



## HOME-OWNERS SUBSIDY POLICY

<b><u>Policy:</u></b>	<b>Effective Date: 11 October 2007</b>
<b>Approved: 11 October 2007</b>	<b>Review Date: 11 October 2010</b>

Notwithstanding the review date herein, this policy shall remain effective until such time approved otherwise by Council and may be reviewed on an earlier date if necessary.

### 1. SCOPE

The above provisions apply to all FDDM employees at all times.

### 2. AIM

The employer shall assist employees to repay home loans.

### 3. REQUIREMENT FOR OBTAINING A HOME-OWNER SUBSIDY

#### 3.1 Eligibility for employees

3.1.1 The Home Owners Subsidy shall be extended to all employees subject to the requirements of the scheme, which provides for a subsidy in respect of a mortgage bond to a maximum amount of R85 000,00.

3.1.2 An employee may not receive a home-owner subsidy if the employer already pays a home-owner subsidy to her or his spouse.

## 3.2 Home Ownership

3.2.1 An employee may receive a home-owner subsidy for

3.2.1.1 A home registered in her or his name, whether single or with her or his spouse;

3.2.1.2 A home that stands on land to which the employee has legal rights to occupy state or tribal land; or

3.2.1.3 A home:

3.2.1.3.1 Which she or he contracted to purchase and

3.2.1.3.2 For which she or he has obtained an eligible mortgage as described in paragraph 2.4 below, but

3.2.1.3.3 Which she or he has not yet occupied for reasons beyond her or his control

## 3.3 Occupancy

3.3.1 The employer shall provide a home-owner subsidy only for a home in which an employee and his immediate family live for most of the year.

3.3.2 For this purpose, an employee's immediate family includes only:

3.3.2.1 Her or his spouse

3.3.2.2 Dependant children

### 3.4 Mortgage Bonds

- 3.4.1 The employer shall provide a home-owner subsidy only to help repay a bond or an extension of a bond:
- 3.4.2 Obtained from a government agency, a legally registered financial institution or a financial institution established by special statute, and
- 3.4.3 That the employee uses to purchase her or his home or to finance immovable improvements and/or alterations, including structural maintenance on her or his home.
- 3.4.4 The employer shall help repay the bond only during its original term. The employer shall not supplement a home-owner subsidy to help an employee repay an advance on an existing bond or reinstitute a bond, irrespective of how the employee uses the relevant funds.

## 4. VALUE OF THE HOME-OWNER SUBSIDY

- 4.1 The maximum home-owner subsidy shall equal the allowed interest on a bond of R85 000. The SALGBC shall set the allowed interest rate equal to the weighted average interest rate levied by the five largest financial institutions in South Africa on the start of each quarter.
- 4.2 The amount of R85 000.00 shall be increased through a process to be determined between the parties to the Council and may be so increased during the term of this agreement.
- 4.3 If the employer does not pay the interest on the first mortgage before the first installment, the home-owner subsidy shall equal the smallest of the following sums:
  - 4.1.1 75 per cent of the compulsory monthly interest plus capital payment on an eligible bond or part of a bond
  - 4.1.2 254 per cent of the value of the eligible bond or part of a bond, or
  - 4.1.3 the maximum subsidy

- 4.4 If an employee
- 4.4.1 Pays interest on a first or main mortgage before the first installment, and
  - 4.4.2 Complies with the occupancy requirements provided in paragraph 2.3,
  - 4.4.3 The employer shall pay the interest on the bond for up to thirty days, up to the monthly allowance and reduce the home-owner subsidy as provided above.
  - 4.4.4 If the above is applicable, the employee's monthly housing subsidy shall equal the smallest of:
    - 4.4.4.1 73 per cent of the compulsory monthly interest plus capital payment on an eligible bond or a part bond;
    - 4.4.4.2 1.15 per cent of the value of the eligible bond or part of a bond; or
    - 4.4.4.3 96.6 per cent of the maximum allowance.
- 4.5 If an employee owns a share in a home and is not married to her or his co-owner, he or she shall receive the lesser of
- 4.5.1 The allowance payable on a bond equal to 50 per cent of the registered bond on the property, and
  - 4.5.2 A portion of the subsidy provided in paragraph 9 proportional to the lesser of:
    - 4.5.2.1 Her or his share in a bond on the home; and
    - 4.5.2.2 Her or his share in the property.

## 5. START AND TERMINATION

5.1 The employer shall pay:

5.1.1 The home-owner subsidy on the first installment of an eligible bond when it falls due; and

5.1.2 The regular home-owner subsidy from the first monthly pay day after the first installment.

5.2 The employer shall terminate the home-owner subsidy on the day an employee becomes ineligible.

5.3 Where the employer discharges an otherwise eligible employee for any reason, the employer shall stop paying the home-owner subsidy on the employee's last monthly payday.

If:

5.3.1 an eligible employee is suspended without pay or takes paid or unpaid leave; and

5.3.2 Continues to make her or his bond repayments;

5.3.3 The employer shall continue to pay her or his home-owner subsidy.

### **HOME RENTAL AID SUBSIDY SCHEME**

- 1 A home rental aid subsidy may be paid to employees who do not possess a fixed property and are obliged to rent a home. In terms of the Home Rental Aid Subsidy Scheme, the subsidy is calculated on the basis of 50% of the actual rental **to a maximum** of the amount that represents the maximum amount paid by the local authority concerned or amount negotiated locally to a maximum of R250,00: Provided that employees who at commencement of the scheme received a housing subsidy higher than that determined herein, are not prejudiced.
- 2 Before a qualifying employee can participate in the benefits of the scheme a **sworn statement on a document drawn up by the Municipality be submitted** by the employer of the spouse of the applicant, as confirmation that said spouse does not receive any form of housing subsidy in respect of rent or subsidised

housing or home-ownership bond subsidy paid directly to him/her or indirectly concealed/ entrenched in his/her pay-packet.

**6. AUTHORITY**

- Formulation Policy : Director Corporate Services
- Authorisation Policy : Council
- Ownership & Maintenance Manager : Deputy Director: Corporate Services