

We l come  
**DR.MCR HRD INSTITUTE**  
**Loans &Advances**

by  
**V. L. N. Gupta, A. A. O. &**  
**Faculty Member**  
**Dr. MCR HRDI of AP**

# LOANS AND ADVANCES

- A.P.F.C Vol-1. Articles 226 to 244 deals with L &A
- GENERAL PRINCIPLES;-
- 1. where both wife and husband are employees, only one among them is entitled.
- 2. Repayment capacity of the loanee should be assessed before sanctioning the loan by the competent Authority
- 3. Sufficient budget provision must be there for the advance.
- 4. To safe guard the Govt. amount material documents should be examined before sanction of the loan, and even after the loan amount.

- TYPES OF LOANS:-
- 1. INTEREST BEARING LOANS:-
- 2. NON-INTEREST BEARING LOANS;-

# 1. Interest bearing loans

- 3 TYPES:-i) House building purposes;-
- ii) Conveyance purposes;-
- iii) Other purposes;-

# 1) HOUSE BUILDINGPURPOSE:-

- i. Purchase of site.
- ii. Ready built house/flat.
- iii. Construction of house on the site already owned.
- iv. purchase of site & construction of house/flat.
- v. Repairs/extensions/ additions loan.

# Eligibility for Housing Advance

- i) Permanent Employee with regular service of 8 years.
- ii) When the Employee/Spouse/minor child
  - does not own a house at the same place.
- iii) Employees not on deputation.
- iv) Either spouse only one Govt servant is eligible.
- v) Either spouse's name site is eligible for sanction of HBA.

# PROCESS OF APPLICATION

	SITE	READY BLT	C.SITE OWNED	SITE & C	REPAIRS
Form.No	II	I	I	I	III
Documents required		VALUATION CERTIFICATION. H.PLAN	SALE-DEED COPY H.PLAN DETAIL ESTIMATES	H.PLAN DETAIL ESTIMATE	CERTIFICATE BY EE CADRE DETAIL PLAN + ESTIMATES BY Comp.Auth
U.C.	2.m.	3.Months	18.Months	Site.2.m. Con.16.m.	APPROVED H. PLAN 6.Months



# DEFECTIVE APPLICATIONS

- 1) The defective applications should be returned *within 3 days from the date of their receipt.*
- 2) The applicants may be given 15 days time to resubmit the application duly rectifying the omission/defects etc.
- 3) In case the applicant resubmits the application within the stipulated time, the original date of receipt of application may be reckoned fro the purpose of seniority.



# Surety to be taken:-

- A surety : (a) should be Permanent Government Servant
- (b) must be drawing not less than the pay of the applicant
- © should have at least 3 years of service left for superannuation on the date of execution of Bond.
- (d) should not be a loanee.
- (e) should not have stood as surety in any other case.

---

# SANCTION AUTHORITIES

i) NGO - HEAD OF OFFICE

---

ii) REGIONAL OR HEAD OF OFFICE –  
NEXT SUPERIOR OFFICERS

iii) ALL INDIA SERVICE OFFICERS &  
H.O.D.'S - GOVERNMENT

# GUIDELINES OF BUDGET ALLOCATIONS

- 1.The Head of Department must allocate at least 70% to the districts.
- 2.The Head of office must set apart at least 1/6<sup>th</sup> to the *last* Grade employees.
- 3.Seniority Register must be maintained and applications must be considered on seniority basis
- 4.No piecemeal sanctions must be made.

# Quantum of loan in House Building

as per G.O. 174 Fin A&L Dept., Dt; 15-5-2010

came in to force w.e.f.1-4-2010.

