

DEPOSIT BOND REQUIREMENTS

- 1. Checklist applying to all applications (including Overseas customers)**
 - ❑ Deposit bond application form to be fully completed, signed and witnessed. An application with original signatures must be received prior to release of the bond.
 - ❑ Photocopy of identification supporting a 100 point ID check, eg passport =70, birth certificate = 70, drivers licence = 40, medicare/credit cards = 25 points
 - ❑ Copy of the front page of the Contract for Sale of the property being purchased.
 - ❑ All pages containing any special conditions within the Contract for Sale for the property being purchased.

- 2. Checklist of additional items applying to bond terms up to six months only**
 - ❑ Signed Unconditional Loan Entitlement or offer from a recognised financial institution.
 - ❑ Evidence of additional funds required to be contributed towards the purchase, eg savings statements, etc.

- 3. Checklist of additional items applying to bond terms in excess of six months**
 - ❑ Confirmation of income i.e. the last 2 salary pay slips immediately preceding this application, current letter from an employer, or last tax return for business and principals, if self employed.
 - ❑ Copy of the Certificate of Title on your existing property and/or rates notice if the property is mortgaged in order to confirm ownership. Bond applicants must be the same person(s) or entity as the property owner.
 - ❑ If your property is under finance, a copy of the mortgage statements for the 3 months immediately preceding this application.

- ❑ Confirmation of the value of your existing property(s) from a Real Estate Agent or Registered Valuer.

For company purchasers:

- ❑ Application form: All directors/shareholders must fully complete the applicant details of the application form, sign and have witnessed. A separate deed of guarantee and indemnity is also required to be signed by all parties. Deposit Underwriters will provide this once assessment has taken place.
- ❑ Income confirmation: Full latest financials, including notes, for the company and current interims provided by an accountant if available. In addition personal tax returns for the directors/shareholders.

For superannuation fund/trust purchasers:

- ❑ Copy of the trust deed to provide proof that the entity is authorised to enter into the Contract for Sale.

For Overseas Purchasers:

- ❑ Confirmation of income: An employment letter from overseas, stating the position, income and employment period and 2 recent payslips from the employer.
- ❑ Copy of the Certificate of Title on your existing property (in Australia) and/or rates notice if the property is mortgaged in order to confirm ownership. Bond applicants must be the same person(s) or entity as the property owner.
- ❑ If your property is under finance, a copy of the mortgage statements for the 3 months immediately preceding this application.
- ❑ Confirmation of the value of your existing property(s) from a Real Estate Agent or Registered Valuer.

**DEPOSIT UNDERWRITERS LONG TERM DEPOSIT BOND
UNDERWRITING EXAMPLE**

Liabilities	AUD	Assets	AUD
Home Loan	200 K	Home	400 K
Investment Property Loan	180 K	Investment Property	200 K
Credit Card Balance	5 K	Investments	40 K
Lease	15 K	Motor Vehicles	30 K
		Superannuation	80 K
Total Liabilities	400 K	Total Assets	750 K

In order to determine if applicants can qualify for a “long term” (in excess of 6 months) deposit bond we consider the net property asset coverage of the bond amount required. Only property assets are normally considered as they are viewed as being long term stable assets to protect the issuer risk.

In this example the clients are considering an off the plan purchase of AUD 300,00 with a 10% deposit required resulting in deposit bond for AUD 30,000.

Net asset coverage is determined as follows:

- Net property assets =

Property assets	AUD 600,000
Less total liabilities	<u>AUD 400,000</u>
	<u>AUD 200,000</u>

- Net property asset coverage =

Net property assets	<u>AUD 200,000</u>
Divided by bond required	AUD 30,000
	= 6.67

The minimum coverage times are:

- ❖ Bond terms 6 weeks to 36 months = 5 times
- ❖ Bond terms 37 months to 48 months = 8 times

In this example the client has sufficient property equity to support the application for a bond term not exceeding 36 months.

Important Note: In addition to a minimum equity coverage the clients must demonstrate sufficient income to support the property purchase.