



DEPARTMENT: PUBLIC SERVICE AND ADMINISTRATION

REPUBLIC OF SOUTH AFRICA

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EI/2/6/1

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TO ALL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

HOME OWNER ALLOWANCE SCHEME: ADJUSTMENT OF HOME OWNER ALLOWANCE WITH EFFECT FROM 1 OCTOBER 2001

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 2001 was 13,89%.
3. Consequently, the Minister for the Public Service and Administration has approved that with effect from 1 October 2001, 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 12 October 2001 has been obtained for the relevant adjustment.


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 -

1.1.1. amount of ~36* (R477* in the case of a person who owns another previously subsidised home)

OR

1.1.2. amount calculated according to the following formula:

$$A \times \frac{\sim}{100} = \text{said amount (rounded to the nearest higher Rand)}$$

where-

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

B the factor 0,7645* (or 0,6805* 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 65%* (or 62%* 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:

$$A \times \frac{X}{30} = \text{allowance on interest}$$

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