

Public Administration Circular: 08/2005

My No. අ/7/3/1/31
Ministry of Public Administration &
Home Affairs,
Independence Square,
Colombo 07.

31.03.2005

Secretaries to Ministries,
Chief Secretaries to Provincial Councils,
Heads of Departments,

Amendment to Section 11 of Chapter XXIV of the Establishments Code -Property Loans

In pursuance of the budgetary proposals of 2005, for the grant of Property Loans, the following provisions will be implemented with effect from 01.01.2005.

Accordingly the provisions in Section 11 of Chapter XXIV of the Establishments Code which are applicable to the grant of a loan for the purchase of a building site, acquisition of a house property, construction/completion of work of a house/acquisition of a property from the NHDA shall be substituted by the following provisions with effect from 01.01.2005.

11. Grant of Property Loans through Banks

11.1 Purposes for which a loan may be granted

- 11.1.1 Purchase of a suitable building site
- 11.1.2 Construction of a house in a land owned by the applicant
- 11.1.3 Purchase of a land with a house/flat
- 11.1.4 Effecting improvements and making additions to a house already constructed
- 11.1.5 Completion of work of a semi - constructed house

11.2 Eligibility

- 11.2.1 Should be an officer of the Public Service or the Provincial Public Service
- 11.2.2 Should be an officer with 5 years' service entitled to a pension /contributory pension, confirmed in the appointment.

- 11.2.3 Where both spouses are public officers, each of them will separately be eligible for a loan, provided however that both shall not be entitled to a loan for the same property.
- 11.2.4 Officers temporarily released for service in a Public Corporation/ Statutory Board who are eligible in terms of 11.2.1 and 11.2.2 above.
- 11.2.5 A loan under this scheme shall be granted only once during the period of service

11.3 Period of recovery

The period of recovery shall be determined so as to enable the total amount of the loan to be recovered within a maximum period of 25 years or the officer completing 60 years of age, whichever occurs first.

11.4 Amount of the loan

- 11.4.1 The maximum amount of the loan that the officer would be entitled to shall be 5 years' consolidated salary of the officer excluding allowances or a sum of Rs. 1,000,000/- whichever is less.
- 11.4.2 In the event that any officer wishes to obtain any additional loan beyond the limit set in 11.4.1 above without any liability on the part of the government, an agreement may be entered into with the bank, subject to the general conditions laid down by the bank.

11.5 Interest

- 11.5.1 An interest of 4% per annum will be levied from the officer in respect of a loan obtained under Section 11.4.1 above.
- 11.5.2 The difference between the bank's rate of interest and the rate of interest at 4% leviable from the officer in respect of a loan obtained under Section 11.4.1 shall be borne by the government
- 11.5.3 Interest will be calculated on the basis of the diminishing balance of the loan.
- 11.5.4 The loan instalments levied from the officers together with the monthly instalments including the 4% of interest calculated under 11.5.3 above shall be recovered in equal instalments until the total amount of the loan is paid up in full.

11.6 Security

For the purposes specified in 11.1 above, the property in respect of which the loan is applied for, shall be mortgaged to the Bank.

11:7 Recovery and remittance of the loan instalments

- 11:7:1 The institution where the officer serves, shall monthly remit to the relevant bank the instalment of the loan as recommended by the bank together with the 4% of interest deducted from the officer's salary as well as the interest borne by the government.
- 11:7:2 The amount of the interest borne by the government on behalf of the officer should be brought to account as a government expense as instructed by the Treasury.

11:8 Arrears of loan instalments

- 11:8:1 In the event that the salary is not payable to the officer on account of any problem, the heads of institutions should promptly inform the relevant bank that the loan instalment is not being levied.
- 11:8:2 In the case of the vacation of post or dismissal the general rules of the bank should be complied with.
- 11:8:3 In the case of vacation of post, dismissal and interdiction, or in the case of retirement from service, the loan instalments together with the difference in the interest paid by the government should be personally paid to the relevant bank by the applicant of the loan concerned, in compliance with the rules and regulations of the bank.
- 11:8:4 In the event that an interdicted officer is reinstated, the interest payable by the government for the loan instalments paid by the officer during the period of interdiction shall be reimbursed subject to the following conditions.
 - 11:8:4:1 Where the officer has been exonerated and reinstated the total amount of the interest borne by the government which is included in the loan instalments shall be reimbursed to him in full.
 - 11:8:4:2 If the officer has been reinstated subject to any punishment, notwithstanding the nature of the punishment, half only of the amount of interest borne by the government which is included in the instalments already paid, shall be reimbursed.
- 11:8:5 In the case of an officer who has been placed on compulsory leave the instalments of the loan and the interest shall be remitted to the bank in the usual manner, and the difference in interest shall be borne by the government.
- 11:8:6 With regard to the levying of the loan instalments and the interest while an officer is placed on half pay, the general rules of the bank should be followed.

