

# New deposit guarantee plan gives buyers big advantage

ANNE Porter Knight Frank (APKF) is one of the first Cape Town estate agencies to offer clients the ability to pay the initial deposit on a property without having to draw on their capital until the transfer comes about.

APKF has formed an association with Antony Solomon, an Australian attorney who married a South African and moved to Cape Town.

Solomon has introduced a deposit-guarantee scheme for property buyers which, he says, makes it easier, cheaper and quicker for those wanting to buy any sort of property or land, to find the required cash when the funds they intend to use are temporarily tied up in a house sale, shares, fixed deposits, trusts or with a third-party lender such as a relative.

Deposit Advantage will guarantee that a deposit is paid on the due date. It does away with the necessity of finding the deposit upfront, as is usually required, says Solomon.

The scheme originated in Australia in 1989 and is also used in New Zealand, the UK and the US. In New South Wales, Australia, about 25 percent of buyers use the facility, says Solomon.

The backer is the international Lombard Insurance Group, a subsidiary of Hollard Insurance, one of the major groups of this kind to come through the global crisis intact.

Since setting up in South Africa, Solomon has signed intermediary agreements with bond originators like ooba, Betterbond and Bond Choice.

The deposit-guarantee scheme catches on quickly wherever it is introduced because it offers the property buyer significant savings compared to bridging or

bond finance, says Solomon.

"It has the big advantage of being almost always far more readily available than traditional short-term finance," he says. "On receipt of an application and supporting documents, a guarantee is usually issued within 24 hours.

"Deposit Advantage charges a once-off fee of 2.3 percent on the deposit value for a three-month guarantee, three percent on six months, five percent for 12 months and 5.72 percent for a 24-month guarantee (excluding VAT)."

He says these rates will drop if South Africa's interest rates come down but, at the current levels, they are much cheaper than the 43 percent plus annualised rates charged by bridging finance providers.

To qualify for acceptance, the borrower has to prove that he has the funds needed and that these funds can be accessed by the transfer date, says Solomon.

"Because bridging finance is so expensive this is the logical way to go, but it also makes sense if it avoids having to sell shares at depressed levels, withdraw fixed deposits ahead of their full maturation or use money earning a good return elsewhere," he says.

APKF managing director Lanice Steward says: "The only danger, is that some buyers might think the guarantee is totally comprehensive. We have to keep warning them that it covers only the deposit. Deposit Advantage can make a sale smoother and easier. It will also reassure the many sellers who dislike waiting to secure a deposit."

For more details, visit [www.depositadvantage.co.za](http://www.depositadvantage.co.za) or call 0860 110 313.

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