



## UNIVERSITY GRANTS COMMISSION

### Finance Circular Letter No. 4/2012

25<sup>th</sup> April, 2012

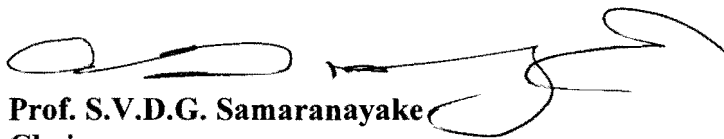
Vice-Chancellors of Universities,  
Directors of Institutes,  
Rectors of Campuses.

#### **Property Loan Scheme for Staff of the Universities/Higher Educational Institutions**

The Secretary, Ministry of Higher Education by his letter No. HE/AD dated 19<sup>th</sup> April, 2012 has informed the Property Loan Scheme for the staff of the Universities/Higher Educational Institutions as approved by the Secretary, Ministry of Finance & Planning by his letter No. BD/HRD/171/9/Loan dated 16<sup>th</sup> April, 2012.

Accordingly Universities and Higher Educational Institutions are requested to implement the above Property Loan Scheme as per guidelines given in this circular with effect from 25<sup>th</sup> April, 2012.

The circular is available on the UGC website [www.ugc.ac.lk](http://www.ugc.ac.lk)



**Prof. S.V.D.G. Samaranayake**  
Chairman

## **Copies**

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- 2 Vice-Chairman/UGC
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- 4 Additional Secretary/HR,IUA
- 5 Accountant/UGC
- 6 Registrars of Universities
- 7 Bursars of Universities
- 8 Snr. Asst./Asst. Registrars of Institutes/Campuses
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- 10 Snr. Asst. Secretary/Personnel/UGC
- 11 Chief Internal Auditor/UGC
- 12 Auditor General
- 13 Govt. Audit Superintendent/UGC
- 14 Govt. Audit Superintendent/Universities

## **Property Loan Scheme for the Staff of the Universities/Higher Educational Institutions**

The following guidelines have been formulated for the university staff for obtaining property loans through state banks.

### **1. Grant of Property Loans through State Banks**

Purposes for which a loan may be granted under these guidelines.

- i. Purchase of a suitable building site to construct a house
- ii. Construction of a house in a land owned by the applicant
- iii. Purchase of a flat or a land with a house
- iv. Effecting improvements and making additions to a house already constructed
- v. Completion of work of a partially constructed house

### **2. Eligibility**

- i. He/she should be an employee of a University/Higher Educational Institution which is established under the Universities Act, No. 16 of 1978.
- ii. He/she should be an employee confirmed in the appointment with a minimum of 05 years service.
- iii. Where both the employee and the spouse are employees of a University/Higher Educational Institution, each of them will separately be eligible for a loan either for enhancement of same property or a separate property.
- iv. Where the spouse is a government employee and accordingly if he/she is eligible for a property loan under the public service property loan scheme, the employee of a University/Higher Educational Institution will be separately eligible under this scheme either for an enhancement of same property or a separate property.
- v. A loan under this scheme shall be granted only once during the period of service

### **3. Period of recovery**

The total amount of the loan shall to be recovered within a maximum period of 15 years or where the employee is in the non-academic staff, on completion of 60 years of age and in the case of the academic staff, on completion of 65 years of age, whichever occurs first.

#### **4. Amount of the loan**

- i. The maximum amount of the loan that an employee would be entitled under this scheme would be as follows.
  - a) Non-Staff grade employee = Rs. 1,000,000/-
  - b) Non-Academic Staff grade officers and Academic staff = Rs. 2,000,000/-
- ii. In the event that any employee wishes to obtain any additional loan beyond the limit set in 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.

#### **5. Interest**

- i. Following annual interest rates will be levied from the employee in respect of a loan obtained under this scheme.
  - a) Upto Rs. 1.0 Million = 7.0%
  - b) Above Rs. 1.0 Million and up to Rs. 2.0 Million = 9.0%
- ii. The government will bear part of the interest rate upto a maximum of 5.5% for the loans as specified in 5(i)(a) and 5.0% for the loans specified in 5(i)(b) above, until the total amount of the loan is recovered in full.
- iii. Interest will be calculated on the basis of the diminishing balance of the loan.

#### **6. Security**

For this purpose, the property in respect of which the loan is applied for, shall be mortgaged to the bank.

#### **7. Loan issuing banks**

Any branch or the Head office of the following banks will provide the loan facilities under this scheme.

- Bank of Ceylon (BOC)
- People's Bank (PB)
- National Savings Bank (NSB)

#### **8. Recovery and remittance of the loan installments**

- i. The Universities/Higher Educational Institutions where the employee is employed shall remit monthly to the relevant bank, the installment of the loan as recommended by the bank together with the interest deducted from the officer's salary as well as the interest to be borne by the government.

- ii. The amount of the interest borne by the government on behalf of the employee should be brought to account as a government expense.