- 1. Purchase of site:- 10 times of basic or Rs.1.0 lakh whichever is less.
- 2.Repairs,/extention/Improvement:-20 times of basic or Rs.2.00 lakh whichever is less.
- 3.Ready build house/flat. 72 times of basic (or )
- 4. Construction of house as follows;- w.e.less.
- on the site already owned. Upto Rs;13660/-5.0 lakh
- cum construction 13660- to 21820- 6.0 “
- house/flat. 21820/- to 31550/- 7.5 “
- above Rs:31550/- 10.0 “
- For AIS 15 lakh or 50 times B.P. w.e .l.

# Mode of Payment- HBA

- For purchase of site.
- Repairs/exten/improv.
- Ready Built House/Flat.
- Construction on owned site.
- Site cum Constn.
- Lump sum
- -do-
- 10% in cash 90% through a/c payee cheque to vender.
- 1/3<sup>rd</sup> at each stage.  
25% for purchase site
- 50% on mortigage of site.
- 25% after roof level.

# Recovery of H.B.A.

- |                         |                            |
|-------------------------|----------------------------|
| ■ Purchase of site-     | ■ 72 Instl. 60 prl 12 Int. |
| ■ Ready build H/F       | ■ 300 „ 240 „ 60 „         |
| ■ Const. on own site    | ■ 300 „ 240 „ 60 „         |
| ■ Site cum const.       | ■ 300 „ 240 „ 60 „         |
| ■ Repairs/Exten/Improv. | ■ 90 „ 75 „ 15 „           |

# Rate of Interest for HBA

- For class-iv employees – 5.0%
- For others- 5.5%
- However, for Repair Loan it is 5.5% to all.
  
- If one misuses loan or non observance of formalities:-
  - The entire loan may be recovered as per R.R.Act .
  - A penal interest of double of normal rate should be recovered.
  - Disciplinary action under CCA rules shall be taken.



# Calculation of interest

- Simple Interest will be charged.
- Calculation of interest 3 types-
- 1) If principal amount is repaid regularly:-
  - $$\text{Interest} = n \times \frac{(n+1) \times X \times r}{2 \times 12 \times 100}$$
  - n=number of instalments
  - x=amount of each installment
  - r=rate of interest

- 2) If the repayment is not in regular process:-

- $$\text{Interest} = A \dots \frac{1}{12} \dots \frac{r}{100} \dots X \dots X \dots$$

- 3) If the repaid amount partly in EMI basis and the balance paid in lumpsum:-

- $$\text{Interest} = \dots \frac{n(A=L)}{2} \dots \frac{r}{100} \dots \frac{1}{12} \dots X \dots X \dots$$

## ILLUSTRATION

**A Government servant was sanctioned a loan of Rs. 10,000/- in January 2008 and it is repayable in 10 equal monthly installments commencing the recovery from the pay of February 2008 payable on 1<sup>st</sup> ,March 2008.. The rate of interest is 5.5% P.A. Calculate the interest payable.**

# PRINCIPAL AMOUNT IS REPAID IN EQUAL INSTALMENTS FROM MONTH TO MONTH

$$\text{INTEREST} = \frac{n(n+1)}{2} \times \frac{x}{12} \times \frac{r}{100}$$

$$= \frac{10(10+1)}{2} \times \frac{1000}{12} \times \frac{5.5}{100}$$

$$= 25200$$

AS A PORTION OF PRINCIPAL IS PAID IN EQUAL MONTHLY INSTALMENTS AND REMAINING IN LUMP SUM :

$$\begin{aligned}
 \text{INTEREST} &= \frac{n(A+L)}{2} \times \frac{r}{100} \times \frac{1}{12} \\
 &= \frac{6(10,000 + 5000)}{2} \times \frac{5.5}{100} \times \frac{1}{12} \\
 &= \text{Rs. } 247.00
 \end{aligned}$$

# ILLUSTRATION

**A Government servant was sanctioned a loan of Rs. 10,000/- in January 2008 and it is repayable in 10 equal monthly installments commencing the recovery from the pay of February 2008 payable on 1st ,March 2008. Due to on EOL the recovery was not effected during July & August 2008. The rate of interest is 5.5% P.A. Calculate the interest payable in Diminishing Balance Method.**

