

MASTER CIRCULAR

Master Circular No. 50

House Building Advance.

House Building Advance **Interest Bearing Advances.**

(Revised Master Circular No. 50)

Master Circular No. 50 incorporating consolidated instructions in respect of House Building Advance was issued vide Board's letter No. [F\(E\)Spl. 93/ ADV. 3/4 dated 25.5.1993](#) (RBE 71/93). Since then, several modifications/revisions of the rules governing House Building Advance have taken place. As such, in supersession of the existing Master Circular No. 50, a revised Master Circular incorporating all the instruction presently in vogue has been brought out and is sent herewith.

House Building Advance

Grant of House Building Advance is regulated in terms of rules and regulations laid down from time to time by the Ministry of Urban Development for Central Government employees in general. These instructions apply mutatis mutandis to Railway employees.

1. Purposes:

The advance is admissible to an employee for only one of the following purposes:

- i. Construction of a new house on a plot owned by the official or by the official jointly with his/her spouse.
- ii. Purchasing a plot and constructing a house thereon.
- iii. Purchasing a plot under co-operative Schemes and constructing a house/ flat thereon or acquiring a house through membership of Cooperative Group Housing Societies.
- iv. Outright purchase of a new ready-built house/ flat from Housing Boards, Development Authorities and other statutory or semi-Government bodies and also from private parties i.e., registered builders, architects, house building societies, etc., but not from private individuals.
- v. Outright purchase from Joint Venture of authorities/ Boards etc., approved under HBA Rules and Registered Private Builders.

[Authority: Board's No. [F\(E\)Spl. 99/ADV.3/8 dated 14.7.1999](#). (RBE 174/1999)]

- vi. Purchasing/construction of house under the self-Financing Schemes of Delhi Bangalore, UP, Lucknow etc.
- vii. Enlarging living accommodation in an existing house owned by the official or by the official jointly with his/her spouse, subject to cost ceilings laid down under the rules.

[Authority: Board's No. [F\(E\)Spl. 78/ADV.3/1 dated 19.4.1978.](#)]

- viii. Repayment of loan or advance taken from a Govt. or Hudco or non-Government sources to build the house, even if the construction has commenced subject to certain conditions.

[Authority: Board's No. [F\(E\)Spl. 89/ADV.3/9 dated 31.5.89](#) (RBE 130/1989)]

- ix. Constructing residential portion only of the building on a plot, which is earmarked as a shop-cum-residential plot, in a residential colony, subject to the prescribed cost ceilings.

Note: 1. Advance is permissible for purchase of a house under the Self Financing Scheme of Indian Railway Welfare Organization.

[Authority: Board's No. [F\(E\)Spl. 91/ADV.3/6 dated 24.4.1991.](#) (RBE 84/1991)]

- 2. In the case of a plot owned by the official jointly with his/her spouse, both husband and wife should be willing to mortgage the land/house in favour of the President of India, as a security for repayment of the advance. The application in such a case should be accompanied by a letter from the husband/wife, as the case may be, that if the HBA applied for is sanctioned, the husband/wife will mortgage his/her share of the land/property jointly with his/her spouse, as security for repayment of advance.

[Authority: Board's No. [F\(E\)II 69/ADV. 3/1 dated 20.4.1970 and 30.5.1969](#)]

- 3. HBA is not admissible for purchase of land only.
- 4. HBA is not admissible for acquiring a house on hire-purchase basis, but on conversion of hire-purchase flats/houses into outright purchase this becomes permissible, provided the purchase is made from State Housing Boards or similar Govt. controlled bodies.

[Authority: Board's No. [F\(E\)Spl. 89/ADV.3/7 dated 8.5.89](#) (RBE 121/1989)]

- 5. HBA is not admissible for payment of earnest money or initial registration deposit, to be placed with Cooperative Societies/self financing schemes.

2. Eligibility:

- i. All permanent Railway personnel.**
- ii. All other officials with not less than 10 years service, provided they do not hold permanent appointment under a State Government and the sanctioning authority is satisfied about their continuation in service till the house is built and mortgaged.**
- iii. Members of All India Services deputed for service under the Central Govt./Company/ Association/Body of individuals, wholly or substantially owned or controlled by the Central Government or an International Organization, and autonomous body not controlled by Government or Private Body.**
- iv. Central Govt. servants on deputation to another Department or on Foreign Service.**
- v. IES officers on deputation, and**
- vi. Other officials made eligible under HBA rules issued by the Ministry of Urban Development.**

Note: 1. When both husband and wife are Central Govt. servants and both are eligible for grant of advance and its payment, the advance will be admissible to only one of them.

- 2. In the case of re-employed ex-servicemen, their past military services will be taken into account for purpose of computing the eligibility provided they have not drawn HBA during their military service and recovery of HBA with interest is ensured during the re-employed service.**

[Authority: Board's No. [F\(E\)Spl. 87/ADV.3/6](#) dated [31.3.1987](#). (RBE 361/1987)]

- 3. Officials under suspension - Central Government servants, who are placed under suspension, are also eligible for advance and the Head of Department can make payment to them, subject to the condition that collateral security in the shape of mortgage bond from two permanent Central Government servant is obtained. In the event of default or belated payment or insufficient money being available by foreclosure, etc., the shortage of recovery may be made up by collateral security.**

[Authority: Board's No. [F\(E\)Spl. 78/ADV.3/1](#) dated [19.4.1978](#).]

3. Conditions for Grant of Advance:

- i. Advance is admissible for construction a house at the place of work or at a place where the applicant wants to settle down finally after retirement.**
- ii. Only one advance is admissible under these rules during the entire service.**
- iii. The cost of the house to be built/purchased (excluding the cost of land) and if it is proposed to enlarge living accommodation in an**

existing house, the total cost of existing structure (excluding the cost of land) with proposed additions/ expansions should not exceed cost ceiling limits. In individual cases, the cost ceiling limits may be relaxed up to a maximum of 25%.

- iv. The official should not have availed of any loan or advance from other Government sources for the purpose. However, if he undertakes to repay the outstanding loan/ advance with Interest in one Instalment, he may apply for advance under HBA rules.
- v. The total amount of withdrawal from SRPF/GPF and the House building advance under these rules should not exceed the cost ceiling limits laid down under the rules.
- vi. The official or his/her spouse/minor child should not already own a house in the town/urban agglomeration where the house is proposed to be constructed or acquired with the advance from Government. If, however, the official is a member of Hindu Undivided Family, which owns a house at the same place, he may be granted advance under these rules but the amount will be restricted to 60% of the normal entitlements.

[Authority: Board's No. [F\(E\)Spl. 84/ADV.3/2 dated 12.4.1984](#) and [F\(E\)Spl. 84/ADV.3/2 dated 25.2.1985](#)]

- vii. The applicant must possess clear title of the land. The land may be owned by the official or his/her spouse jointly with the official. It should be free from encumbrances and attachments.
- viii. If the advance is for purchase of ready built house/ flat from private parties i.e. registered private builder etc., the house/ flat should be new and un-lived in. The applicant should get it valued at his own cost by registered valuers.

