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# Real Estate Law ALERT

## IN THIS ISSUE

### Switch bonds: The good, the bad and the potential savings

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## Switch bonds: The good, the bad and the potential savings

The concept of a “switch bond” means to move your bond from your existing financial institution to another financial institution. To effect this change, the current registered bond needs to be cancelled and the new bond needs to be simultaneously registered at the relevant Deeds Registry.

Some of the reasons homeowners may want to switch their bonds include:

- It is less admin intensive than you might think. Homeowners need to give their current bond holder 90 days’ notice of their intention to move and provide the necessary documentation to initiate the process. An application with the new bank needs to be completed and then a credit assessment will be concluded, after which the switch may be approved. All banks have the relevant process outlined on their websites.
- Some banks offer more attractive interest rates that will result in savings on monthly repayments and interest charges.
- A homeowner is not happy with their current bank’s customer service and is looking for better customer service at another bank.

- A homeowner would like to have all their banking products held at one bank to ensure better reward benefits.
- Generally, switching banks will not affect your credit score.

Further, banks do not require any additional conditions to be met when switching bonds, besides the usual requirements such as ensuring that your property is insured, ensuring that life cover is in place, if applicable, and that your monthly repayments are paid timeously.

A potential stumbling blocks in switching bonds is the transactional costs that will apply; this amount will depend on the value of a homeowner’s loan. A homeowner also needs to consider the costs of a conveyancer being appointed to cancel the current bond and register the new bond, and the associated Deeds Registry costs for each registration. Sometimes a bank



## Switch bonds: The good, the bad and the potential savings

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will also charge a “closing account fee” and, should a homeowner forget to give their bank notice within the 90-day period, an early termination fee by the bank will apply. A homeowner will also need to pay an initiation fee, which the new bank will charge, but this is usually a once-off payment or can be included in the loan amount.

Once a homeowner has given the bank notice that they would like to cancel their loan account with them, that bank may contact them to ascertain their reasons for wanting

to cancel and to try and resolve the cancellation reasons in an attempt to retain the homeowner – this is also an advantage as it can allow the homeowner to try and negotiate better terms.

One thing all homeowners with loan accounts should do is to regularly review their financial situation, as a homeowner could have sufficient funds to pay more into their loan account, giving them more leverage to negotiate with alternative banking institutions.

[Lutfiyya Kara](#)

The Legal 500 2022 RESULTS EMEA

The Legal 500 EMEA 2022 recommended our **Real Estate Law practice** in **Tier 1** for real estate.

The Legal 500 EMEA 2022 recommended **William Midgley, Lucia Erasmus** and **John Webber** as leading individuals for real estate.

The Legal 500 EMEA 2022 recommended **Simóne Franks, Muhammad Gattoo** and **Samantha Kelly** for real estate.

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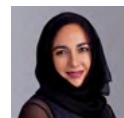
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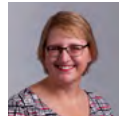
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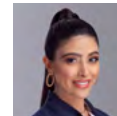
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Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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