**What is a deposit bond?**

It’s an alternative to a cash deposit

It’s a short term insurance that guarantees the buyer if the vendor defaults, then the insurance company will pay the buyer the agreed deposit amount

Buyer will use a deposit bond if he or she doesn’t have a ready cash at the time of the purchase

Can the bond benefit all parties?

Yes, it benefits the buyer and the seller as it acted as a temporary deposit unit the matter settles.

Why sometimes, the vendor does not like to accept a deposit bond?

1. If the vendor wants to release the deposit to buy another property, this is not possible. A bond is not cash. It cannot be released. There will be cash payout from the insurance company if the purchaser defaults.
2. There is a very remote (very slim chance that the bond (insurance company) can go bankrupt.

What types of bonds are there?

There are short term (up to 3 months) and long term, up to 4 years

Is the deposit bond free?

No. The purchaser needs to pay a fee known as a premium to the insurance company

Does the vendor have to accept a deposit bond?

No. The vendor can refuse a deposit bond and insist on a full 10% cash deposit. However, if that is the case, then you are restricting some buyers from buying. Some buyers might be getting a mortgage more than 90% of the sales price.

When will the bond come to an end?

The bond will come to an end when the property is settled.