[Authority: Board's No. [F\(E\)Spl. 78/ADV.3/10 dated 28.7.1978](#)]

4. Competent Authorities to Sanction HBA

1. Non-Gazetted Staff - HODs/DRMs
[Authority: Board's No. [F\(E\)Spl.74/ADV.3/10 dated 8.2.1977](#)]
2. Gazetted Officers (except HODs) - Addl. GM.
3. HODs, including SDGM & Addl. GMs - GMs
[Authority: Board's No. [F\(E\)Spl. 74/ADV.3/10 dated 2.9.1980](#)]
4. For sanction of HBA to the GMs/officers of equivalent rank/DG, ROSO, approval of Board should be obtained and sanction letter should be issued under the signature of Secretary, Railway Board.
[Authority: Board's No. [F\(E\)Spl. 82/ADV.3/1 dated 24.3.1982.](#)]

5. Amount of Advance:

The maximum amount of advance shall be:-

- a. 50 months basic pay subject to a maximum of Rs. 7.5 lakhs, or Cost of the house/ flat or the amount according to repaying capacity,

whichever is the least for new construction/purchase of new house/flat.

- b. For enlargement of existing house the amount of HBA will be limited to 50 months basic pay subject to a maximum of Rs. 1.80 lakhs or the cost of the enlargement or the amount according to repaying capacity, whichever is the least.
- c. The amount of the advance shall be restricted to 80% of the true cost of land and construction of house or cost of enlarging living accommodation in the case of construction in rural areas. This can be relaxed and 100% can be sanctioned if the Head of Department certifies that the concerned rural area falls within the periphery of a town or city.

[Authority: Board's No. [F\(E\)Spl. 97/ADV.3/6 dated 29.12.1997.](#) (RBE 191/1997)]

6. Cost Ceilings:

Cost ceiling limit for the purpose of HBA (excluding the cost of plot) will be 200 times the basic pay of the employee subject to a maximum of Rs. 18 lakhs. In cases where the 200 times of basic pay comes to be lower than Rs. 7.5 lakhs, cost ceiling up to Rs. 7.5 lakhs will be permissible.

In individual cases, the GM or HODs of Zonal Railways, if satisfied on the merits of the case, may relax the cost ceiling up to a maximum of 25% of the cost-ceiling limit mentioned above, under their powers delegated as per Board's letter No. [FF\(E\)Spl. 91/ADV.3/5 dated 10.4.1991.](#) (RBE 75/1991).

[Authority: Board's No. [F\(E\)Spl. 97/ADV.3/6 dated 29.12.1997.](#) (RBE 191/1997)]

Note: Pay of both husband and wife who are employed in Central/ State Govt., Public undertakings, Semi Govt. institutions or local bodies will be taken into consideration for the purpose of computation of cost ceiling limit.

7. Repaying Capacity :

For the purpose of calculating the eligibility of advance, the repaying capacity will be calculated as below:

Officials retiring after 20 years	40% of (basic pay + stagnation increment+NPA)
Officials retiring after 10 years but not later then 20 years :	Up to 40% of (basic pay + stagnation Increment + NPA). 65% of DCRG may be adjusted.
Officials retiring within 10 years	Up to 50% of (basic pay + stagnation Increment + NPA) DCRG up to 75% can be adjusted.

[Authority: Board's No. [F\(E\)Spl. 97/ADV.3/6 dated 23.1.1998.](#) (RBE 18/1998)
and No. [F\(E\)Spl. 2000/ADV.3/7 dated 16.11.2000.](#) (RBE 197/2000)]

While calculating repaying capacity, maximum number of instalments for recovery of the Principal amount may be taken as 180 and for recovery of the interest as 60 in the case of officials retiring after 20 years. The approximate interest amount should be calculated on the basis of the rates of interest prevailing on the date of sanction. The additional interest of 2¹/₂% above the prescribed rate of interest will not be taken into account for the purpose of computing the repaying capacity. Subsequent upward revision of DCRG limits will not entitle the Railway servant to any enhancement of HBA, in case the same has already been released by the time of revision of DCRG limits.

[Authority: Board's No. [F\(E\)Spl. 87/ADV.3/12 dated 9.7.1987.](#) (RBE 369/1987)]

8. Interest:

0. The advance carries simple interest from the date of payment of first instalment.
1. Interest is calculated on the balance outstanding on the last day of each month.
2. If the balance of principal amount is cleared on the 1st or during the middle of a particular month, the interest for that month will be NIL as the interest bearing balance will be NIL.
3. If part of advance is adjustable from DCRG the adjustment should be deemed to have been made on the date of retirement. No interest is chargeable beyond that date.
4. In case a Govt. servant dies while in service, no interest should be charged against the portion of advance adjusted against the DCRG, beyond the date of death of the official.

No interest will be charged beyond the date of superannuation or the date of death.

A higher rate of interest at 2¹/₂% above the prescribed rate will be shown in the sanction, with a stipulation that rebate of 2¹/₂% will be allowed in the interest for prompt repayment and observance of all other conditions attached to the sanction including those relating to the recovery of the amount.

[Authority: Board's No. [F\(E\)Spl. 80/ADV.3/4 dated 8.7.1980](#)]

9. Rates of Interest:

For advances sanctioned from 1.6.1971 to 31.3.1974 - 6%

For advances sanctioned from 1.4.1974 to 5.8.1975 - 6¹/₂%

For advances sanctioned on or after 6.8.1975, following different rates will be charged.

(Rs.)	6.8.1975 to 31.5.1981	1.6.1981 to 31.3.1984	1.4.1984 to 24.11.1985
For the first 25,000	6 ¹ / ₂ %	7%	7%
For the next 25,000	8%	8 ¹ / ₂ %	8 ¹ / ₂ %
For the next 25,000	10%	10 ¹ / ₂ %	10 ¹ / ₂ %
For the next 50,000			12%

From 25.11.1985 onwards, the basis for recovery of interest has been changed. It is leviable on the total amount of loan sanctioned, as given below:

If the Amount of loan sanctioned is upto	25.11.1985 to 23.6.1987	24.6.1987 to 25.7.1990	26.7.1990 to onwards
Rs. 25,000	7%	7%	7 ¹ / ₂ %
Rs. 50,000	7 ¹ / ₂ %	7%	7 ¹ / ₂ %
Rs. 75,000	8%	8%	9%
Rs. 1,00,000	8 ¹ / ₂ %	8%	9%
Rs. 1,25,000	9%	9%	10%
Rs. 1,50,000		9%	10%
Rs. 2,00,000		10%	11%
Rs. 2,25,000		10 ¹ / ₂ %	11 ¹ / ₂ %
Rs. 2,50,000		11%	12%

W.e.f. 16.12.1997, existing rates of interest are as under:-

	If the sanctioned HBA is up to	Rate of interest
(a)	Rs. 50,000	7.5%
(b)	Rs. 1.5 lakhs	9%
(c)	Rs. 5.00 lakhs	11%
(d)	Rs. 7.5 lakhs	12%

[Authority: Board's No. [F\(E\)Spl. 97/ADV.3/6](#) dated 29.12.1997. (RBE 191/1997)]

From 1st April, 2001, rates of interest for House Building Advances sanctioned to the Government servant for construction/ purchase of house/ flats will be as under, until further orders:-

S. No.	Amount of advance of sanctioned to a Govt. servant	Existing Rate of Interest on HBA (per annum)	Revised rate of interest on HBA (per annum)
1.	Upto Rs. 50,000	7.5%	6.5%
2.	Upto Rs. 1,50,000	9%	8%
3.	Upto Rs. 5,00,000	11%	10%
4.	Upto Rs. 7,50,000	12%	11%

In the process of recovery, the portion of loan carrying higher rate of interest will be treated as having been refunded first.

