

WELCOME TO  
Dr. MCR HRD INSTITUTE OF TELANGANA

# LOANS & ADVANCES

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By

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# LOANS AND ADVANCES

*(Articles 226 to 244 of T.S. Financial Code Vol-1., deals with Loans and Advances)*

## **GENERAL PRINCIPLES TO KEPT IN VIEW FOR SANCTIONING LOANS AND ADVANCES:**

1. where both wife and husband are employees, only one among them is entitled.
2. Repaying capacity of the Govt. Servant should be assessed before sanctioning by the competent Authority.
3. Sufficient budget provision must be there for the advance.
4. To safe guard the interests of Govt. necessary documents should be obtained from the Govt. Servant before sanction of the loan, and even after sanction of the loan amount.

## **GENERAL PRINCIPLES TO KEPT IN VIEW FOR SANCTIONING LOANS AND ADVANCES:**

5. Standards of Financial Propriety: Art.3 of T. S. Financial Code  
Volume I
6. Advances should not be sanctioned for clearance of personal loans.
7. Marriage advance can be sanctioned even after the event if the application was made prior to the event.
8. With the permission of the Head of the department, second Mortgage may be created for loans under House Building advances for meeting balance cost of house by recognised financial institutions like Banks, Co-operative Societies & other Public companies formed for the purpose.

# GUIDELINES FOR BUDGET ALLOCATIONS

1. The Head of the Department must allocate at least 70% for District offices
2. The Head of office must be set apart at least 1/6<sup>th</sup> for Last Grade Employees
3. Seniority Register must be maintained and applications must be considered on seniority basis
4. No piecemeal sanctions for site, ready built house and repairs

# DEFECTIVE APPLICATIONS

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

# Surety

- (a) should be Permanent Government Servant
- (b) must be drawing not less than the pay of the applicant
- (c) 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.

- TYPES OF LOANS

- I. INTEREST BEARING LOANS:-

- II. NON-INTEREST BEARING LOANS:-

# I. Interest bearing loans

4 TYPES:-

1) House Building purposes

2) Conveyance purposes

3) Celebration of Marriages

4) Purchase of Computers



# 1) HOUSE BUILDING PURPOSE

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

# Eligibility for House Building Advance

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

# Eligibility for House Building Advance

- vi) If a Govt. Servant owns a house jointly with relatives and desires to build a separate house for his *bona fide* residential purpose.
- vii) No 2<sup>nd</sup> advance is sanctioned for purchase of ready built house/ construction/ site.
- viii) AIS Officers who are not on deputation to the Central Govt. permanently or not on deputation for more than 5 years continuously.

# PROCESS OF APPLICATION

Nature of Item	Site	Construction on Site owned	Site cum Construction	Ready Built House/ Flat	Repairs
Form No.	II	I	I	I	III
Documents required	Agreement	1.Copy of Sale Deed 2.House Plan 3. Detailed Estimates 4.Declaration	1.House Plan 2. Detailed Estimates 3.Declaration	1.Valuation Certification 2.House Plan 3.Declaration	1.Certificate by EE cadre 2.Detailed Plan + Estimates by Competent Authority 3.Approved House Plan
Submission of U.C	2 Months	18 Months	Site : 2 Months Constr.: 16 Months	3 Months	6Months

# SANCTIONING AUTHORITIES

- i) NGOs - HEAD OF OFFICE
  - ii) HEAD OF OFFICE - NEXT SUPERIOR OFFICER  
HoD
  - iii) ALL INDIA SERVICE OFFICERS & HoDs - GOVERNMENT
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# House Building Advance

Nature	Purchase of Site	Ready Built House/ Flat	Construction of House on the site already owned	Purchase of site and construction of House	Repairs, extensions & additions
Eligibility	Permanent Employee with regular service of 8 years				
Quantum	10 times of Basic Pay or Rs.2 Lakhs W.E.L.	B.P up to <b>Rs.26,600</b> : <b>Rs.10 Lakhs</b> or 72 times of B.P., W.E.L. <b>Rs.26,601 to Rs.42,490</b> : <b>Rs.12.30 Lakhs</b> or 72 times of B.P., W.E.L. <b>Rs.42,491 to Rs.61,450</b> : <b>Rs.15.00 Lakhs</b> or 72 times of B.P., W.E.L. Above <b>Rs.61,450</b> : <b>Rs.20.00 Lakhs</b> or 72 times of B.P., W..E.L. <i>(For AIS officers working in the State: 25 Lakhs or 50 times of B.P., W.E.L.)</i>			20 times of Basic Pay or Rs.4 Lakhs W.E.L.
Mode of Payment	Lumpsum	10% in cash to Loanee & 90% to Vendor	1/3 <sup>rd</sup> at each stage	25% for purchase of land; 50% on mortgaging the land along with house; 25% when construction reaches roof level	Lumpsum
Submission of UC	2 Months	3 Months	18 Months	Site: 2 Months Constr: 16 Months	6 Months
Recovery	72 Installments (60 Prl. + 12 Int.)	300 Installments (240 Prl.+60 Int.)	300 Installments (240 Prl.+ 60 Int.)	300 Installments (240 Prl. + 60 Int.)	90 Installments (75rl. + 15 Int.)
Rate of Interest	For class-IV employees: 5.00 % ; For others: 5.50 %				

