



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

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TO ALL NATIONAL AND PROVINCIAL DEPARTMENTS

**HOME OWNER ALLOWANCE SCHEME: ADJUSTMENT OF HOME OWNER
ALLOWANCE WITH EFFECT FROM 1 OCTOBER 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 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 2004 was 11.50% meaning that there was no change since the previous adjustment.
3. Consequently, the Minister for the Public Service and Administration has approved that with effect from 1 October 2004, the monthly home owners allowance be maintained at its current level as shown in the attached Annexure.
4. National Treasury has been informed accordingly.

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DIRECTOR-GENERAL

1 HOME OWNER ALLOWANCE (PSCBC 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 1 January, 1 April, 1 July and 1 October