Sanction should stipulate the interest $2\frac{1}{2}\%$ over and above the scheduled rates with the stipulation that if conditions attached to the sanction including those relating to the recovery of amount are fulfilled completely to the satisfaction of the competent authority, a rebate of interest to the extent of $2\frac{1}{2}\%$ will be allowed.

Rate of interest when enhancement is sanctioned - Whenever enhanced HBA is sanctioned on the basis of revised orders, the rate of interest will be as per the revised orders for the entire amount of HBA, i.e., amount originally sanctioned plus the enhanced amount.

Concessional rate for promoting small family norms:

The rate of interest will be half per cent less for an employee who himself or his spouse undergoes sterilization and satisfies the conditions prescribed in Ministry of Railway's letter No. [F\(E\)Spl.79/Adv. 3/15 dated 28.9.1979](#) and [F\(E\)Spl. 90/ADV.3/11 dated 10.8.1990](#). (RBE 135/1990). This is applicable only in case of officials who underwent sterilization on or after 1.9.1979 even after the release of first instalment of HBA. The rebate, however, will be admissible from the date of sterilization. Persons who have had twins after the birth of their first two children are also eligible for receiving the incentive, although they have 4 children. Rebate of $\frac{1}{2}\%$ is also admissible if sterilization is had after one child. Rebate shall not be admissible if operation is undergone after drawl of final instalment of HBA.

10.Disbursement:

0. Advance for purchase of ready built house will be paid in one lump sum as soon as the applicant executes an agreement in the prescribed form. The official should ensure that the house is purchased and mortgaged to the Government within 3 months of drawl of the advances.
1. Advance for purchase/ construction of new flat may be paid either in one lump sum or in convenient instalments at the discretion of the Head of Department. The official should execute the agreement in prescribed form before the advance/ first instalment of advance is paid to him. The amount drawn by the official should be utilized for the purchase/ construction of the flat within one month.

[Authority: Board's No. [F\(E\)Spl. 86/ADV.3/7 dated 4.8.1986](#) and [F\(E\)Spl. 86/ADV.3/2 dated 17.3.1986](#)]

2. Advance for construction/ enlargement of living accommodation, etc., shall be payable in two instalments of 50% each. The first instalment will be paid after the plot and proposed house/ existing house is mortgaged and the balance on the construction-reaching plinth level.

[Authority: Board's No. [F\(E\)Spl. 91/ADV.3/3 dated 6.3.1991](#). (RBE 44/1991)]

3. Advance for enlargement to be carried out on the upper storeys of the house will be disbursed in two instalments, first instalment on executing the mortgage deed and the second instalment on the construction reaching roof-level.
4. In the case of advance for purchase of plot and construction of house, the advance will be disbursed as below :-

Single Storeyed House: - After the agreement in prescribed form is executed and production of surety bond, 40% of the advance or the actual cost will be disbursed for purchase of plot. The balance amount will be disbursed in two equal instalments, the first after the mortgage is executed and the second on the construction reaching plinth level.

Double Storeyed House: - 30% of the advance for the cost of plot will be disbursed on executing the agreement. The balance amount will be disbursed in the two equal instalments, the first on executing the mortgage deed and the second on the construction reaching plinth level.

[Authority: Board's No. [F\(E\)Spl. 98/ADV.3/1 dated 30.3.1998.](#) (RBE 67/1998)]

11. In the case of purchase of ready built flats under the self-financing schemes of statutory bodies, semi Government bodies etc., including IRWO, the amount of HBA permissible will be sanctioned on receipt of an assurance from the authority that on completion of the flat, its possession will be handed over to the Govt. Servant concerned but payment thereof as and when made will be endorsed to the authority directly on the applicant's execution an agreement to repay the loan and interest thereon. He will also produce two sureties from permanent Govt. employees of comparable status who are not likely to retire in the near future. The payment will be released to the authority in instalments, on prorata basis, calculated with reference to total cost of construction (excluding the earnest money or the initial registration deposit) and the amount of HBA sanctioned, as and when demanded by them, consistent with the progress of construction. The demand notice from the authority for release of each instalment of HBA should be accompanied by a certificate from the Engineer of appropriate status as may be determined by that organization, certifying completion of that much percentage of total work for which the demand has been made. On completion of the flat, the Govt. servant concerned will mortgage the flat to the President of India. The cost of the flat, over and above the ceiling limit of advance, will be borne by the Govt. servant concerned. If the Govt. servant wants to withdraw from the scheme or is unable to meet the balance amount representing the difference between the HBA sanctioned by the Government and the actual cost of the house, the Authority will refund the amount of house building advance forthwith to the Government. With a view to safeguarding the interests of the Government the authority will enter into a tripartite agreement in the prescribed form. The authority will maintain a separate account for each Govt. servant and adjust the payment of advance against the cost of construction of the payment of advance

against the cost of construction of the particular category of flat applied for by the Govt. servant concerned.

12. Different stages at which the instalments of advance are to be disbursed.

- Purchasing of plot and construction of single-storeyed/ double-storeyed house.**

Total: 3 Instalments - 40:30:30/30:35:35

- 1st On executing the agreement in the prescribed form and production of surety bond.
- 2nd On executing the mortgage deed after purchase of plot.
- 3rd On the construction reaching the plinth level.

[Authority: Board's No. F(E)Spl. 98/ADV.3/1 dated 30.3.1998. (RBE 67/1998)]

- I. Construction of single-storeyed/double storeyd house or enlarging of living accommodation in an existing house.**

Total: 2 instalments.

- 1st On executing the mortgage deed.
- 2nd On the construction reaching the plinth level.

- II. Enlarging living accommodation in the upper storeys of the house.**

Total: 2 instalments.

- 1st On executing the mortgage deed.
- 2nd On the construction reaching the roof level.

- III. Purchasing a ready-built house.**

One instalment.

On executing the agreement in the prescribed form and furnishing the surety in prescribed form.

- IV. Purchasing/Construction of a new flat.**

The amount may be disbursed in one or more convenient instalments at the discretion of the Head of Department.

13. Creation of Second Charge:

To meet the balance cost of house/flat, Govt. servants may create a second charge on the property subject to the following condition.

[Authority: Board's No. F(E)Spl. 82/ADV.3/6 dated 1.1.1983 and F(E)Spl. 82/ADV.3/6 dated 8.6.1983.]

0. Prior permission of the Head of the Department should be obtained for the second charge.
1. The second charge can be created only in respect of loans to be granted for meeting the balance cost of house/flat.
2. The loan to be granted should be by recognized financial institutions such as:
 - a. Banking institutions, including Coop. Banks.
 - b. Financial corporations set up by the State Governments, which provide loans for house construction.
 - c. Apex cooperative housing finance institutions such as Delhi Coop. Housing Finance Society.
 - d. Public companies formed and registered in India with the main object of carrying on the business of providing long-term finance for constructing or purchase of houses in India for residential purposes like the Housing Development Finance Corporation Ltd.
3. The total amount of the HBA granted by the Government and the loan raised from these institutions taken together should not exceed the prescribed cost ceiling limit applicable to the Govt. servant concerned.

