



# Pensio Purchase Power

## Frequently Asked Questions

### What is a Purchase Power Guarantee?

A Deposit Guarantee is used by the Buyer as an alternative to providing the Seller a cash deposit under an Agreement of Purchase and Sale. Purchase Power undertakes to pay a specific sum to the Seller at the time of closing in the event that the Buyer defaults on its payment obligations under the Agreement of Purchase and Sale.

### How much does it cost?

The Purchase Power Guarantee fee is calculated on the deposit guarantee amount and the term length of the guarantee required.

### Short Term Deposit Guarantees

- 4% for closing up to 3 months
- 4.5% for closing between 3 and 6 months

### Long Term Deposit Guarantees

- 5.5% for closing between 7 months and 12 months
- 6.5% for closing between 13 months and 18 months
- 7% for closing between 19 months and 48 months.

### How do I qualify for a Purchase Power Guarantee?

- The applicant must be a Canadian resident who is a private buyer (Not purchasing the property as a Corporation).
- The Buyer is required to put a deposit of minimum 5% towards the Purchase Price
- Existing Homebuyers:
  - Loan approval from an approved lender
  - Evidence of funds accessible prior to the closing date, such as savings, a fixed term deposit or share certificates; if selling a property, a copy of the Agreement of Purchase and Sale for property to be sold
- First Time Home Buyers
  - Proof of funds, proof of equity, or provide a Guarantor
  - Guarantor must be a family member of one of the applicants and must own a residential property with equity equal to the amount of the Purchase Power Guarantee

### Who benefits from the Purchase Power Guarantee?

Both the Buyer and the Seller benefit by avoiding the requirement for a cash deposit. The Buyer is able to keep investments earning interest and avoid the expense of bridging finance. A Purchase Power Guarantee can also protect the Buyer against the possibility of losing the cash deposit in the unlikely event of the Seller failing to sell the property.

The Seller can sell more homes more easily. The Purchase Power Guarantee provides the Seller with confidence that if the Buyer does not complete the purchase, the Seller can call for payment under the Purchase Power Deposit Guarantee.

### Do Property Sellers accept Purchase Power Guarantees instead of cash deposits?

Purchase Power Guarantees are relatively new to the Canadian market but are a fully accepted and established method of selling property in a number of countries. The acceptance of a Purchase Power Guarantee as an alternative to a cash deposit is becoming an increasingly common method of purchasing property. If however your Seller or your Seller's lawyer or real estate broker are not fully familiar with the benefits of a Purchase Power Guarantee, we would be delighted to acquaint them with the features of the guarantee.



### What if I can't complete the purchase?

If the purchase is not completed because of the default of the Buyer, then the Deposit Guarantee will be called up by the Seller and paid by Pensio Purchase Power (Canada) Corporation. Purchase Power will then take steps to recover this money from the defaulting Buyer. This is done by Purchase Power making a demand on the Buyer for reimbursement of the amount paid to the Seller, plus any costs incurred arising directly from the Buyer's default. This undertaking by the Buyer to indemnify Purchase Power is set out in the Indemnity that the Buyer is required to sign in favour of Purchase Power when taking out the Purchase Power Guarantee.

### What is a Guarantor and how does it work?

In some circumstances, we may request that parties who are not listed as Buyers in the Purchase Power Guarantee application to complete a Guarantee & Indemnity form. Completing the Guarantee & Indemnity form ensures that all parties including Guarantors are fully aware of their obligations.

Guarantor parties fall into the following categories:

- Co-owners
- Family Members

At Purchase Power we understand that many people get their start in the property market with help from their family. In situations where First Time Homebuyers would normally be ineligible for a Purchase Power Guarantee, we are usually happy to consider an application where an immediate family member will act as a Guarantor. To act as a Guarantor, family members need to own an existing property with sufficient equity to satisfy qualification requirements. Family members acting as a guarantor are required to complete the Guarantee & Indemnity form.

### Can I split the deposit between cash and a Purchase Power Guarantee?

YES! We understand that depending on negotiations between the Buyer and Seller deposit amounts can vary anywhere between 5% up to 15% of the purchase price. We also know that at other times a Buyer may want to split their deposit between cash and a Purchase Power Guarantee. Purchase Power Guarantees are designed with this flexibility in mind.

### What is the minimum I am required to put down as a deposit?

The Buyer is required to put down a minimum of 5% of the Purchase Price, with Purchase Power contributing up to 20% of the Purchase Price.

### Does the Buyer still have to pay the deposit at closing?

Yes. The guarantee represents the deposit until closing and does not remove the Buyer's obligation to pay the full purchase price to the Seller at the closing date.

### How do I apply for a Purchase Power Guarantee?

The Purchase Power Guarantee application process consists of two stages:

**Stage 1:** Make application for a Purchase Power Guarantee – complete and submit the application form. You will be notified of a decision within 24 hours or the next business day. Your application will be checked to ensure it meets Purchase Power credit approval.

**Stage 2:** Accept the offer and Purchase the Purchase Power Guarantee – Once your application is approved you will be sent an invoice for payment advising payment options. Once the appropriate fee is received by Purchase Power, the executed Purchase Power Guarantee will be sent to you or your real estate agent or lawyer – depending upon your preference.

### Who is the issuer of the Purchase Power Guarantee?

Pensio Purchase Power (Canada) Corporation.