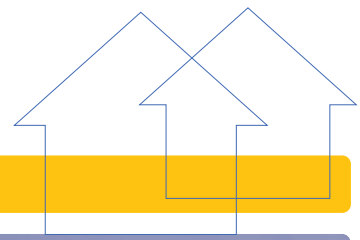


# Deposit Power Q&A for the Real Estate Agent



## Q. What is a Deposit Power Guarantee?

A. Deposit Power Guarantee is a guarantee (also known as a bond) that substitutes for a cash deposit between signing contracts and settlement.

Deposit Power Guarantee can be used for all or part of the deposit required up to a maximum of 10% of the purchase price.

Deposit Power Guarantee is a guarantee to the seller, by Vero Insurance Limited ABN 48 005 297 807.

At settlement the buyer is required to pay the full purchase price including the deposit.

## Q. How can a Guarantee make a sale?

A. The convenience of using a Deposit Power Guarantee will attract some buyers who have difficulty committing to the full cash deposit. Short term finance can be costly and time consuming whereas the Guarantee is usually less expensive and can be organised easily and quickly. The average size of a Standard 6 month Guarantee is \$20 000 and costs the buyer \$240; saving expensive outlays in application fees and interest for bridging finance.

In situations where a full 10% deposit is not available (95% finance), if the application is approved, a full 10% deposit commitment can be obtained to protect the seller.

Market experience shows that prospective buyers who have qualified and been issued with a Deposit Power Guarantee are serious about purchasing a property.

## Q. Can the Guarantee be used at auctions?

A. Yes. The Standard 6 month Guarantee may be used for auctions. Deposit Power Guarantees can be very useful for buyers wanting to bid at an auction as organising a cash deposit beforehand can be difficult, particularly when they are not sure if their bid will be successful. A Deposit Power Guarantee is issued prior to auction so that the buyer can gain the seller's agreement to accept the Guarantee beforehand.

The seller and property details on the Guarantee certificate will be left blank and the buyer is authorised to complete these details if they are the successful bidders.

The Suggested Special Condition on the reverse of the Guarantee certificate (and available to download from the Deposit Power website) should be inserted into the contract when signed on the day of the auction.

## Q. Is the Guarantee legal?

A. Yes. Deposit Power Guarantee's are legal & available throughout Australia and New Zealand.

## Q. What is the background of Deposit Power Guarantee?

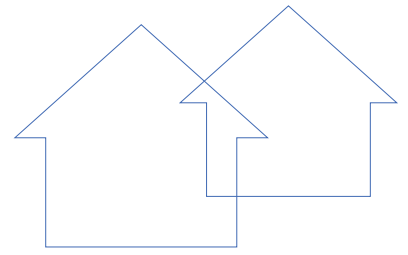
A. The Deposit Power Guarantee was first introduced in Australia in 1989, since then it has continued to grow in popularity.

In New South Wales approximately one in four residential property transactions uses the Guarantee.

The rapid growth in NSW was aided by the Law Society of NSW and the Real Estate Institute of NSW acknowledging the use of guarantees or bonds.

Since 1996, the NSW Standard Contract for Sale of Land carries a clause recognising the Deposit Power Guarantee as a legitimate deposit transaction.





## Q & As continued



**Q. How do I arrange a Guarantee for a buyer?**

**A.** The simplicity of using a Deposit Power Guarantee is one of its main attractions. The Guarantee can be arranged online using the Deposit Power website or through selected financial institutions. Alternatively applications, which include a counter indemnity, can be downloaded, completed and faxed directly to Deposit Power and the Guarantee will normally be issued within 24 hours.

**Q. Does the Contract of Sale need amending for the Deposit Power Guarantee?**

**A.** The Suggested Special Condition (found on the back of the Guarantee certificate and available to download from the Deposit Power website) amends the Contract for Sale and enables the Guarantee to be used instead of a cash deposit. It also states that the buyer must pay the full purchase price including the deposit amount at settlement.

**Q. When are commission and fees payable?**

**A.** Because the Guarantee is a substitute for a cash deposit, no money changes hands. In this case, the agent's commission is paid at settlement or shortly afterwards. All that is required is that you contact the solicitor for the seller with a request that your commission be deducted from the sale proceeds and paid to you. If you are concerned, there are draft authorities available to directly instruct the solicitor to pay.

**Q. What happens if the buyer defaults under the Contract of Sale?**

**A.** If the buyer defaults under the Contract of Sale and the seller is entitled to retain the deposit, the seller can claim the Guarantee amount from Vero. This amount will be paid to the stakeholder nominated in the contract within two clear days of Vero being provided with the necessary documents. The Counter Indemnity, which the buyer completes in the application, gives Vero the right to recover this amount from the buyer.

The Guarantee cannot be cancelled where it has been relied upon to sign a contract.

**Q. When does the Guarantee terminate?**

**A.** The Guarantee ceases when the Contract of Sale is completed, terminated, rescinded, or when the expiry date occurs, whichever happens first. If the buyer forfeits the contract, the Guarantee terminates when Vero pay the claim.

**Q. What do I do if the vendor, a purchaser or I need more information?**

**A.** Should you, or any of your clients, have any questions about the Guarantee or the application process, our Deposit Power Helpline is available to you 6 days a week.

## Need more information?

Deposit Power Helpline 1800 678 979

Fax 1800 678 914

[www.depositpower.com.au](http://www.depositpower.com.au)