14.Repayment of Advance:

0. The entire amount of advance with interest thereon shall be repaid in full by monthly instalments within a period not exceeding 20 years i.e., the maximum number of instalments are 240.
1. Out of the above 240 instalments, the principal amount will be first recovered in not more than 180 instalments. After the principal is fully recovered, the interest due shall be calculated and recovered in not more than 60 monthly instalments.
2. The amount to be recovered shall be fixed in whole rupees. If there is any fraction of a rupee it shall be recovered in the last instalment.
3. The recovery should commence as follows :-
 - i. In the case of advance for purchase of land and construction of house, from the pay of the month following the completion of the house or from the pay of 24th month after the date on which the advance for purchase of plot was sanctioned, whichever is earlier.

[Authority: Board's No. [F\(E\)Spl. 75/ADV.3/8 dated 16.2.1976](#)]
 - ii. In the case of advance for construction of house, from the pay of the month following the completion of the house or from the pay of 18th month after the date of disbursement of first instalment of the advance, whichever is earlier.
 - iii. In the case of purchase of ready built house/ flat, from the pay of the month following that in which the advance is drawn.
4. The advance may be repaid in a shorter period also if the official so desires.

5. The entire advance shall be recovered in full, with interest thereon before the retirement of the official.
6. In the case of officials due to retire within 20 years of the grant of advance, the officials may be permitted to repay a part of the advance in convenient monthly instalments till date of retirement and pay the balance from out of his DCRG. In such cases, specific provision to this effect should be incorporated in the Agreement/ Mortgage Deed. The amount of instalment worked out should not be less than that worked out on the basis of repaying within 20 years.
7. Recovery shall be effected through the monthly pay bills/leave salary bills/ subsistence allowance bills, as the case may be.
8. Recovery shall not be held up or postponed without the prior concurrence of the Government.
9. If the subsistence allowance is reduced due to prolonged suspension, the recovery may be suitably reduced, if necessary, by the Head of Department.
10. If a Govt. servant ceases to be in service for any reason other than normal retirement/ superannuation or if he dies before repayment of the advance in full, the entire outstanding amount will become payable forthwith. If, however, the house has not been completed and mortgaged by that time, the Government may, in deserving cases, permit repayment of the out-standing amount with interest in suitable instalments.
11. Failure to repay the advance for any reason whatsoever either by the Govt. servant or his successors, as the case may be, will entitle the Government to enforce the mortgage and take action to recover the outstanding amount.

15.Reconveyance

0. After the advance together with interest thereon is repaid in full, the property mortgaged to the Govt. will be reconveyed to the official in the prescribed format.
1. The Head of Department who generally accepts the mortgage deed on behalf of the President shall execute the reconveyance deed.
2. Registration of reconveyance deed is compulsory.
3. The expenses in connection with the execution and registration to the reconveyance deed shall be borne by the official concerned.
4. After the reconveyance deed has been executed and registered, it shall be made over to the official concerned along with the mortgage deed, sale deed and other documents deposited by the official. A receipt, therefore, shall be taken from the official and kept on record along with a copy of reconveyance deed.
5. In case a Govt. servant dies intestate and the advance is recovered from gratuity or otherwise, reconveyance may be made to the legal heir. If there are more than one legal heir, the reconveyance can be done in favour of one of them, after obtaining 'no objection' affidavit from others.

16.Duties of Head of Department :

0. He should scrutinize the application and satisfy himself about the facts stated therein.
1. He should ensure from the title deeds that the applicant possesses a clear title to the property in question.
2. He should see and satisfy himself that the property is free from encumbrances.
3. He should see that the cost of the proposed house/ flat does not exceed the prescribed ceiling limit.
4. The amount of advance should not exceed -
 - . 50 times the (Pay + Stagnation Increment + NPA) of the applicant; or
 - a. Rs. 7,50,000; or
 - b. Estimated cost of the construction; or
 - c. Maximum amount worked out on the basis of repaying capacity, whichever is the least.

[Authority: Board's No. [F\(E\)Spl. 97/ADV.3/6 dated 29.12.1997.](#) (RBE 191/1997)]

5. In the case of purchase of land and construction of house, the HOD should get - (1) the agreement in the prescribed form executed by the official, and (2) surety bond from a permanent Central Govt. servant of status not lower than that of the applicant before the disbursement of first instalment. The mortgage deed should be got executed and registered before the second instalment is paid.
6. In the case of advance for construction of houses, mortgage deed in the prescribed form should be got executed and registered before payment of the first instalment. Further, the proposed construction is in accordance with approved plan & specifications.
7. In the case of advance for purchase of ready built house/ flat, agreement and surety bond should be got executed before payment of the advance and mortgage deed shall be got executed and registered within 3 months of disbursement of the advance. For executing mortgage deed in the case of purchase of house/flat on the leasehold land, the absolute right of which is not vested in the purchaser, 'Form No.4 B' should be brought into use.

[Authority: Board's No. [F\(E\)III/71 ADV.3/3 \(ii\) dated 10.11.1971](#) and [F\(E\)Spl. 2000/ADV 3/4 dated 11.9.2000](#) (RBE 162/2000)]

8. In the case of advance to acquire house through membership of Coop Group Housing Societies, personal bond, an agreement to mortgage the house/flat followed by deposit of title deeds (as and when available) and a promissory note in respect of the amount of principal; plus interest at specified rates should be obtained before payment of the HBA.

9. In all cases, sale deeds and other original documents should be obtained along with the mortgage deed and kept in deposit with the HOD.
10. In addition to the agreement/mortgage deed, surety from an approved permanent Govt. servant should be obtained in the followed cases:
 - . All applicants who are not permanent Central Govt. servants
 - a. All applicants who are due to retire within a period of 18 months from the date of application.
 - b. All applicants who are permanent Central Govt. servants who require the advances for the purchase of a ready built house.
11. In the case of advance for constructing/ purchase of ready built house/ flat, the HOD should obtain adequate collateral security wherever the land on which the flats stand is not mortgaged in favour of the President of India.
12. In all cases, HOD should satisfy himself that the Govt. servant establishes his marketable title to the property in accordance with the procedure prescribed by the Government before execution of the mortgage deed.

If the terms of sale do not vest title to the land in favour of the Govt. servant till house is erected on the land, it should be ensured before execution of the agreement that the Govt. servant will be in a position to acquire a clear and marketable title free from all encumbrances on erection of the house.

13. He should see that the mortgage deed and the reconveyance deed on release of the mortgage are duly registered within 4 months from the date of their execution. Registration is not necessary in the case of surety bonds and agreements under HBA rules.
14. He should see that the house is insured as per the rules immediately on purchase/ completion and that the premium receipts are regularly obtained for inspection.
15. He should ensure that the house is maintained in good repair and the necessary municipal rates and taxes are paid regularly and the requisite certificates furnished annually until the advance has been repaid in full.
16. He should ensure that the monthly recovery of instalments towards repayment of the advance commences from the due date and is made regularly from the monthly pay/leave salary/subsistence allowance bills of the official.
17. In the case of Government servants likely to retire within 18 months of the date of their application for advance, he should ensure that the amount of their gratuity would be adequate to cover the balance outstanding on the date of retirement.
18. He should ensure that the amount, if any, drawn by the official in excess of the expenditure incurred, is returned by the official forthwith together with interest, if any, due.

