

F No. 15(1)/2017/D(Pay/Services)  
Government of India  
Ministry of Defence  
Department of Military Affairs

New Delhi, Dated 19.06.2023

To

The Chief of the Army Staff  
The Chief of the Air Staff  
The Chief of the Naval Staff

Subject: Grant of House Building advance to Defence Service Personnel (Army, Navy and Air Force) – regarding.

Sir,

In supersession of this Ministry's letter No. 15(1)/2009/D(Pay/ Services) dated 24-07-2009, I am directed to say that the President has pleased to decide that the Defence personnel may be granted House building Advance under the House Building Advance Rules promulgated by the Ministry of Housing & Urban Affairs vide OM No. 1.17011/11(4)/2016-H-III dated 09-11-2017 as amended from time to time. After considering the recommendations of the 7<sup>th</sup> CPC and other relevant factors the President is pleased to liberalise further the existing scheme of House Building Advance, as below:-

- (a) 34 months' basic pay subject to a maximum of ₹7 lakhs only (Rupees Seven 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 ₹6.00 lakhs only (Rupees Six lakhs), or the cost of the expansion, or the amount according to repaying capacity, whichever is the least.
- (c) 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 ₹ 60 lakhs (Rupees Sixty lakhs) only. If the Head of the Department (HOD) is satisfied on the merits of the case, the cost ceiling may be relaxed up to a maximum of 25%. HOD means Adjutant General/ Chief of Logistics/ Air Officer-in-Charge Administration, as the case may be.

*Issued  
20/6/23*

2. 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 case 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.

3. Applicable Rate of Interest and Methodology of Recovery of House Building Advance: -

(a) 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.

(b) 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.

(c) All cases of subsequent tranches/ instalment 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"*

4. Disbursement:

(a) 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.

(b) 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.

(c) 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.

(d) 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.

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

- i. **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.
- ii. **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.

5. 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 from HBA and from all other sources cannot be beyond ceiling cost of the house as defined under para 1 (c) 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 2<sup>nd</sup> 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 2<sup>nd</sup> loan sanctioning authority.

6. **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.

7. **Extant Rules:** - Apart from above stated changes in relevant sections in the earlier version of House Building Advance rules, all other extant rules, terms and conditions of HBA will be applicable as prescribed under Ministry of Defence letter No.

15(1)/99/D(Pay/ Services) dated 16-04-1999 and 15(1)/2009/D(Pay/ Services) dated 24-07-2009 as amended from time to time shall continue to apply till further orders.

8. This letter issues with the approval of M/o Finance (Department of Expenditure) vide their I.D. No. 12(01)/2020/E.II.A dated 05.06.2023 and with the concurrence of Ministry of Defence (Finance) vide I. D. No. 3(2)2018-AG/PA/25-PA dated 07 June 2023.

Yours faithfully,

*Laxmi*  
(Laxmi Balasubramanian)

Under Secretary to the Govt. of India

Copy to: -

As per standard list.

Director (Finance/AG),  
DGA(DS), New Delhi  
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Air HQS-PP&R  
Naval HQ/DPA  
CGDA, New Delhi  
CDA(O), Pune  
CDA(P), Allahabad  
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Dy CDA(AF), Subroto Park, New Delhi  
CDA, Bangalore  
PCDA (Western Command), Chandigarh  
CDA, Chennai  
CDA (Eastern Command), Kolkata  
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CDA (Army), Meerut Cant.  
CDA, Patna  
PCDA (Sothern Command), Pune  
CDA, Secundarabad  
Director of Accounts(Postal), APS Accounts Section, Nagpur  
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