

# Chapter 11

## Advances\*

### HOUSING BUILDING ADVANCE

#### Eligibility

- (a) All permanent employees.
- (b) Other employees having rendered at least 5 years continuous service (including military service in case of re-employed ex-servicemen).
- (c) Central Govt. employees on deputation and on foreign service.
- (d) Employees of UTs and North-East Frontier Agency (NEFA).

**Note:** if both husband and wife are Central Govt. employees eligible for HBA, the advance shall be admissible to both them, jointly or separately.

#### Purposes of Advance

- (a) constructing a new house on a plot already owned singly or jointly with spouse.
  - (b) purchasing a plot under constructing a house thereon.
  - (c) purchasing a plot under co-operative schemes and constructing a house/flat thereon or acquiring a house through membership of co-operative Group Housing Society.
  - (d) purchase/construction of house under the self-financing scheme of Delhi, Bangalore, UP Luck now etc.
  - (e) outright purchase of a new ready-built house/flat from Housing Boards, Development Authorities and other statutory or semi-Government bodies and from registered builders i.e. registered private builders, architects, house building societies, ect but not from private individuals.
  - (f) Enlarging living accommodation in a house owned by self or jointly with spouse.
- Note:** the total cost of existing structure and proposed additions (excluding cost of land) should not exceed the prescribed cost ceiling.
- (g) Repayment of a housing loan taken from a Government source or HUDCO or private sources, friends and near relatives, PSUs, Autonomous Bodies and other Registered Societies funded by the Govt., subject to certain conditions.
  - (h) for migrating from home loans already taken from banks/other financial institutions subject to extant conditions.
  - (i) for constructing only residential portion of the building on a plot earmarked for a shop-cum-residential plot, in a residential colony subject to prescribed cost ceiling.

#### Cost Ceiling of the House

Cost of the house(excluding cost of land) should not exceed 139 times of basic pay subject to a maximum of Rs. Crore.

In case of self-Financing Scheme, cost ceiling will be inclusive of land and development charges.

Maximum cost Ceiling may be relaxed up to 25% by the Administrative Ministry/department in appropriate cases.

**Note:** where both husband and wife are Government employees, pay of both shall be taken into account for determining the cost ceiling.

### Amount of Advance

- (i) only one advance shall be sanctioned to a Government servant during his/her entire service.
- (ii) the amount of advance shall be subject to a maximum of the amount being least of the following.
- (a) 34 times basic pay.
  - (b) Rs. 25 lakh (Rs. 10lakh for enlarging accommodation in an existing house.
  - (c) the cost of the house/flat (or cost of expansion),
  - (d) the repaying capacity of the employee.

**Note:** The advance shall be restricted to 80% of the cost of land + cost of construction or cost of expansion in case of accommodation in rural areas. This can be relaxed up to 10% if the HoD certifies that the rural area falls within the periphery of town or city.

### Repaying Capacity

Repaying capacity of an employee depends on the length of remaining service as below:

Length of Remaining Service	Slab if Repaying Capacity
Officials retiring after 20 years	40% of Basic pay + NPA
Officials retiring after 10 years but before 20 years	40% if Basic Pay
Officials' retiring within 10 years	50% of Basic pay after adjustment of 75% of gratuity

Once HBA is sanctioned, it cannot be enhanced as a result of subsequent upward revision of gratuity limit, and the repaying capacity.

### Condition for Eligibility/Admissible of HBA

- a. in case of purchase or ready-built house/flat from private parties, the house/flat should be new and un-lived in.
- b. The house/flat should be used for residential purposes only
- c. Advance shall be granted in respect of only one house/flat, in the entire service. The advance may however, be drawn at different stages, say for purchase of plot, construction of house, enlargement/addition etc.
- d. The advance should be utilized only for the purpose it is sanctioned. Misutilisation of advance shall entail disciplinary action. Any unutilized amount of advance should be refunded immediately.

### Disbursement

The advance shall be disbursed in lump –sum or instalments, as per requirements in each case-

- (a) For purchase of a ready – built house, advance can be paid in one lump – sum on execution of agreement. The house should be purchased and mortgaged to the Government within 3 months of drawl of advance.
- (b) For purchase/convenient instalments at the discretion of the HoD. The advance/first installment shall be granted on execution of agreement, which must be utilized within one month.