19. He should ensure that the property mortgaged by the Government servant is released or reconveyed immediately on the repayment of the advance and interest in full, and the mortgage deed duly cancelled returned together with the original documents of title of the land, etc., to the Government servant.
20. In case of HBA required for acquiring/constructing house in rural areas, the conditions laid down in M/o Urban Development and Poverty Alleviation's O.M. No. 1/17015/8/94-H-III, dated 6. 10. 1994 must be satisfied.

[Authority: Board's No. [F\(E\)Spl. 2000/ADV 3/3 dated 11.9.2000](#) (RBE 161/2000)]

17. Insurance:

Immediately on completion of construction/ purchase of house/ flat, the Govt. servant shall insure the house, at his cost, with Life Insurance Corporation of India for not less than the amount of advance and shall keep it so insured against damage by fire, floods, and lightning till the advance together with interest thereon is repaid in full and deposit the policy with the HOD. Renewal of insurance will be done every year and premium receipts produced for inspection of HOD regularly.

[Authority: Board's No. [FF\(E\)Spl. 79/ADV.3/11 dated 31.7.1979](#)]

18. Condonation of Non-Insurance :

Heads of Departments/ Authorities empowered to grant HBA are competent to condone the period of non-insurance up to two years and only cases of non-insurance in excess of that period are required to be referred to Ministry of Urban Development. It has to be ensured that the irregularity is not deliberate on the part of the Govt. servant but due to circumstances beyond his control.

[Authority: Board's No. [F\(E\)Spl. 94/ADV.3/7 dated 13.10.1995](#). (RBE 115/1995)]

19. Residual Powers:

0. All cases involving relaxation of rules/orders and cases in which doubts persist are required to be referred to Ministry of Urban Development & Poverty Alleviation, through administrative Ministry. Ministry of Urban Development & Poverty Alleviation is the nodal Ministry for grant of HBA and residual powers vest with them.
1. While referring to this Master Circular, the original circulars mentioned herein and the provisions of the Code/ Establishment Manual should be read for a proper appreciation. This circular is only a consolidation of existing instructions/ and should not be treated as a substitute of the original circulars. In case of doubt, the original circulars should be relied upon as authority.

2. If any circular having a bearing on the subject which has not been superseded, has been lost sight of in the preparation of this circular, the said circular which has been missed through oversight should not be ignored, but should be treated as valid and operative.
3. The letters and other references on the basis of which this circular has been prepared are indicated in the annexure.

ANNEXURE

1. No. [F\(E\)II 69/ADV. 3/1 dated 20.4.1970.](#)
2. No. [F\(E\)II 69/ADV. 3/1 dated 30.5.1969.](#)
3. No. [F\(E\)Spl. 75/ADV.3/8 dated 16.2.1976.](#)
4. No. [F\(E\)Spl.74/ADV.3/10 dated 8.2.1977.](#)
5. No. [F\(E\)Spl. 78/ADV.3/1 dated 19.4.1978.](#)
6. No. [F\(E\)Spl. 78/ADV.3/10 dated 28.7.1978.](#)
7. No. [F\(E\)Spl. 79/ADV.3/11 dated 31.7.1979.](#)
8. No. [F\(E\)Spl. 80/ADV.3/4 dated 8.7.1980.](#)
9. No. [F\(E\)Spl. 74/ADV.3/10 dated 2.9.1980.](#)
- 10.No. [F\(E\)Spl. 82/ADV.3/1 dated 24.3.1982.](#)
- 11.No. [F\(E\)Spl. 82/ADV.3/6 dated 1.1.1983.](#)
- 12.No. [F\(E\)Spl. 82/ADV.3/6 dated 8.6.1983.](#)
- 13.No. [F\(E\)Spl. 84/ADV.3/2 dated 12.4.1984.](#)
- 14.No. [F\(E\)Spl. 83/ADV.3/15 dated 23.2.1985.](#)
- 15.No. [F\(E\)Spl. 84/ADV.3/2 dated 25.2.1985.](#)
- 16.No. [F\(E\)Spl. 85/ADV.3/15 dated 23.9.1985.](#)
- 17.No. [F\(E\)Spl. 86/ADV.3/2 dated 17.3.1986.](#)
- 18.No. [F\(E\)Spl. 86/ADV.3/7 dated 4.8.1986.](#)
- 19.No. [F\(E\)Spl. 87/ADV.3/6 dated 31.3.1987.](#) (RBE 361/1987)
- 20.No. [F\(E\)Spl. 87/ADV.3/12 dated 9.7.1987.](#) (RBE 369/1987)
- 21.No. [F\(E\)Spl. 87/ADV.3/7 dated 8.5.1989.](#)
- 22.No. [F\(E\)Spl. 89/ADV.3/7 dated 8.5.89](#) (RBE 121/1989)
- 23.No. [F\(E\)Spl. 89/ADV.3/9 dated 31.5.89](#) (RBE 130/1989)
- 24.No. [F\(E\)Spl. 90/ADV.3/11 dated 10.8.1990.](#) (RBE 135/1990)
- 25.No. [F\(E\)Spl. 90/ADV.3/12 dated 16.8.1990.](#) (RBE 139/1990)
- 26.No. [F\(E\)Spl. 91/ADV.3/3 dated 6.3.1991.](#) (RBE 44/1991)
- 27.No. [F\(E\)Spl. 91/ADV.3/5 dated 10.4.1991.](#) (RBE 75/1991)
- 28.No. [F\(E\)Spl. 91/ADV.3/7 dated 23.4.1991.](#) (RBE 83/1991)
- 29.No. [F\(E\)Spl. 91/ADV.3/6 dated 24.4.1991.](#) (RBE 84/1991)
- 30.No. [F\(E\)Spl. 91/ADV.3/15 dated 13.12.1991.](#) (RBE 214/1991)
- 31.No. [F\(E\)Spl. 94/ADV.3/7 dated 13.10.1995.](#) (RBE 115/1995)
- 32.No. [F\(E\)Spl. 97/ADV.3/6 dated 29.12.1997.](#) (RBE 191/1997)

- 33.No. [F\(E\)Spl. 97/ADV.3/6 dated 23.1.1998.](#) (RBE 18/1998)
34.No. [F\(E\)Spl. 98/ADV.3/1 dated 30.3.1998.](#) (RBE 67/1998)
35.No. [F\(E\)Spl. 99/ADV.3/8 dated 14.7.1999.](#) (RBE 174/1999)
36.No. [F\(E\)Spl. 2000/ADV.3/7 dated 16.11.2000.](#) (RBE 197/2000)
37.No. [F\(E\)Spl. 2001/ADV.3/5 dated 17.5.2001.](#) (RBE 92/2001)

(Master Circular No. 50)

The instructions issued by the Railway Board, from time to time, on the subject of various Interests bearing Advances are contained in several letters. These instructions in respect of the following advances were consolidated and issued in the form of [Master Circular No. 39](#), in 1991:

- i. Advance for purchase of conveyance, i.e. cycle, scooter, motor cycle & car.
- ii. Advance for purchase of Personal Computer.
- iii. Advance for purchase of table fan.
- iv. Advance for purchase of warm clothing.

Consolidated instructions in respect of House Building Advance, which is an interest-bearing advance but which could not be included in [Master Circular No. 39](#) of 1991, are contained here.

