TO ALL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

HOME OWNER ALLOWANCE SCHEME: ADJUSTMENT OF HOME OWNER ALLOWANCE WITH EFFECT FROM 01 APRIL 2004

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 01 January, 01 April, 01 July and 01 October.

2. According to a survey conducted the weighed average interest rate levied by the five biggest financial institutions on 01 January 2004 was 11.50%.

3. Consequently, the Minister for the Public Service and Administration has approved that with effect from 01 April 2004, the monthly home owners allowance be adjusted as shown in the attached Annexure. The Financial Manual will be amended formally.

4. National Treasury has been informed of the estimated decrease in expenditure.

DIRECTOR-GENERAL
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 of -

1.1.1. The amount of R403 (R346 in the case of a person who owns another previously subsidised home)

OR

1.1.2. The amount calculated according to the following formula:

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

where-

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

B the factor 0.5744 (or 0.4940 in the case of a person who owns another previously subsidised home)

OR

1.1.3. The amount (rounded to the nearest higher Rand) calculated at the rate of 58% (or 54% 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:

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

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 01 January, 01 April, 01 July and 01 October.