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Government of India
Ministry of Housing & Urban Affairs
Housing-III Section

Nirman Bhawan, New Delhi,
Dated 09.11.2017.

OFFICE MEMORANDUM

Subject: House Building Advance Rules (HBA) – 2017.

The following House Building Advance Rules is in supersession of existing rules on the subject:

1. Introduction

Grant of House Building Advance for Central Government employees is regulated in terms of rules and regulations laid down from time to time by the Ministry of Housing & Urban Affairs (erstwhile Ministry of Urban Development). These rules are as under:

2. Purpose

House Building Advance (HBA) is admissible to an employee for only one of the following purposes:-

- i. Constructing a new house on the plot owned by the employee or spouse, either jointly or individually.
- 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. Purchase/construction of house under the self-financing schemes of Delhi Bangalore, UP, Lucknow etc.
- v. 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, etc., **but not from private individuals.**
- vi. Expansion of living accommodation of an existing house owned by the employee or jointly with spouse. The total cost of the existing structure (excluding cost of land) and the proposed additions should not exceed the prescribed cost ceiling under these rules.
- vii. Repayment of loan or advance taken from a Government or HUDCO or private sources even if the construction has commenced, subject to certain conditions.



- viii. Existing employees who have already taken Home Loans from Banks and other financial institutions are allowed to migrate to this scheme, subject to fulfillment of extant conditions.
- ix. 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.

3. Eligibility

- i. All permanent government employees.
- ii. All other employees with at least **5 years** of continuous service, provided they do not hold permanent appointment under a State Government and the sanctioning authority is satisfied about their likely retention in service till the house is built and mortgaged.
- iii. Members of All India Services deputed for service under the Central Government/Company/ Association/Body of individuals whether incorporated or not, which is 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. Employees of Union Territories and North East Frontier Agency.
- v. Staff/ Artistes of the All India Radio who fulfil the condition prescribed at (ii) above and have been appointed in long term contracts extending to the age as per extant rules.
- vi. Central government employees governed by The Payment of Wages Act, 1936.
- vii. Central government employees on deputation to another Department or on Foreign Service. Such cases to be processed by the Head of the Office of the Parent Department.
- viii. Extant rules for eligibility conditions of Ex-servicemen and of central government employees under suspension remains unchanged.

Note: In cases where both the spouses are central government employees and are both eligible for grant of House Building Advance, the advance will be admissible to both of them jointly/ separately.

4. Cost Ceiling Conditions -

- i. Cost of the house to be built /purchased (excluding the cost of plot) should not exceed 139 times of the basic pay of the employee subject to a maximum of Rs.1.00 crore (one crore) only. In individual cases, if the Administrative Ministry is satisfied on the merits of the case, the cost ceiling may be relaxed up to a maximum of 25% by the Head of the Department.



5. Amount of Advance

- i. Only one advance shall be sanctioned to the government servant during his/ her entire service.
- ii. The maximum amount of advance shall be:
 - a) 34 months basic pay subject to a maximum of Rs. 25.00 lakhs only (Rs. Twenty five lakhs), or cost of the house/flat, or the amount according to repaying capacity, whichever is the least for construction/purchase of new house/flat.
 - b) For expansion of existing house, the amount of HBA will be limited to 34 months basic pay subject to maximum of Rs.10.00 lakhs only (Rs. Ten lakhs), or the cost of the expansion, or the amount according to repaying capacity, whichever is the least.
 - c) The amount of the advance shall be restricted to 80% of true cost of the land and construction of house or cost of expansion of living accommodation in the case of construction in rural areas. This can be relaxed and 100% can be sanctioned if the Head of the Department certifies that the concerned rural area falls within the periphery of town or city.

6. Repayment Capacity

For the purpose of calculating the admissible loan amount, the repayment capacity of the central government employee shall be calculated as below:

a)	In cases of employee retiring after 20 years.	40% of basic pay.
b)	In cases of employee retiring after 10 years but not later than 20 years.	Up to 40% of basic pay. 65% of DCR Gratuity may also be adjusted.
c)	In cases of employee retiring within 10 years.	Up to 50% of basic pay DCR Gratuity up to 75% can be adjusted.