- 11:8:6:1 However, here a female officer is paid half the salary while she is on maternity leave, the loan instalments and the interest should be personally paid to the bank and the difference in interest shall be reimbursed by the government.
- 11:8:7 In the case of levying of the loan instalments and the interest while an officer is on no pay leave, the general rules of the bank should be followed.
- 11:8:8 In the case of the death of an officer or an officer being totally disabled while in service, action will be taken by the government to settle the balance amount of the loan monthly to the bank through the Loan Guarantee Fund.
- 11:8:9 The loan instalments and the 4% of the interest payable by an officer who has been temporarily released for service in a Public Corporation or a Statutory Board and is eligible under 11.2.4 above, should be remitted to the bank through the institution where the officer serves and the difference of the interest for the relevant period shall be remitted by the institution to which the officer has been appointed on release.
- 11:8:9:1 In levying the loan instalments and the interest in the case of an officer permanently released for service in a Public Corporation / Statutory Board, the general conditions of the bank should be followed.
- 11:8:10 In the event where the officer has committed suicide for any reason, the general rules and regulations of the bank should be followed, with regard to the collection of the instalments of the loan concerned.

11:9 Fees for processing of loan applications

The fee payable when presenting the documents required for obtaining a loan from a recommended bank, viz the assessment report and lawyers' fees inclusive of travelling, shall be Rs. 7500/- at the minimum or 1% of the amount of the loan at the maximum.

- 11:9:1** In presenting the application for the loan to the bank, the minimum fee mentioned in Section 11.9 above shall be deposited in the relevant branch of the Bank.
- 11:9:2** The cost of obtaining folios from the Land Registry, the Report on Title, fees for the Survey Plan, fees for the registration of the Power of Attorney and the cost of title insurance in the case of any shortcomings in the title shall be borne personally by the officer (in addition to the amount specified in 11.9.1 above.)

11:10 General conditions applicable to Property Loans

11.10.1 In recommending the amount of the loan to be granted to an officer on the interest payable by the government, the following factors shall be taken into consideration by the Ministry/Department.

In the case of any lapses resulting from negligence in recommending the amount of the loan, and in the case of any losses caused to the government, steps will be taken to proceed with action against the officer who recommended the loan and any loss caused shall be surcharged from such officer.

11.10.1.1 The amount of this loan shall be exempt from the maximum amount of 40% deductible from the officer's salary.

11.10.1.2 The maximum amount of the loan should be recommended to the bank taking into consideration the obligatory deductions as well as any other deductions from the salary subject to Section 11.10.1.1

11.10.2 In the case of an officer who has been transferred out of the station at which he obtained the loan, that fact should be communicated, by the Ministry/Department concerned, to the Bank which granted the loan and the relevant information should be conveyed to the station to which the officer was transferred in the manner specified in the Appendix 25. The Head of the Institution should ensure that there would be no lapse in the recovery of the loan instalments or any delay in the remittances to the Banks.

11.10.3 If any officer who has been recommended to the bank for a loan were to be interdicted or dismissed from service, or placed on compulsory leave, it shall be the responsibility of the Head of the Institution to report such circumstances promptly by the Bank before the loan is granted by the Bank.

11.10.4 If, in the case of an officer eligible to receive a loan, there is any delay on the part of a Department or Ministry in making the recommendation to the Bank, or in the case of any undue delay in the grant of the loan by the Bank, the fact should be communicated in writing to the Director General of the Department of National Budget in the General Treasury.