2 House Building Advance: Grant of House Building Advance is regulated by the rules, laid down by the Ministry of Urban Development for Central Government employees in general. These instructions apply mutatis-mutandis to railway employees.

3. Purposes: The advance is admissible for the following purposes:

- i. *Construction of a new house on a plot owned by the official or by the official jointly with his/her spouse, or
- ii. *Purchasing a plot and constructing a house thereon, or
- iii. * Purchasing and constructing or acquiring a house/ flat through Cooperative Housing Societies/ Self-financing Schemes/ Housing Boards/ Development Authorities, Other statutory or semi Govt. bodies and outright purchase from private parties.
- iv. *Enlarging living accommodation in an existing house owned by the official or by the official jointly with his/her spouse, subject to cost ceilings laid down, or
- v. Repayment of loan or advance taking from non-Government sources to build the house, even if the construction has commenced.

[\[F\(E\)Spl. 89/Adv. 3/9 dated 31.05.1989 \(RBE 130/1989\)\]](#).

- vi. **Constructing residential portion only of the building on a plot, which is earmarked as a shop-cum-residential plot, in a residential colony, subject to cost ceilings.**

Note

1. **Advance is permissible for purchase of a house under the Self-Financing Scheme of Indian Railway Welfare Organisation.**

[F(E)Spl. 91/Adv. 3/6 dated 24.04.1991 (RBE 84/1991)].

2. **In the case of a plot owned by the official jointly with his/her spouse, both husband and wife should be willing to mortgage the land/house in favour of the President of India, as a security for repayment of the advance. The application in such a case should be accompanied by a letter from the husband/wife, as the case may be, that if the HBA applied for is sanctioned, the husband/ wife will mortgage his/ her share of the land/ property jointly with his/ her spouse, as security for repayment of advance.**

3. **HBA is not permissible for purchase of land only.**

4. **HBA is not admissible for acquiring a house on hire-purchase basis, but on conversion of hire-purchase of flats/ houses into outright purchase this becomes permissible, provided the purchase is made from State Housing Boards or similar Government controlled bodies.**

[F(E)Spl. 89/Adv. 3/7 dated 8.5.1989 (RBE 121/1989)].

5. **HBA is not admissible for payment of a earnest money or initial registration deposit, to be placed with Cooperative Societies/Self-financing schemes.**

4. Eligibility

- i. **All permanent railway personnel.**
- ii. **All other officials with not less than 10 years service, provided they do not hold permanent apptt. under a State Government.**
- iii. **Members of All India Services deputed for service under the Central Government/ Company/ Association/ Body of individuals, wholly or substantially owned or controlled by the Central Government.**
- iv. **Government servants on deputation to another Department or on foreign service.**
- v. **IES officers on deputation, and**
- vi. **Other officials made eligible in HBA rules, issued by the Ministry of Urban Development:**

Note. 1. When both husband and wife are Central Government servants and both are eligible for grant of advance and its payment, the advance will be admissible to only one of them.

[Rly. Bd 's letter No. [F\(E\)Spl. 78/Adv. 8/1 dated 19.04.1978](#) as amended from time to time].

5. Conditions for Grant of Advance

- i. Advance is admissible for constructing a house at the place of work or at a place where the applicant wants to settle down finally after retirement.
- ii. Only one advance is admissible under these rules during the entire service.
- iii. The cost of the house to be built/purchased (excluding the cost of land) and if it is proposed to enlarge living accommodation in an existing house, the total cost of existing structure (excluding cost of land) with proposed additions/expansions should not exceed cost ceiling limits. In individual cases, the cost ceiling limits may be relaxed upto a maximum of 25 %.
- iv. The official should not have availed of any loan or advance from other Government sources for the purpose. However, if he undertakes to repay the outstanding loan/advance with interest in one instalment, he may apply for advance under HBA rules.
- v. The total amount of withdrawal from SRPF/GPF and the advance under these rules should not exceed the cost ceiling limits laid down.
- vi. The official or his/her spouse/minor child should not already own a house in the town/urban agglomeration where the house is proposed to be constructed or acquired with the advance from Government. If however the official is a member of HUF, which owns a house at the same place, he may be granted advance under these rules but the amount will be restricted to 60 % of the normal entitlements.

[No. [F\(E\) Spl. 84/Adv. 3/2 dated 12.04.1984](#); and No. [F\(E\) Spl. 84/Adv. 3/2 date 25.02.1985](#)]

- vii. The applicant must possess clear title of the land. The land may be owned by the official or his/her spouse jointly with the official. It should be free from encumbrances and attachments.
- viii. If the advance is for purchase of ready built house/flat from private parties, the house/flat should be new and un-lived in. The applicant should get it valued at his own cost by registered valuers.

[Rly. Bd's letter No. [F\(E\)Spl. 78/Adv. 3/10 dated 28.07.1978](#)]

6. Competent Authorities

Sanction of HBA to non-gazetted staff may be accorded by HODs concerned/DRMs.

[No. [F\(E\)Spl. 74/Adv. 3/10 dated 08.02.1977](#)].

Sanction of HBA to Gazetted officers (except HODs), may be accorded by the Addl. GM. GMs will accord sanction of HBA to HODs, including SDGM and Addl. GMs.

[No. [F\(E\)Spl. 74/Adv. 3/10 dated 02.09.1980](#)].

For sanction of HBA to the GMs/officers of equivalent rank/DG, RDSO, approval of Board should be obtained and sanction letter should be issued under the signature of Secretary, Railway Board.

[No. [F\(E\) Spl. 82/Adv. 3/1 dated 24.03.1982](#)]

7. Amount of Advance

The maximum amount of advance shall be:

- a. 50 times the basic pays p.m. at the time of sanction; or

[Rly. Bd's letter No. [F\(E\) Spl. 87/Adv. 3/12 dated 09.07.1987](#) (RBE 369/1987)]

- b. Estimated cost of the land-cum-house/flat, or
c. Amount calculated as per the repaying capacity of the official, or
d. Rupees 2.5 lakhs, whichever is the least.

Note.- The maximum amount admissible for enlarging living accommodation in an existing house is Rs. 60.000/-. In rural areas, the amount of advance shall be restricted to 80 % of the true cost of land and construction of house or cost of enlarging living accommodation in an existing house. This can be relaxed to 100% if HOD certifies that the concerned rural area falls within the periphery of a town/or city.

8. Cost Ceiling

Cost ceilings for the purpose of HBA have now been revised to make in 150 times the basic pay of the railway servant concerned subject to a minimum of Rs. 2.5 lakhs and a maximum of Rs. 6 lakhs. These orders take effect from 01.11.1991. In deserving cases, the above cost ceilings may be relaxed upon a maximum of 25 %, based on merit by GMs/HODs of zonal Railways/HODs empowered to sanction HBA.

[No. [F\(E\) Spl. 91 /Adv. 3/15 dated 13.12.1991](#) (RBE214/1991)]

Note.— Pay of both husband and wife who are employed in Central/State Government public undertakings, semi-Government institutions or local bodies will be taken into consideration for the purpose of computation of cost ceiling limits.

9. Repaying Capacity

For the purpose of calculating the eligibility of advance, the repaying capacity will be calculated as below:

Officials retiring after 20 yrs.	35% of basic pay:
Officials retiring after 10 yrs But not more than 20 years.	40% of basic pay & 60 % of DCRG may be adjusted.