# Diminishing Balance Method.

Instalment No.	Month of Recovery	Diminishing balance
	Loan sanctioned	10,000
1/10	March, 2008	9,000
2/10	April, 2008	8,000
3/10	May, 2008	7,000
4/10	June, 2008	6,000
Not recovered	July, 2008	6,000
Not recovered	August, 2008	6,000
5/10	September, 2008	5,000
6/10	October, 2008	4,000
7/10	November, 2008	3,000
8/10	December, 2008	2,000
9/10	January, 2009	1,000
10/10	February, 2009	0
Total		67,000



# CALCULATION OF INTEREST IN DIMINISHING BALANCE METHOD

- Formula :  $A \times 1/12 \times r/100$
- A – Total diminishing balance value Rs.67,000
- r – Rate of interest – 5.5%
- Solution :  $67000 \times 1/12 \times 5.5/100$ 
  - $67000 \times 5.5$
  - $12 \times 100$
  - = 307.00

# Waiver of outstanding dues in respect of deceased Govt. servant

- 1) As per G.O. Ms.No.315 F&P (A&L) Dept.
- Dt:7-11-84, F.A./ Apco /E.A./ solar cooker dues will be waived.
  
- 2) As per G.O.Ms.No.388 F&P (FW A&L) Dept. Dt:27.11.93
- HBA/M.A./Bicycle loan dues will be waived.
  
- 3) As per G.O.Ms.No.167 F&P(FW A&L)Dept.Dt:4-10-99.,
- Interest part of motor car/motor cycle/ moped will be waived.
- But, principle amount will be Recovered.
  
- 4) As per G.o. Ms.No.154F&P(FW:A&L) Dept.Dt:9-11-2000.
- Even principle amount of motor car/motor cycle/moped/computer
- will be waived.

# ***H .B. ADVANCE - CREATION OF SECOND MORTGAGE ON THE PROPERTY***

**As per G.O.MS.NO. 356 Fin & Plg (FW:A&L) DEPT., DT. 18.10.94,**

**TO MEET THE BALANCE COST OF HOUSE/FLAT BY  
RECOGNISED PUBLIC COMPANIES FORMED AND  
REGISTERED IN INDIA SECOND MORTGAGE IS ALLOWED  
BY THE Govt. of A.P.**

- 1) FINANCIAL INSTITUTIONS, BANKING INSTITUTIONS,  
INCLUDING COOPERATIVE BANKS.**
- II) FINANCIAL CORPORATIONS SET UP BY THE STATE  
GOVT.S WHICH PROVIDE LOANS FOR HOUSE  
CONSTRUCTION**
- III) APEX CO-OPERATIVE HOUSING FINANCE INSTITUTIONS  
SUCH AS DELHI CO-OPERATIVE HOUSING FIN. SOCIETY**
- IV) PUBLIC COMPANIES FORMED AND REGISTERED IN  
INDIA**

# **PENAL INTEREST IF ONE MISUSES LOAN AMOUNT**

- i) The entire loan will be recovered by applying the provisions of RR Act**
- ii) A penal interest of Double the normal rate should be recovered.**
- iii) Disciplinary action under CCA rules for misuse of loan amount should be taken**
- iv) When house/flat is wholly rented out for commercial purposes**  
(However, where the renting took place due to transfer, and the family is also not residing in it is exempted. (and) when the house/flat is partly rented out for residential purposes and the employee resides in the other portion is also exempted.)

