Title deeds and property insurance

A Title Deed is the legal document which legally confirms the ownership of a property and is filed at the Deeds Office and contains details of the property.

From the time that you registered a mortgage bond with your bank on the property that you purchased, they keep your Title Deed in safe custody until such time as your home loan is fully paid.

Up to that stage they are legally entitled to keep the title deed as it effectively belongs to the bank who has loaned you the money to purchase the home.

It is a custom for the banks to provide home-owners' insurance (HOC - home owner's cover) for owners with a home loan, which insures the property against damages - this is a requirement of the home loan before it is granted. You may opt to arrange your own insurance, and if the bank is satisfied with the underwriters, they will allow this.

With your home loan fully paid off, the bank will still continue debiting you for bank service fees and the original insurance premiums. You are still liable for the monthly costs while the home loan is active until such time it is cancelled by the mortgage bond owner. The decision that needs to be made is whether to cancel the mortgage bond and close your bond account, or keep the account open.

'The choice to keep the bond account open or not needs serious consideration', says Craig Hutchison, CEO Engel & Voelkers Southern Africa. 'There are many advantages in keeping your home loan account active, although the owner should be aware that monthly bank service fees as well as insurance premiums (if applicable) will be levied by the bank for as long as the account is open.

These monthly costs are reasonable, as the bank needs to cover the costs they incur on your behalf by managing your home loan account and your home owner's insurance.' Banks will provide annual statements of any rate changes and also the insurance premiums - home owners are advised to monitor these rates.

Craig is of the opinion that is always worthwhile keeping the the home loan account open as you never know when a lucrative opportunity may arise, such as purchasing another property, and the existing loan account facility can be utlilised for this.

Attorneys De Beer & Claassen advise that 'If the client elects to cancel the bond, the bank will give instructions to its cancellation attorneys and will send the original title deed and mortgage bond to the attorneys to proceed.

The attorneys will draw up the cancellation letter and lodge it together with the original title deed and mortgage bond in the Deeds Office. The Registrar of Deeds will place an endorsement on the title deed which serves as proof that the bond has been paid up and cancelled, and upon confirmation of cancellation, the bank will close the home loan account.

At any stage the home-owner may opt to get their own home-owners' insurance from a private company, however you need to be fully aware of exactly what is covered should there be damage or a disaster in your home.

As your bank technically owns your home and as such have a vested interest in the owner having adequate insurance, they may request to review your home-owners policy to ensure they are satisfied there is sufficient cover. If you take HOC through your personal bank, they can deduct the annual premium from your home loan and add this premium to your monthly installment. However you may decide to pay this separately to avoid possible extra interest being added to your home loan.

Should you decide to take out your own insurance, it is advisable to ask your bank to confirm they are happy with the total cover, and remember that you need to take responsibility that the premium is paid every month to your own insurance company.

Private insurance companies will advise you annually what the replacement value of your home is, and if you don't lodge a dispute, they will adjust your premiums accordingly. We suggest that you monitor this annual change in replacement value and if necessary, request that the value be adjusted. Banks and insurance companies may not be aware of any improvements and renovations you have done and could easily under-insure your property.

'According to Absa, for example, the cost of building a new home is currently 37% higher, on average, than the cost of buying an equivalent pre-owned home.' says Shaun Rademeyer, CEO of BetterBond.

So even if you paid off your home never let your HOC fall away. This could be disastrous.

Engel and Voelkers Press Release