

Property

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How to cancel your home loan

Staff writer

In certain cases, homeowners who have paid off their home loan may have the option to keep their bond account open, which will keep the loan facility available to them. Adrian Goslett, Regional Director and CEO of RE/MAX of Southern Africa, says that the reason that a homeowner would want to keep the facility open is to ensure that they have access to money when they may need it for household improvements or repairs.

"The advantage of keeping the account open is that the homeowner will not need to register another bond over the property and incur more registration costs. All the homeowner will have to pay is a monthly payment that covers the administration of the account and the insurance policies. They will also be able to keep their Homeowner's Insurance and Life Assurance policies," says Goslett.

He notes that if the homeowner decides that they would rather can-

cel a few procedures that they will need to follow, as it will not happen automatically. Goslett says that the homeowner will need to provide the bank with a written request asking for the home loan account to be cancelled.

In the instance that the bond has been settled early, there might be a penalty or administration fee that will need to be paid by the homeowner to cancel the bond.

"Once the bank has received the request to cancel the account, they will instruct the cancellation attorney to attend to the cancellation and provide a cancellation figure. The cancellation figure will consist of the bond settlement figure and approximately six months of Homeowner's and Life Insurance premiums, to ensure that homeowner is covered until the transfer takes place," Goslett explains.

He adds that once the bond has been settled, the homeowner is entitled to request that the bank provides them with the title deed to the property upon cancellation,

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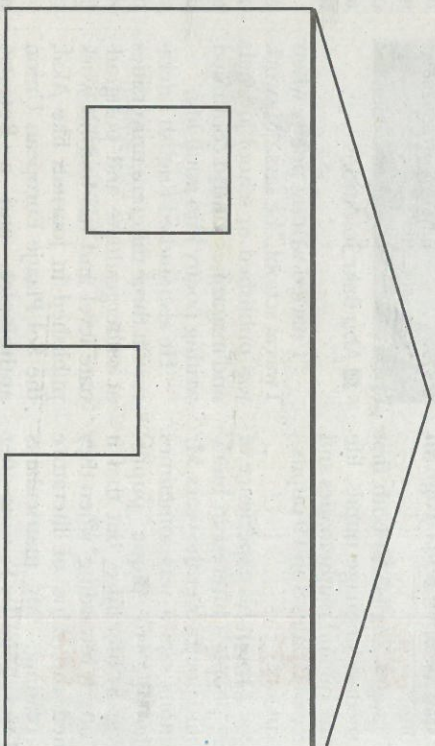
If the settlement of the bond is due to the property being sold, then the bank will give the title deed to the conveyancing attorney, who will then register the buyer as the new owner of the property.

A guarantee will be issued by the registering attorney to the bank, ensuring them that there is enough money to cover the bond on the date of cancellation. The bank will then issue consent to the cancellation.

"If the property has been sold and the bondholder still owes money to the bank, they will need to notify the bank at least three months in advance.

The homeowner also needs to stipulate how they intend to pay the outstanding owed, for example, with the proceeds of the sale of the property," advises Goslett.

"Falling to notify the bank of the cancellation within the stipulated minimum three-month period could result in additional finance charges.



property and refinancing a new property, the bank may decide to waive the notice period."

If the bondholder passes away, the bank will need to be notified of the death as soon as possible. In the case of a deceased estate, the three month notice period does not apply.

However, the bank will need to know to make the necessary

between the death and appointment of an executor of the estate the bond will need to continue being paid as interest will accrue on the account.

Goslett concludes by saying homeowners who are unsure anything regarding the bond cancellation process should consult with their bank or financial advisor who can shed further light on