**9. Arrears of loan installments**

- i. In the event that the salary is not payable to the employee due to any of the following issues, the Heads of respective Universities/Higher Educational Institutions should promptly inform the relevant bank that the loan installment is not being levied.
  - a) In the case of the vacation of post or dismissal, the general rules of the bank should be complied with.
  - b) In the case of vacation of post, dismissal and interdiction, or in the case of retirement from service, the loan installments together with the difference in the interest to be 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.
- ii. In the event that an interdicted employee is reinstated, the interest payable by the government for the loan installments paid by the employee during the period of interdiction shall be reimbursed subject to the following conditions.
  - a) Where the employee has been exonerated and reinstated, the total amount of the interest to be borne by the government which is included in the loan installments shall be reimbursed to him/her in full.
  - b) If the employee has been reinstated subject to any punishment, notwithstanding the nature of the punishment, only half of the amount of interest to be borne by the government which is included in the installments already paid, shall be reimbursed.
- iii. In the case of an employee who has been placed on compulsory leave, the installments 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.
- iv. With regard to the levying of the loan installments and the interest while an employee is placed on half pay, the general rules of the bank should be followed.
- v. However, where a female employee is paid half the salary while she is on maternity leave, the loan installments and the interest should be personally paid to the bank and the difference in interest shall be reimbursed by the government.
- vi. In the case of levying of the loan installments and the interest while an employee is on no pay leave, the general rules of the bank should be followed.

- vii. In the case of the death of an employee or an employee 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.
- viii. The loan installments and the interest payable by an employee who has been temporarily released for service in a Public Corporation or a Statutory Board and is eligible under 2 above, should be remitted to the bank through the Universities/Higher Educational Institutions and the difference of the interest for the relevant period shall be remitted by the Universities/Higher Educational Institutions and the other institution to which the employee has been released, shall reimburse the same to the Universities/Higher Educational Institutions.
- ix. In levying the loan installments and the interest in the case of an employee permanently released for service in a Public Corporation/Statutory Board, the general conditions of the bank should be followed.
- x. In the event where the employee has committed suicide for any reason, the general rules and regulations of the bank should be followed, with regard to the collection of the installments of the loan concerned.

#### **10. Fees for processing of loan applications**

Any cost associated with the submission of the documents required for obtaining a loan from a recommended bank, such as folios from the Land Registry, the Report on Title, fees for the Survey Plan, fees for the registration of the Power of Attorney, the title insurance in the case of any shortcomings in the title, lawyers' fees etc. shall be borne personally by the applicant.

#### **11. General conditions applicable to Property Loans**

- i. In recommending the amount of the loan to be granted to an employee when the interest is payable by the government, the following factors shall be taken into consideration by the Universities/Higher Educational Institutions.
  - a) 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 in such instances, steps shall be taken to proceed with action against the employee who recommended the loan and any loss caused to the government shall be recovered from such employee.
  - b) The amount of this loan shall be exempted from the maximum amount of 40% deductible from the monthly salary of the employee.
- ii. 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 of the employee subject to Section 11(i)(b).

**12. The procedure for forwarding and recommending of loan applications**

- i. An applicant for a loan should prepare the application in duplicate in terms of the Annexure 01 and forward it to the establishment branch of the respective Universities/Higher Educational Institutions as the case may be.
- ii. After verification of the eligibility of the applicant obtaining the loan under this scheme by the Establishment branch of the Universities/Higher Educational Institutions the application should be forwarded to the relevant bank with the personal recommendation of the Secretary to the University Grants Commission/Registrar of the university on Higher Educational Institutions, as per Annexure 01.
- iii. The Universities/Higher Educational Institutions should submit a summary report to the University Grants Commission (UGC) giving details of loans issued under this scheme annually.
- iv. Loans shall be granted only from the banks specified in Section 7 above, under this scheme.
- v. Any issues and matters which are not covered under these guidelines should be subject to the general rules and regulations of the bank.

**Form of Application for Property Loan for the University/Higher Educational Institution Staff**

1. Full name of the Officer :
2. Permanent post (Class/Grade at present) :
3. National Identity Card No. :
  - a) Permanent address Personal :
  - b) Official :
4. Telephone No. :
  - a) Personal :
  - b) Official :
5. Purpose for which the loan is applied for :  
(vide Section 1)
6. Amount of the loan applied for (vide Section 4.i) :
7. Name of the Bank and branch (vide section 7) from which the loan is sought :

I agree to obtain the loan in terms of the provisions for the grant of this circular and the rules and regulations enforced by the bank there under.

.....  
Date

.....  
Signature of the Applicant of the Loan

**To the Establishment branch of the University/Higher Educational Institution of**  
.....

1. Date of first appointment :
2. Date of Birth : ..... Age on the date of application .....
3. a) Whether the applicant is holding a permanent post ?  
b) If so, from which date ?
4. Particulars of any loans already obtained from the University/Higher Educational Institution .....

Type of the Loan	Amount outstanding as on the date of the application



5. Particulars of monthly salary
- a) Consolidated salary per month : .....
  - b) Allowances : .....
  - c) Total Gross salary (sum of a+b) : .....
  - d) Total deductions (inclusive of obligatory deductions) .....
  - e) Net salary (salary particulars for the relevant month to be attached)
  - f) Maximum amount of the loan that can be granted to the officer subject to the provisions of Section 4.i and Section 11.ii of this Circular  
(In figures .....)  
(In letters .....)
6. Particulars of any charges of misconduct pending against the officer or any charges of misconduct under investigation .....

.....  
Date  
.....  
Snr. Asst./Asst. Registrar  
Registrar – Establishment

**Recommendation of the Secretary of UGC/Registrar of the University/  
Higher Educational Institution**

My No .....  
University/Higher Educational Institution .....

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

I approve the payment of the property loan as recommended by the Bank to Mr./Mrs./Ms./ ..... in terms of the provisions of the circular applicable to the University/Higher Educational Institution staff and rules and regulations enforced by the bank there under.

Further, I agree to submit monthly, to the bank, in terms of the Section 8 of the said circular, the loan installment calculated by the bank from his/her salary, as recommended by the bank, together with interest and loan installment leviable from the employee, including the amount of the interest to be borne by the government.

Signature : .....  
Name : .....  
Designation : .....  
Date : .....  
Official frank : .....