- (c) For construction or expansion of house, advance shall be granted in two installments of 50% each, first on mortgage of plot/house and second on construction reaching plinth level!
- (d) For expansion to be carried out on the upper storey of the house, advance shall be granted in two installments, first on execution of mortgage deed and second on construction reaching roof-level.
- (e) For purchase of plot and construction of house, advance shall be granted in three installments as under:
  - (i) in case of single storied house. 40% of advance or actual cost of plot on execution of agreement and production of surety bond, 30% on execution of mortgage and 30% on construction reaching plinth level.
  - (ii) in case of double-storied house, 30% of advance on execution of agreement 35% on execution of mortgage and 35% construction reaching plinth level.

### **Mortgage and Creation of Second Charge**

The house shall be mortgaged in the name of the President of India. If the employee desires to obtain a second loan to meet the balance cost, he shall apply for NOC along with application for HBA. NOC for second charge shall be allowed along with sanction for HBA. The total loan from HBA and other sources shall not exceed the cost ceiling as defined earlier.

In case HBA is obtained by the husband and wife jointly, the documents of mortgage, insurance etc. shall be submitted to one of the loan sanctioning authority of their choice. NOC for second charge shall be issued by the loan sanctioning authority.

### **Insurance**

Immediately on completion of construction /purchase of house/flat the employee shall insure the house with an institution approved by IRDA, for an amount not less than the amount of advance, against the risk on fire, flood and lightning. Insurance documents shall be submitted to the HoD. Insurance shall be renewed and premium receipt produced before HoD every year, till the advance along with interest is repaid in full.

If the house is not insured for any period, the employee shall be liable to pay penal interest @ 2% over and above the existing rate, for the period.

### **Interest**

(a) simple interest from date of payment of first installment on the balance outstanding on the last day of each month will be calculated at specified rate prevailing on the date of release of advance/first installment of advance. The rate of interest for financial year 2017-18 onwards is 8.5%. This will be reviewed every 3 years.

(b) 0.5% concession in the interest is allowed for employed promoting small family norm by undergoing sterilization operation.

### **Repayment of Advance**

- (a) The HBA is repayable with interest thereon, within maximum 20 years or before the date of retirement, whichever is earlier.
- (b) Advance is recovered first and then interest.
- (c) The amount of advance shall be repaid in maximum 180 monthly installments and interest in maximum 60 monthly installments.
- (d) Employee has the option to repay in a shorter time.

- (e) In case of advance for construction or enlargement, recovery will start in the month following the month of completion or the 18<sup>th</sup> month after drawl of first installment of advance, whichever is earlier.
- (f) In case of advance for purchase of land and construction, it will star from the month following the month completion or the 24<sup>th</sup> month after drawal of first installment of advance, whichever is earlier.
- (g) In case of advance for purchase of ready-built house, recovery will start from the pay of the month following the month in which advance is drawn.
- (h) The amount is normally recovered from the monthly pay/leave salary or subsistence allowance payable to the employee.
- (i) In case of employee due to retire within 20 years a portion of advance and/or interest can be adjusted against death/retirement gratuity, at the request of the employee.

## **PERSONAL COMPUTER ADVANCE**

### **Eligibility**

w.e.f.7.10.2016, all Government employee irrespective of their pay are eligible.

### **Amount of Advance**

w.e.f.7.10.2016, Rs. 50,000 actual price computer, whichever is less.

### **Other Conditions**

- (a) Application should be made on the prescribed form.
- (b) In case of temporary employees, a surety bond from a permanent employee having equal or higher status is needed.
- (c) Computer advance may be grated maximum five times in the entire service.
- (d) Computer purchased should be mortgage to the Government.
- (e) Recovery of advance (principle) will be done in maximum 150 monthly installment.
- (f) Interest is charged at the rate of 11.5%.

### **Amount of Installments**

Each installment shall be in whole rupees. However, the last installment may be raised or reduced, as may be necessary, for recovery of the balance including any fraction of a rupee.

### **Mode of Recovery**

The repayment installment shall be recovered from the pay, leave salary or subsistence allowance, commencing with first such issue after the advance is drawn.

### **Interest**

Interest on advance will be charged at prescribed rates. Sanction for an advance shall indicate the interest rate 2.5% more than the prescribed rate with the stipulation that 2.5% rebate will be allowed, on compliance with the terms relating to recovery of amount.

### **Recovery of Interest**

Interest computed as above, shall be recovered in the minimum number of monthly installments. The amount of each installment shall not be more than the amount of installment for recovery of advance.

The recovery of interest shall commence from the month immediately following that in which the repayment of the advance principle is completed.

### **INTEREST-FREE-ADVANCE**

All interest-free advances have been discontinued w.e.f.7.10.2016, except the following.

- (i) Advance of TA on tour/retirement/transfer,
- (ii) Advance of TA to family of deceased employee,
- (iii) Advance of LTC,
- (iv) Advance for medical treatment.

These have been dealt with in the relevant chapters.