Officials retiring within 10 years.

Up to 50% of basic pay; 70 % of DCRG may be adjusted.

While calculating repaying capacity, maximum no. of instalments for recovery of the Principal may be taken as 180 and for recovery of the interest as 60 in the case of officials retiring after 20 years. The approximate interest amount should be calculated on the basis of the rates of interest prevailing on the date of sanction. The additional interest of 2.5 % above the prescribed rates of interest will not be taken into account for the purpose of computing the repaying capacity. Subsequent upward revision of DGRG limits will not entitle the railway servant to any enhancement of HBA, in case the same has already been released by the time of revision of DCRG limits.

[No. [F\(E\) Spl. 87/Adv. 3/12 dated 09.07.1987](#) (RBE 369/1987)]

10. Interest

The advance carries simple interest from the date of payment of first instalment.

Interest is calculated on the balance outstanding on the last day of each month.

No interest will be charged beyond the date of superannuation or the date of death.

A higher rate of interest at 2½% above the prescribed rate will be shown in the sanction, with a stipulation that rebate of 2½% will be allowed in the interest for prompt repayment and observance of all other conditions attached to the sanction including those relating to the recovery of the amount.

[No. [F\(E\) Spl. 80/Adv. 3/4 dated 08.07.1980](#)].

11. Rates of Interest

For advances sanctioned from 01.06.1971 to 31.03.1974	6%
For advances sanctioned from 01.04.1974 to 05.08.1975	6½%

For advances sanctioned on or after 6.8.1975, following differential rates will be charged.

	06.08.1975 31.05.1981	to	01.06.1981 01.04.1984 to	to	31.03.1984 24.11.1985	to
For the first 25,000	6 ½%		7%		7%	
For the next 25,000	8%		8 ½%		8 ½%	
For the next 25,000	10%		10 ½%		10 ½%	

For the next 50,000			12%
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From 25.11.1985 onwards, the basis for recovery of interest has been changed. It is leviable on the total amount of loan sanctioned, as given below:

Amount of loan sanctioned	25.11.1985 to 23.6.1987	24.6.1987 to 25.7.1990	26.7.1990 onwards
Up to Rs. 25,000	7%	7%	7½%
25,001-50,000	7½%	7%	7½%
50,001-75,000	8%	8%	9%
75,001-1,00,000	8½%	8%	9%
1,00,001-1,25,000	9%	9%	10%
1,25,001-1,50,000	-	9%	10%
1,50,001-2,00,000	-	10%	11%
2,00,001-2,25,000	-	10½%	11½%
2,25,001-2,50,000	-	11%	12%
		F(E) Spl. 87/Adv. 3/12 dated 09.07.1987 (RBE 369/1987)	F(E) Spl. 90/ Adv. 3/12 dated 16.08.1990 (RBE139/1990)

In the process of recovery, the portion of loan carrying higher rate of interest will be treated as having been refunded first.

Concessional rate for promoting small family norms: The rate of interest will be half per cent less for an employee who himself or his spouse undergoes sterilisation and satisfies the conditions prescribed in Min. of Railway's letter No. [F\(E\)Spl. 79/Adv. 3/15 dated 28.09.1979](#) and [F\(E\)Spl. 90/Adv. 3/11 dated 10.08.1990](#) (RBE 135/1990). This is applicable only in case of officials who underwent sterilisation on or after 01.09.1979, even after the release of first instalment of HBA. The rebate, however, will be admissible from the date of sterilisation. Persons who have had twins after the birth of their first two children are also eligible for receiving the incentive, although they have 4 children. Rebate of 1.5 % is also admissible if sterilisation is had after one child. Rebate shall not be admissible if operation is undergone after drawal of final instalment of HBA.

12. Disbursement

Advance for purchase of ready built house will be paid in one lump sum, as soon as the applicant executes an agreement in the prescribed form. The official should ensure that the house is purchased and mortgaged to the Government within 3 months of drawal of the advance.

Advance for purchase/construction of new flat may be paid either in one lump sum or in convenient instalments at the discretion of the Head of Department. The official should execute the agreement in prescribed form before the advance/first instalment of advance is paid to him. The amount drawn by the official should be utilised for the purchase/ construction of the flat within one month.

[No. [F\(E\)Spl. 86/Adv. 3/7](#) dated [04.08.1986](#) and [F\(E\)Spl. 86/Adv. 3/2](#) dated [17.03.1986](#)]

Advance for construction/enlarging living accommodation, etc. shall be payable in two instalments of 50% each. The first instalment will be paid after the plot and proposed house/existing house is mortgaged and the balance on the construction reaching plinth level.

[No. [F\(E\)Spl. 91/ADV.3/3](#) dated [6.3.1991](#). (RBE 44/1991)]

In the case of advance for purchase of plot and construction of house, the advance will be disbursed as below:

Single Storey House: After the agreement in prescribed form is executed and production of surety bond, 20% of the advance or the actual cost will be disbursed for purchase of plot. The balance amount will be disbursed in two equal instalments, the first after the mortgage is executed and the second on the construction reaching plinth level.

Double Storey House: 15% of the advance or the cost of plot will be disbursed on executing the agreement. The balance amount will be disbursed in two equal instalments, (the first on executing the mortgage deed and the second on the construction reaching plinth level.

In the case of purchase of ready built flats under the self financing schemes of statutory bodies, semi-Government bodies etc. including IRWO, the amount of HBA permissible will be sanctioned on receipt of an assurance from the authority that on completion of the flat, its possession will be handed over to the Government servant concerned but payment thereof as and when made will be endorsed to the authority directly on the applicant executing an agreement to repay the loan and interest thereon. He will also produce two sureties from permanent Government employees of comparable status who are not likely to retire in the near future. The payment will be released to the authority in instalments, on pro-rata basis, calculated with reference to the total cost of construction (Excluding the earnest money or the initial registration deposit) and the amount of HBA sanctioned, as and when demanded by them, consistent with the progress of construction. The demand notice from the authority for release of each instalment of HBA should be accompanied by a certificate from the Engineer of appropriate status as may be determined by that organisation certifying completion of that much percentage of total work for which the demand has been made. On completion of the flat, the Government servant concerned will mortgage

the flat to the President of India. The cost of the flat, over and above the ceiling limit of advance will be borne by the Government servant concerned. If the Government servant wants to withdraw from the scheme or is unable to meet the balance amount representing the difference between the HBA sanctioned by the Government and the actual cost of the house, the amount of house building advance will be refunded forthwith to the Government by the Authority with a view to safeguarding the interests of the Government, the authority will enter into a tripartite agreement in the prescribed form. The authority will maintain a separate account for each Government servant and adjust the payment of advance against the cost of construction of the particular category of flat applied for by the Government servant concerned.

13. Creation of second charge

To meet the balance cost of house/flat, Government servants may create a second charge on the property subject to the following conditions:

[Authority: Board's No. F(E)Spl. 82/ADV.3/6 dated 1.1.1983 and F(E)Spl. 82/ADV.3/6 dated 8.6.1983.]