11.11 The procedure for forwarding and recommending of loan applications.

- 11.11.1 An applicant for a loan should prepare the application in triplicate in terms of Appendix 26 and forward it to the Secretary to the ministry through the Head of the Department.
- 11.11.2 The Ministry should place the loan application in the waiting list, determine the amount of the loan that can be granted and with the concurrence of the applicant take action to refer it to relevant bank within a week.
- 11.11.3 The applicant for the loan in order to obtain the loan, should in compliance with the rules and regulations of the bank concerned, and in accordance with the instructions in the Circular supply the required information to the Bank before the lapse of three months and once the loan is approved take action to inform the Ministry/Department through the Bank.
- 11.11.4 Once the loan is released by the Bank, the Treasury and the Ministry/Department should be informed of the fact in accordance with Appendix 27.
- 11.11.5 In any instance where an application for a loan has been recommended to a bank by the Ministry, and where the information required for the grant of the loan within three months is not provided to the Bank, such an application shall be rejected by the Bank. In no case will this period be extended, and any such application will also be treated as a fresh application and placed in the waiting list.
- 11.11.6 Loans shall be payable only from the banks registered in terms of appendix 28.

02. The above amendments to the Establishments Code shall be substituted without prejudice to any procedures already followed in terms of the provisions of Section 11 of Chapter XXIV of the Establishments Code and the provisions of the Public Administration Circulars issued up to 31/12/2004, amending such provisions.

03. Out of the property loans already approved by the Secretary to the Ministry/ Head of Department as at 31/12/2004 action should be taken in terms of this Circular only in respect of the applications for the construction of houses; and out of the applications being made in the year 2005, action should be taken in terms of this Circular, in the year 2005, in respect of applications for construction of houses only.

Sgd./ D. Dissanayake
Secretary,
Ministry of Public Administration and Home Affairs

Appendix 25

Officers on transfer – Communication of Loan Instalment particulars to the Ministry / Department to which the officer is transferred.

(Section 11.10.2)

My No:-

Ministry/Department

Mr/Mrs/Miss who served in this Ministry / Department as (designation) has been transferred to Ministry/Department with effect from

Particulars of the Loan of Rs. obtained by him/her from the branch of the Bank, are as follows :

1. Name of Officer :
Loan entitlement No :
Reference No. of the Bank :
No. of instalments already paid :
No. of instalments due :
Month for which the last instalment was paid :

Particulars of Cheque

Cheque No :
Bank and branch :
Cheque No :

2. Loan instalment :- Rs. XXX
Interest thereon (4%) Rs. XXX
The difference in the interest borne by the Government Rs. XXX
Total remittance Rs. XXX

Date :

**Secretary to the Ministry/
Head of Department
(Official frank)**

- Copy : 1. Manager Bank
..... branch
2. (Officer)

Appendix 26

**Form of Application for Loan
(Section 11.11.1)**

Loan application for

1. Full name of Officer :
2. Permanent post (Class / Grade held at present):
3. Identity Card No:
4. Permanent address :

1. Personal :
2. Official :

5. Telephone No :

1. Personal :
2. Official :

6. Purpose for which the loan is applied – vide section 11.1 :

7. Amount of loan applied for :

8. The Bank and branch – vide Annex 4 – from which the loan is sought :
.....

I agree to obtain a loan in terms of the provisions for the grant of (the Loan specified in Section 11 of Chapter XXIV of the Establishments Code) and the rules and regulations enforced by the Bank there under.

Date :-

Loan Applicant

To be perfected by the Establishments branch of the
Ministry/ Department.

1. Date of first appointment :
2. Date of Birth:..... Age on the date of application :
3. (a). Is the post permanent and pensionable ?
- (b). If so, from which date ?

Recommendation of the Secretary to the Ministry.

My No.
Ministry

Manager,
.....Bank
.....Branch

I approve the payment of the property loan recommended by the Bank to,

Mr/Mrs/Miss.....
....., subject to the recommendation of the Head of Department aforementioned on the interest subsidized by the Government.

Further I agree to submit monthly to the Bank in terms of Section 11.7.1, the loan instalment calculated by the Bank on his salary, as recommended by the Bank, together with the interest at 4% percent being the loan instalment leviable from the officer, including the amount of interest borne by the Government.

Signature:-

Name:-

Designation:-

Official frank:-

Appendix 28

List of Banks for obtaining Loans

(Section 11.11.6)

1. People's Bank
2. Bank of Ceylon
3. State Mortgage and Investment Bank
4. National Savings Bank
5. Commercial Bank
6. National Development Bank Housing Company
7. Housing Development Finance Corporation of Sri Lanka