# Quantum of Advance for House Building

*As per G.O. 37 Fin (HRM.IV) Dept., Dt., 10-04-2015 came in to force w.e.f.1-4-2015.*

1. Purchase of House Site:- 10 times of basic pay or Rs.2.00 lakhs whichever is less.
2. Repairs, Extensions and Improvement:-20 times of basic pay or Rs.4.00 lakhs whichever is less.
3. Ready built house/ flat, site cum construction of new house/ flat and for construction of new house/ flat on the site already owned by the Employee:
  - Basic pay up to Rs.26,600                      10.00 lakhs or 72 times of basic whichever is less
  - Above Rs.26,600 up to Rs.42,490            12.30 lakhs or 72 times of basic whichever is less
  - Above Rs.42,490 up to Rs.61,450           15.00 lakhs or 72 times of basic whichever is less
  - Above Rs.61,450                                20.00 lakhs or 72 times of basic whichever is less
4. For AIS officers working in the State: 25 lakhs or 50 times of Basic Pay which ever is less.

# Mode of Payment- HBA

- For purchase of site.
  - Repairs/exten./improve.
  - Ready Built House/Flat.
  - Construction on owned site.
  - Site cum Construction.
- Lump sum
  - Lump sum
  - 10% in cash to the loanee and 90% through a/c payee cheque in f/o the vendor.
  - 1/3<sup>rd</sup> at each stage.  
*(At each stage of i) mortgaging the land in f/o Govt., ii) walls reaches lintel level and iii) construction reaches roof level)*
  - 25% for purchase of land
  - 50% on mortgaging the land along with house to be built.
  - 25% when construction reaches roof level.



# Recovery of H.B.A

- Purchase of site •72 Instl.(60 Prl.+12 Int.)
- Ready built House/Flat •300 ,, (240 Prl.+60Int.)
- Const. on own site •300 ,, (240 Prl.+60Int.)
- Site cum construction •300 ,, (240 Prl.+60Int.)
- Repairs/Exten/Improv. • 90 ,, (75 Prl.+15Int.)

## Rate of Interest for HBA

For class - IV employees – 5.00%

For others – 5.50%

# Formula for Calculation of Interest

$$\text{Interest} = A \times \frac{1}{12} \times \frac{r}{100}$$

A= Total diminishing balance

r = rate of interest

# Interest Calculation

A Government servant was sanctioned a loan of Rs.1,00,000/- in March 2018 and it is repayable in 10 equal monthly installments commencing recovery from the pay of April 2018 payable on 1<sup>st</sup> May, 2018. Since, he was on EOL during June & July 2018, the recovery was not effected during the months July & August 2018. The rate of interest is 5.5% P.A.

Calculate the interest payable by him?

# Interest Calculation

21  
(Amount in Rupees)

Sl. No	Month & Year	Loan amount	Recovery	Balance
1	March 2018	100000	0	100000
2	April 2018	0	0	100000
3	May 2018	0	10000	90000
4	June 2018	0	10000	80000
5	July 2018	0	0	80000
6	August 2018	0	0	80000
7	September 2018	0	10000	70000
8	October 2018	0	10000	60000
9	November 2018	0	10000	50000
10	December 2018	0	10000	40000
11	January 2019	0	10000	30000
12	February 2019	0	10000	20000
13	March 2019	0	10000	10000
14	April 2019	0	10000	0
<b>Total</b>		<b>1,00,000</b>	<b>1,00,000</b>	<b>8,10,000</b>

# 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 GOVERNMENT.*

- 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 recoverable

Penal Interest will be charged at **1 ½** times the normal rates for non-compliance with formalities

Penal Interest will be charged at **double the rate** of normal interest in case the advance is misutilised or not utilized at all

When the HBA rules are not complied, the loan amount together with interest thereon should be recovered in **Lumpsum under Revenue Recovery Act** and also **disciplinary action under CCA rules** shall be taken

## **Penal Interest at 1 1/2 rate**

- i) Non-observance of HBA Rules.
- ii) Willful delay in complying various formalities.
- iii) Over due monthly installments.
- iv) Failure to utilize the loan within the stipulated period.

## **Penal Interest at double the rate**

- i) In case the advances are misutilised or not utilised at all
- ii) If the house is rented out for locating the shops etc.