# Penal interest at 11/2 rate;-

- i) For non performance of Formalities.
- ii) Willful delay in repayment of unspent balance.
- **iii) Willful delay in observance of HBA Rules in any manner.**
- **iv) Over due monthly installments**
- **V) Failure to utilize the loan within the stipulated period**

## 2) Purchase of Conveyance

- 4 TYPES:- i) For purchase of motor car;-
- ii) For purchase of motor cycle/scooter;-
- iii) For purchase of moped;-
- iv) For purchase of cycle;-



# Eligibility for Sanction:-

## 1. PERMANENT GOVT. SERVANT OR APPROVED PROBATIONER ON EXECUTION OF SURETY BOND

MOTOR CAR

MOTOR CYCLE

MOPED

BICYCLE

( G.O.No.175 Fin (A&L)Dept.dt:15-5-2010)

	MOTOR CAR	MOTOR CYCLE	MOPED	BICYCLE
PAY ELI- GIBILITY	BASIC PAY Rs.18030/-	BASIC PAY RS.11530/-	BASIC PAY RS. 11530 /-	ALL INCLG CLASS IV
QUANTUM	15 TIMES OR RS.4.5 Lhs OR C.O.V W.E. LESS	RS.60,000 OR C.O.V W.E LESS	RS.25,000 OR C.O.V W.E. LESS	RS.5000/- OR C.O.V W.E LESS
DRAWAL	2 MONTHS DT. SANC	2 MONTHS DT. SANC	2 MONTHS DT.SANC	1 MONTHS DT.SANC
UTILIZE	1 MONTH	1 MONTH	1 MONTH	1 MONTH
INTEREST	<b>Class iv-5%</b>	<b>Others 5.5%</b>		
RECOVERY	135 Prl. 65 int.	80 prl. 16 int.	60 prl. 16 int.	24 prl. 4 int.



## 3) Other Purposes

- i) Celebration of marriage :-
- ii) Purchase of Computer :-

# I) MARRIAGE LOAN:-

REGULAR EMPLOYEES WITH 5 YEARS SERVICE INCLUDING TEMPORARY SERVICE PRECEDING REGULAR APPOINTMENT ARE ELIGIBLE.

AGE	<u>FEMALE</u> 18 YEAR	<u>MALE</u> 21 YEARS
QUANTUM:	RS.50,000/- -Class-IV or 15 times of B.P. - <b>30,000/-</b>	RS.75,000- Others or 15 times of B.P. 50,000/-
DRAWAL	3 MONTHS	
UTILIZATION	WITHIN (1) MONTH FROM DATE OF MARRIAGE OR (3) MONTHS FROM DRAWAL	
RATE OF INT.	CLASS-IV-5% For Others-5.5%	
RECOVERY	PRINCIPAL – 70 INT- 10	

## II) COMPUTER ADVANCE;-

ELIGIBILITY: OFFICERS DRAWING A  
BASIC RS.26,300/- & ABOVE

QUANTUM : Rs:50,000 OR THE COST W.E. LESS

UTILIZATION : ONE MONTH

RATE OF INT : 5.5%

RECOVERY : PRL –135 , INT – 65

## **B. Non Interest bearing Loans**

- 1) Festive Advance
- 2) Education Advance
- 3) APCO Advance
- 4) Pay Advance

## 1) FESTIVAL ADVANCE:-

ELIGIBILITY; ALL EMPLOYEES, INCLUDING TEMP.  
WITH (1) YEAR SERVICE.

AMOUNT : 2,000- CLASS IV  
3,000 – OTHERS (13360 – 38570)

RECOVERY : (10) INSTALMENTS

## 2) APCO LOAN

FOR G.O.'s	5000
FOR N.G.O.'s	4000
CLASS -IV	3000

### 3. EDUCATION ADVANCE

- ELIGIBILITY : Only N.G.O.'s with One Year temporary service with a school going child.
- AMOUNT : Rs:5000/-
- RECOVERY : ( 10) Instalments.

### 4) PAY ADVANCE

One Month salary when Govt. transfers (old pay).

To be recovered in 3 (As per instruction of 1 (f) of T.R.19 of APTC Volume-I

The background of the slide is a solid orange-brown color with a faint, stylized pattern of autumn leaves in various shades of brown and orange. The leaves are scattered across the page, creating a seasonal and warm atmosphere.

■ THANK YOU