Fact sheet

Deposit bonds

What is a deposit bond?

You may be able to use a deposit bond as a substitute for a 10% cash deposit when you are exchanging contracts or bidding at auction. It is a convenient way of paying the deposit without having to draw on your own funds until settlement of your new property.

The deposit bond acts as a guarantee for the vendor that you will pay the deposit amount upon settlement. Deposit bonds can be issued with terms ranging from three months to four years, where the settlement date stated in the contract for sale usually determines the term needed.

When a deposit bond would be of benefit

If you don't have ready access to the cash deposit required to secure a property, or you prefer an alternative to using your own cash, you should consider a deposit bond.

Here are a few examples of when it might be a good option:

- If you have sold your current home but the funds are not yet available for the deposit, a deposit bond is usually a more cost-effective alternative than bridging finance.
- If you are attending several auctions, you can use a deposit bond for all auctions as the vendor and property details can be left blank.
- If your equity is tied up in an investment property, the loan funds may not be available until settlement.
- If you want to continue to earn interest on your savings until settlement, especially if you are buying off the plan and settlement is several years away.
- If you do not want to pay a penalty for accessing invested funds.

What do I need to be aware of?

You need to get consent from the real estate agent and auctioneer (if buying at auction) before you use a deposit bond.

You need the vendor to agree to a deposit bond in writing. Some vendors will want access

How do I apply?

Your Smartline Adviser can walk you through the entire process.

Need help?

For further information, please talk to your Smartline Adviser.

This sheet provides general information only and is correct as at the document date (28/11/2018).

Australian Credit Licence Number 385325

Version 20200117

smartline
personal mortgage advisers