



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 ALLOW ANCE SCHEME: ADJUSTMENT OF HOME OWNER ALLOW ANCE WITH EFFECT FROM 1 JANUARY 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 the survey conducted, the weighed average interest rate levied by the five biggest financial institutions on 1 October 2001 was 13,19%.
3. Consequently, the Minister for the Public Service and Administration has approved that, with effect from 1 January 2002, the monthly home owner allowance be adjusted as shown in the attached Annexure. The Financial Manual will be amended accordingly.
4. The Minister of Finance, on 11 December 2001, approved the adjustment of the home owner allowance from R536 to R495 per month with effect from 1 January 2002.


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 R495* (R439* in the case of a person who owns another previously subsidised home)

OR

1.1.2. amount calculated according to the following formula:

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

where-

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

B the factor **0,7063*** (or **0,6260*** 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 **63%*** (or **60%*** 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 1 January, 1 April, 1 July and 1 October