TO ALL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

HOME OWNER ALLOWANCE SCHEME: ADJUSTMENT OF HOME OWNER ALLOWANCE WITH EFFECT FROM 1 JULY 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 April 2002 was 15%.

3. Consequently, the Minister for the Public Service and Administration has approved that with effect from 1 July 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 SM25/30 dated 15 July 2002 has been obtained for the relevant adjustment.

15 July 2002
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 R594* (R540* in the case of a person who owns another previously subsidised home)

OR

1.1.2. amount calculated according to the following formula:

\[ \frac{A \times B}{100} = \text{said amount (rounded to the nearest higher Rand)} \]

where-

A represents the person’s recognised loan amount or total of acknowledged loan amounts

B the factor 0.8472* (or 0.7702* 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 67%* (or 65%* 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:

\[ \frac{A \times B}{30} = \text{allowance on interest} \]

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