Statewide Conveyancing

CONVEYANCING UPDATE

A Division of McKays Solicitors

For a smooth, hassle free conveyancing solution...

Bank guarantees and deposit bonds...What's the difference?

Bank guarantees or deposit bonds are becoming more commonly used by professional investors as deposits on the purchase of properties.

What is a bank guarantee?

A **bank guarantee** is a certificate, like a bank cheque, which is issued by a bank. The holder of the guarantee can cash the guarantee if the terms of the contract are breached.

What is a deposit bond?

A **deposit bond** is very similar to a bank guarantee in that it is certificate stating that the holder of the certificate is entitled to the amount stated on the certificate. A deposit bond is however issued by an insurance company.

Who can obtain a deposit bond?

Anyone can apply for a deposit bond, however you will need to supply some security such as a mortgage over another property or have funds in a bank account which cannot be withdrawn.

What are the costs?

The cost will depend **on the amount** of the deposit bond and **how long it is to be issued for.** In some cases it may be cheaper than borrowing the money or breaking a term deposit.

Deposit bonds are typically cheaper than bank guarantees as they are issued by an insurance company as opposed to a bank.

When can they be used?

Developers may only accept so many deposit bonds per development and may require cash a deposits or bank guarantees for some of the contracts.

Deposit bonds are a very good idea if you are buying a property which will not settle for at least six months and the seller requires a large deposit, such as 10% of the purchase price.

Where can I obtain a deposit bond?

Deposit bonds may be obtained through finance brokers, mortgage brokers or direct from companies, such as Deposit Power.

If you need any further help please contact Roland Taylor in our Mackay office on 4963 0800 or rtaylor@swc.net.au

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