7. Applicable Rate of Interest and Methodology of Recovery of House Building Advance

- i. The Interest on Housing Building Advance for the financial year 2017-18 onwards shall be 8.50%. This shall be reviewed every three years to be notified in consultation with Ministry of Finance.
- ii. The methodology of recovery of HBA shall continue as per the existing pattern of recovery of principal first in the first fifteen years in not more than 180 monthly instalments and interest thereafter in next five years in not more than 60 monthly instalments. The advance carries simple interest from the date of payment of first instalment.
- iii. All cases of subsequent tranches/ installments of HBA being taken by the employee in different financial years shall be governed by the applicable rate of



interest in the year in which the HBA was sanctioned, in the event of change in the rate of interest.

Note: The clause of adding a higher rate of interest at 2.5% (two point five percent) above the prescribed rate during sanction of House Building Advance, as reproduced below, stands **withdrawn**.

"Sanction should stipulate the interest 2.5% 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 competent authority, a rebate of interest of the extent of 2.5% will be allowed".

8. Disbursement

- i. Advance for purchase of ready built house can be paid in one lump sum as soon as the applicant executes an agreement in the prescribed form. The employee should ensure that the house is purchased and mortgaged to the Government within 3 months of drawl of the advances.
- ii. 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 employee should execute the agreement in prescribed form before the advance/ first instalment of advance is paid to him/ her. The amount drawn by the employee should be utilized for the purchase/ construction of the flat within one month.
- iii. Advance for construction/ expansion 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.
- iv. Advance for expansion to be carried out on the upper storey 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.
- v. In the case of advance for purchase of plot and construction of house, the advance will be disbursed as below:
 - a) **Single Storeyed House:** After agreement in prescribed form is executed on production of surety bond, 40% of the advance or actual cost will be disbursed for purchase of plot. The balance amount will be disbursed in two equal instalments, first after the mortgage is executed and second on the construction reaching plinth level.
 - b) **Double Storeyed House:** 30% of advance for 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 construction reaching plinth level.



9. Mortgage and Creation of Second Charge

- a) House shall be mortgaged on the behalf of President of India. However, the employee, if he wishes to take a second charge to meet the balance cost of the house/ plot or flat from recognized financial institutions, then he/ she may declare the same and apply for NOC at the time of the applying for HBA. **NOC for second charge will be given along with sanction order of HBA.** The total loan form HBA and from all other sources cannot be beyond ceiling cost of the house as defined under para 4 above.
- b) In case if HBA is availed by both husband/ wife jointly,
 - i. HBA Mortgage paper, insurance paper and other papers regarding property shall be submitted to one of the loan sanctioning authorities of their choice.
 - ii. A **No Objection Certificate** may be obtained from the 2nd loan sanctioning authority.
 - iii. The property mortgaged to behalf of President of India, shall be reconvened on the prescribed form to the central government employee concerned (or their successors in interest, as the case may be), after the advance together with interest thereon, has been repaid to Government in full and after obtaining **No Demand Certificate** in respect of HBA loan sanctioned by the 2nd loan sanctioning authority.

10. Insurance

- a) Immediately on completion of construction/purchase of house/flat, the employee shall insure the house with the recognized institutions as approved by **Insurance Regulatory and Development Authority (IRDA)**, for not less than the amount of advance and shall keep it so insured against damage by fire, flood and lightning till the advance together with interest thereon is repaid in full and deposit the policy documents with the Head of the Department (HoD). Renewal of insurance will be done every year and premium receipts produced for inspection of the HoD regularly.
- b) Penal interest of 2% over and above existing rate of interest will be recovered from the employee for those periods which are not covered by insurance of the house.

11. Migration

For existing House Building Advance beneficiaries who wish to migrate, a separate order for migration to the revised House Building Advance rules will be issued shortly.

12. Extant rules

Apart from above stated changes in relevant sections in the earlier version of House Building Advance rules, all other extant rules shall continue to apply till further orders.



13. This issues in consultation with Comptroller & Auditor General, in so far as the persons working in the Indian Audit & Accounts Department concerned.
14. Hindi version will follow.
15. This comes to the effect from the date of issue.



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Director

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