## 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 of Conveyance Advances

*PERMANT GOVT. SERVANT OR APPROVED PROBATIONER ON EXECUTION OF SURETY BOND*

ELIGIBILITY	MOTOR CAR		MOTOR CYCLE / SCOOTER		MOPED		BICYCLE	
Pay Eligibility	Basic Pay of Rs.37,100/- and above		Basic Pay of Rs.22,460/- and above		Basic Pay of Rs.16,400 /- and above and for all Drivers who completed 2 years of service irrespective of their Pay		All employees including Class-IV	
Quantum	15 Months of Basic Pay or Actual cost of Vehicle or Rs.6 lakhs whichever is less		7 times of Basic Pay or or Actual cost of Vehicle or Rs.80,000/- whichever is less		7 times of Basic Pay or or Actual cost of Vehicle or Rs.35,000/- whichever is less		Actual cost of Bicycle or Rs.10,000/- whichever is less	
Drawal	2 Months from Date of sanctioning		2 Months from Date of sanctioning		2 Months from Date of sanctioning		1 Month from Date of sanctioning	
Submission of UC	Within 1 Month from the date of drawal		Within 1 Month from the date of drawal		Within 1 Month from the date of drawal		Within 1 Month from the date of drawal	
Interest Recovery	Prl. 135	Int. 65	Prl. 80	Int. 16	Prl. 60	Int. 16	Prl. 26	Int. 04
Rate of Interest	Class IV 5.00%	Others 5.50%	Class IV 5.00%	Others 5.50%	Class IV 5.00%	Others 5.50%	Class IV 5.00%	Others 5.50%

### **3) Other Purposes**

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

# I) MARRIAGE ADVANCE:-

Regular Employees with 5 years of service including temporary service preceding Regular appointment are eligible.

	Female	Male
Age :	18 Years	21 Years

	For Marriage of male employees themselves or for the marriage of sons of the male/female employees	For Marriage of female employees themselves or for the marriage of daughters of the male/female employees
Quantum :	<p>- 15 months pay or <b>Rs.75,000/-</b> whichever is less for <b>Class.IV</b></p> <p>- 15 months pay or <b>Rs.1,25,000/-</b> whichever is less for <i>others</i></p>	<p>-15 months pay or <b>Rs.1,00,000/-</b> whichever is less for <b>Class.IV</b></p> <p>-15 months pay or <b>Rs.2,00,000/-</b> whichever is less for <i>others</i></p>

Drawal : 3 months from the date of Advance

Utilisation : Within (1) month from the date of marriage or (3) months from drawal

Rate of Int. : For **Class.IV-5.00%** ; For *others-5.50%*

RECOVERY : Principal – 70 ; Interest - 10

## II) PERSONAL COMPUTER ADVANCE:-

Eligibility	: Employees drawing basic pay of Rs.16,400/- and above. (Judicial Officers are not eligible)
Quantum	: Actual cost of the Personal Computer or Rs.50,000/-, whichever is less.
Utilisation	: One month
Rate of Interest	: For Class.IV-5.00% ; For others-5.50%
Recovery	: Principal –135 ; Interest – 65

## II. NON-INTEREST BEARING LOANS:-

- 1) Festival Advance
- 2) Special Festival Advance
- 3) Education Advance

# NON-INTEREST BEARING LOANS

Nature of Item	Festival Advance	Special Festival Advance	Education Advance
Eligibility	All Employees including temporary with (1) year of service, once in a financial year	All Employees including class-IV, once in a financial year	Non-Gazetted Officers including class-IV, once in the Academic year
Quantum of Amount	Rs.5,000/- for class IV Employees; Rs.7,500/- for others whose Scale of Pay is Rs.26,600- Rs.77,030 or below	For G.Os:Rs.7,500/-; For N.G.Os:6,000/- For Class-IV:4,500/-	Rs.7,500/-
Recovery	(10) Equal Monthly installments	(10) Equal Monthly installments	(10) Equal Monthly installments

# 1) FESTIVAL ADVANCE:-

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

AMOUNT : 5,000- CLASS IV EMPLOYEES  
7,500 – OTHERS (Scale of pay of 26600 – 77030 or below)

RECOVERY : (10) EQUAL INSTALMENTS



## **2) SPECIAL FESTIVAL ADVANCE**

FOR G.O's	7,500
FOR N.G.O's	6,000
CLASS-IV	4,500

## 3. EDUCATION ADVANCE

ELIGIBILITY : Non-Gazetted Officers including Class-IV employees; Once in the academic year.

AMOUNT : Rs:7,500/-

RECOVERY : (10) Installments.

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

- 1) *As per G.O.Ms.No.388 F&P (FW A&L) Dept. Dt:27.11.93, the M.A./Bicycle/ APCO/ Educational advances including interest will be waived.*
- 2) *As per G.O.Ms.No.311 F&P (FW A&L) Dept. Dt:06.11.96, the HBA including the additional loan together with interest 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/ computer 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.*

Any Questions?

**THANK YOU**