



Equity Edge™

New Home Deposit Bonds

Purchasing a new home is one of the largest investments you will make. When purchasing a new home, substantial deposits are typically required by the builder. The **EQUITY EDGE™ New Home Deposit Bond** can assist you with a **portion** of your deposit, allowing you to partially defer payment of this until the closing date of the sale.

Whether this is your first home, or you are selling an existing home, you will need to have sufficient cash to satisfy the downpayment/deposit requirements of the builder. The builder's representative will work with you to determine the amount required, specific to your needs and circumstances. To raise this cash amount, most purchasers use three sources to provide the cash downpayment:

- cash in the form of savings or investments;
- cash from the use of funds withdrawn under provisions of your RRSP; and/or
- cash from equity proceeds from the sale of your existing home.

Depending on the home you are buying, your possession date could be immediate or many months away. In the case of the latter, and in order to satisfy the builder's deposit requirements, you may find yourself having to liquidate investments, withdraw interest bearing RRSP funds, or seek interim financing while you await the proceeds from the sale of your existing home to be finalized.

Here is a quick calculation to demonstrate how **EQUITY EDGE™** could satisfy **part** of your deposit, minimizing the necessity of other more drastic options as bridge financing, which could require you to post additional security, or cashing in interest-generating investments prior to possession.

For Example - Purchase Price of New Home: \$400,000		Total Deposit Required (10%): \$40,000
Deposit Schedule		
Initial Cash Deposit (due immediately)		<u>\$20,000</u>
Total Cash Deposit (5%)		\$20,000
Equity Edge™ New Home Deposit Bond (5%)		\$20,000
Total Cost of Bond		
Application Fee \$100.00 + Premium* (one-time 4.0%) \$800.00 = \$900.00 for Bond in the amount of \$20,000		
At completion the bonded amount of \$20,000 is due payable to the builder.		

***Premium:** For closings less than 12 months away, the one-time premium is 2.5% of the Bond Amount. For closings between 12 and 24 months away, the one-time premium is 3.5% of the Bond Amount. For closings greater than 24 months away, the one-time premium is 4.0% of the Bond Amount.

If you are interested in using Equity Edge™, please contact an Equity Edge™ underwriter at the Toll-Free number below or equityedge@travelers.com.

Travelers Canada:

Toll Free: 1-800-555-9431

Toll Free Fax: 1-877-762-7922

Vancouver:
650 West Georgia Street,
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Vancouver, BC, V6B 4N7
Tel (604) 682-3095

Edmonton:
2500 Tower 1, Scotia Plaza
10060 Jasper Avenue
Edmonton, AB T5J 3R8
Tel (780) 428-0881

Calgary:
530 – 8th Avenue S.W., Suite 2700
Calgary, AB T2P 3S8
Tel (403) 231-6600

Winnipeg:
201 Portage Avenue, Suite 1070
Winnipeg, MB R2B 3K6
Tel (204) 942-7169



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Frequently Asked Questions

Q: How long does it take to get a New Home Deposit Bond?

A: We can complete a review of an application within 2 to 3 business days, if all information has been supplied. Once a signed pre-approval letter and any requested documentation has been received with payment, a bond can be issued for execution within one week.

Q: Can I email my application?

A: Yes, we can review a scanned application. However, we will require the Indemnity Agreement (the second page of the application with signatures) to be mailed to our office, as we require the original signatures before issuing the bond.

Q: How much does the bond cost and when do I pay for it?

A: There is a one-time premium and application fee, which is payable prior to the bond being issued. The premium for the bond is 2.5% of the bond amount for purchases completing within 12 months, 3.5% for purchases completing within 12 to 24 months and 4.0% of the bond amount for purchases completing in more than 24 months. The application fee is \$100.00. The total amount of the premium and application fee will be indicated on the Notice of Pre-Approval.

Q: If I have a mortgage pre-approval, will I automatically be approved for a New Home Deposit Bond?

A: Not necessarily. We review each application on its own merit and would look to see how much cash you require at closing and how you are planning to complete your purchase. Also we would need to have assurance that in the event of a default on your purchase, that you have assets to cover the value of the bond.

Q: I'm not a Canadian citizen – can I still use Equity Edge?

A: We can review the application; however, we can only consider Canadian assets when reviewing the Personal Net Worth Statement and we may require a co-signer with a permanent residence in Canada. For example, we would not approve an out-of-country investor with minimal holdings in Canada.

Q: What are my options if I am not approved?

A: You could have someone co-sign for the bond. We would need them to complete an application and they would be listed with you as a Principal to the bond and they would have joint and several liability if you did not complete on your purchase.

Q: Is there a time limit to return the Notice of Pre-Approval and requested items?

A: The schedule for when the developer requires the bond instead of the final cash deposit should be outlined in your Purchase and Sale agreement. You should ensure that we receive all requested items at least 2-3 weeks prior to your deadline.

Q: What happens if I sell the unit prior to completion (i.e. my purchase is assigned)?

A: The bond is not transferable. If the assignee does not complete and the contract reverts to the original purchaser, then you are still responsible for completing on the purchase, which includes the bonded amount.

Q: What happens to the bond at completion?

A: The bond is fulfilled when you complete on your purchase and title is transferred from the Vendor to the Purchaser. The bond is not listed on the statement of adjustments prepared by your lawyer or Notary.

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