 major financial institutions, including the current Underwriter, QBE.

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