TO ALL NATIONAL AND PROVINCIAL DEPARTMENTS

HOME OWNER ALLOWANCE SCHEME: ADJUSTMENT OF HOME OWNER ALLOWANCE WITH EFFECT FROM 1 OCTOBER 2002

1. According to PSCBC Resolution 3/99, the monthly home owner allowance is revised on the first day of each quarter based on the weighed average interest rate levied by the five biggest financial institutions as on 1 January, 1 April, 1 July and 1 October.

2. According to a survey conducted the weighed average interest rate levied by the five biggest financial institutions on 1 July 2002 was 15.81%.

3. Consequently, the Minister for the Public Service and Administration has approved that with effect from 1 October 2002, the monthly home owners allowance be adjusted as shown in the attached Annexure. The Financial Manual will be amended formally.

4. Treasury approval under reference SM 25/30 dated 30 September 2002 has been obtained for the relevant adjustment.
1. **HOME OWNER ALLOWANCE (Resolution 3/99 part IV)**

1.1. Calculation of monthly allowance

The monthly allowance, which can be paid to a person, represents the smallest -

1.1.1. **amount of R625* (R571* in the case of a person who owns another previously subsidised home)**

   OR

1.1.2. **amount calculated according to the following formula:**

   \[
   A \times B = \text{said amount (rounded to the nearest higher Rand)}
   \]

   where-

   - \(A\) represents the person’s recognised loan amount or total of acknowledged loan amounts
   - \(B\) the factor 0.8923* (or 0.8145* in the case of a person who owns another previously subsidised home)

   OR

1.1.3. **amount (rounded to the nearest higher Rand) calculated at the rate of 68%* (or 66%* in the case of a person who owns another previously subsidised home) of the person’s compulsory monthly capital and interest redemption which is paid by stop-order to the mortgagee.**

1.2. The allowance that may be paid in respect of interest on the first/main mortgage before the first instalment is calculated as follows:

   \[
   A \times B = \text{allowance on interest}
   \]

   where

   - \(A\) represents the monthly allowance that is payable in respect of the person’s recognised loan amount; and
   - \(B\) represents the actual number of days (maximum 30) in respect of which interest was imposed.

These may change quarterly on 1 January, 1 April, 1 July and 1 October