1. Prior permission of the Head of the Department should be obtained for the second charge.
2. The second charge can be created only in respect of loans to be granted for meeting the balance cost of house/flat.
3. The loan to be granted should be by recognised financial institutions such as:
 - a. Banking institutions, including Co-op. Banks.
 - b. Financial corporations set up by the State Governments, which provide loans for house construction.
 - c. Apex cooperative housing finance institutions such as Delhi Co-op. Housing Finance Society.
 - d. Public companies formed and registered in India with the main object of carrying on the business of providing long term finance for constructing or purchase of houses in India for residential purposes like the Housing Development Finance Corporation Ltd.

The total amount of the HBA granted by the Government and the loan raised from these institutions taken together should not exceed the prescribed cost ceiling limit applicable to the Government servant concerned.

14. Repayment of Advance

Repayment of advance with interest thereon shall be repaid in full by monthly instalments within a period not exceeding 20 yrs. i.e. the maximum no of instalments is 240.

The amount to be recovered shall be fixed in whole rupees. If there is any fraction of a rupee it shall be recovered in the last instalment.

The recovery should commence as follows:

- i. In the case of advance for purchase of land and construction of house, from the pay of the month following the completion of the house or from the pay of 24th month after the date on which the advance for purchase of plot was sanctioned, whichever is earlier.**

[No. [F\(E\)Spl. 75/ADV.3/8 dated 16.2.1976](#)]

- ii. In the case of advance for construction of house, from the pay of the month following the completion of the house or from the pay of 18th month after the date of disbursement of first instalment of the advance, whichever is earlier.**
- iii. In the case of purchase of ready built house/flat from the pay of the month following that in which the advance is drawn.**

The advance may be repaid in a shorter period also if the official so desires.

The entire advance shall be recovered in full, with interest thereon before the retirement of the official.

Recovery shall not be held up or postponed without the prior concurrence of the Government.

If a Government servant ceases to be in service for any reason other than normal retirement/superannuation or if he dies before repayment of the advance in full, the entire outstanding amount will become payable forthwith. If, however, the house has not been completed and mortgaged by that time, the Government may, in deserving cases, permit repayment of the outstanding amount with interest in suitable instalments.

Failure to repay the advance for any reason whatsoever either by the Government servant or his successors, as the case may be will entitle the Government to enforce the mortgage and take action to recover the outstanding amount.

15. Reconveyance

After the advance together with interest thereon is repaid in full, the property mortgaged to the Government will be reconveyed to the official in the prescribed format. The reconveyance deed shall be executed by the Head of Department who generally accepts the mortgage deed on behalf of the President. Registration of reconveyance deed is compulsory. The expenses in connection with the execution and registration of the reconveyance deed shall be borne by the official concerned. After the reconveyance deed has been executed and registered, it shall be made over to the official concerned along with the mortgage deed, sale deed and other documents deposited by the official. In case a Government servant dies intestate and the advance is recovered from gratuity or otherwise reconveyance may be made to the legal heir. If there are more than one legal heir, the reconveyance can be done in favour of one of them, after obtaining no objection affidavit from others.

16. Duties of Head of Department

- 1. He should scrutinise the application and satisfy himself about the facts stated therein.**
- 2. He should ensure from the title deeds that the applicant possesses a clear title to the property in question.**
- 3. He should see that the property is free from encumbrances.**
- 4. In the case of purchase of land and construction of house, that HOD should get (1) the agreement in the prescribed form executed by the official, and (2) surety bond from a permanent Central Government servant of status not lower than that of the applicant before the disbursement of first instalment. The mortgage deed should be got executed and registered before the second instalment is paid.**

In the case of advance for construction of houses, mortgage deed in the prescribed form should be got executed and registered before payment of the first instalment. Further the proposed construction is in accordance with approved plan and specifications.

In the case of advances for purchase of ready built house flats, agreement and surety bond should be got executed before payment of the advance and mortgage deed shall be got executed and registered within 3 months of disbursement of the advance.

In the case of advances to acquire houses through membership of Coop. Gr. Housing Societies, personal bond, an agreement to mortgage the house/flat followed deposit of title deeds (as and when available) and a promissory note in respect of the amount of Principal plus interest at the specified rates should be obtained before payment of the HBA.

In all cases, sale deeds and other original documents should be obtained along with the mortgage deed and kept in deposit with the HOD.

In addition to the agreement/mortgage deed, surety from an approved permanent Government servant should be obtained in the following cases:

- a. All applicants who are not permanent Central Government servants.**
- b. All applicants who are due to retire within a period of 18 months from the date of application.**
- c. All applicants who are permanent Central Government servants who require the advance for the purchase of a ready built house.**

In the case of advance for constructing/purchase of ready built house/flat, the HOD should obtain adequate collateral security wherever the land on which the flats stand is not mortgaged in favour of the President of India.

In all cases, HOD should satisfy himself that the Government servant establishes his marketable title to the property in accordance with the procedure prescribed by the Government before execution of the mortgage deed.

If the terms of sale do not vest title to the land in favour of the Government servant till a house is erected on the land it should be ensured before execution of the agreement that the Government servant will be in a position to acquire a clear and marketable title free from all encumbrances on erection of the house.

He should see that the mortgage deed and the reconveyance deed on release of the mortgage are duly registered within 4 months from the date of their execution. Registration is not necessary in the case of surety bonds and agreements under HBA rules.

He should see that the house is insured as per the rules immediately on purchase completion and that the premium receipts are regularly obtained for inspection.

He should ensure that the house is maintained in good repair and the necessary municipal rates and taxes are paid regularly and the requisite certificate furnished annually until the advance has been repaid in full.

He should ensure that the monthly recovery of instalments towards repayment of the advance commences from the due date and is made regularly from the monthly pay/leave salary/subsistence allowance bills of the official.

He should ensure that the amount if any drawn by the official in excess of the expenditure incurred is returned by the official forthwith together with interest if any due.

17. Insurance

Immediately on completion of construction/purchase of house/flat, the Government servant shall insure the house with the recognised units of LIC, for not less than the amount of advance and shall keep it so insured against damage by fire, floods, and lightning till the advance together with interest thereon is repaid in full and deposit the policy with the HOD. Renewal of insurance will be done every year and premium receipts produced for inspection of HOD regularly.

[No. [F\(E\)Spl. 79/ADV.3/11 dated 31.7.1979](#)]

17. Condonation of non-insurance

Heads of Departments/Authorities empowered to grant HBA are competent to condone the period of non-insurance up to one year and only cases of non-insurance in excess of that period as required to be referred to Ministry of Urban Development. It has to be ensured that the irregularity is not deliberate on the part of the Government servant but due to circumstances beyond his control.

[No. [F\(E\)Spl. 85/Adv. 3/15 dated 23.02.1985](#)]

18. Residual Powers

All cases involving relaxation of rules/orders and cases in which doubts persist are required to be referred to Ministry of Urban Development, through administrative Ministry. Ministry of Urban Development is the nodal Ministry for grant of HBA, and residual powers vest with them.

19. While referring to this Master Circular, the original circulars mentioned herein and the provisions of the Code/Establishment Manual should be read for a proper appreciation. This circular is only a consolidation of existing instructions/and should not be treated as a substitute of the original circular. In case of doubt, the original circulars should be relied upon as authority.

20. If any circular having a bearing on the subject which has not been superseded, has been lost sight of in the preparation of this Circular, the said circular which has been missed through oversight should not be ignored, but should be treated as valid and operative.

21. The letters and other references on the basis of which this circular has been prepared are indicated in the Annexure.