

POLICY ON GRANTING OF LOANS BY PHDB TO INDIVIDUALS WHO CANNOT OBTAIN A LOAN FROM A BANK

The following article is confirmation of a policy regarding the granting of loans to applicants to purchase their homes in terms of the extended benefit scheme, if they fail to obtain a loan from financial institutions.

1. BACKGROUND

2.1 National policy, as contained in the Implementation Manual, Vol B - Part 1 "Guidelines for the discount benefit to promote home ownership," Paragraph 7.5.2, states that:-

“Local authorities should use their best endeavours to assist purchasers to obtain mortgage loans from financial institutions, employers or other sources, failing which such authorities may themselves extend credit by allowing repayment over periods appropriate to the circumstances but not exceeding 30 years, secured by mortgage bonds and bearing interest at the appropriate market rate on mortgage loans by financial institutions. In the latter event the local authority will be entitled to deduct reasonable administration charges from payments made to the State.”

2.2 As stated in 2.1 and with a proper motivation, the PHDB can approve loans to individuals provided that they meet all the qualification criteria as stated in the implementation manual.

2. RECOMMENDATION

3.1 That, provision is made in national policy for the Board to grant loans to individuals who wish to purchase their homes in terms of the extended benefit scheme if they cannot obtain a loan from financial institutions; and

3.2 That, the Accounting Officer of the Department does not support the principle of loans granted by either the PHDB or local authorities.