



SOUTH AFRICAN LOCAL GOVERNMENT BARGAINING COUNCIL

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To : All Municipal Managers

The Parties:

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The Regional Secretaries:

Gauteng Division	Mr. H.S. Hlahla	011 – 333 8091
Eastern Cape Division	Mrs S Walter	041 – 585 0646
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Northern Cape/Free State Division	Mr M Faas	053 – 831 3608
North West/Mpumalanga/Limpopo Division	Mr E Shelembe	012 – 320 4136

Dear Sir / Madam,

CIRCULAR NO.: 05/2007

CIRCULAR - HOME OWNER ALLOWANCE SCHEME: ADJUSTMENT OF HOME OWNER ALLOWANCE WITH EFFECT FROM 01 JULY 2007

The monthly home owner allowance is revised on the first day of each quarter based on the weighted average interest rate levied by the five biggest financial institutions as on 1 January, 1 April, 1 July and 1 October.

According to the Department: Public Service and Administration, the weighted average interest levied by the five biggest financial institutions on 01 April 2007 was **12.5%**.

See attached the calculation of the monthly allowance: Home Owners Allowance Scheme (R85 000 Scheme). An electronic copy of this document is downloadable from the SALGBC website.

Yours faithfully,


S.S. GOVENDER
GENERAL SECRETARY
Encl.

HOME OWNER ALLOWANCE

CALCULATION OF MONTHLY ALLOWANCE: HOME OWNERS ALLOWANCE SCHEME (R85 000 SCHEME)

1. The monthly allowance which can be paid to a person represents the smallest of the following three amounts:

- 1.1 R554 (or R489 in the case of a person who is in possession of another dwelling which is either paid off or not paid off as yet)

OR

- 1.2 An amount calculated according to the following formula:

$A \times B / 100$ (Rounded to the nearest higher rand) where:

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

B – represent the factor **0,651** or (**0.5744**) in the case of a person who owns another dwelling which is either paid off or not paid off as yet.

OR

- 1.3 An amount (rounded to the nearest higher rand) calculated at the rate of **61%** (or **58%** in the case of a person to who owns another dwelling which is either paid off or not paid off as yet) of the person's COMPULSORY monthly capital and interest redemption which is paid by stop order to the mortgagee

2. The allowance that may be paid in respect of interest on the first/main mortgage before the first installation is calculated is as follows:

$A \times B / 30$ = 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.