



**DEPARTMENT: PUBLIC SERVICE AND ADMINISTRATION
REPUBLIC OF SOUTH AFRICA**

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TO ALL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

HOME OWNER ALLOWANCE SCHEME: ADJUSTMENT OF HOME OWNER ALLOWANCE WITH EFFECT FROM 1 OCTOBER 2003

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 2003 was 15.50%.
3. Consequently, the Minister for the Public Service and Administration has approved that with effect from 1 October 2003, 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.

P
DIRECTOR-GENERAL

22 September 2003

AIDS is a deadly reality. We are individually responsible to prevent the spread of AIDS



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 R621* (R566* 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 **0.8871*** (or **0,8082*** 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 **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:

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

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