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The Tribune Trends

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REAL ESTATE

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Loans up to ₹25 lakh can now be availed under the House Building Advance provision

HBA bonanza for central govt staff

VINOD BEHL

As part of its multi-pronged policy at making homes affordable to masses and giving a push to low interest home loans, the central government has come up with a new policy initiative to benefit 50 lakh central government employees.

The new initiative under the House Building Advance (HBA) makes central government employees eligible for taking loans up to ₹25 lakh, three times more than the earlier provision for constructing or purchasing a house. Not only that the amended HBA rules, incorporating the accepted recommendations of the Seventh Pay Commission, now have a provision under which both the spouses (if they are central government employees), can avail loan facility. Earlier only one spouse was eligible for loan. The cost ceiling limit of the house to be constructed/purchased by the employee, has been raised to one crore, more than 3 times the earlier limit of 30 lakh. The rules for house renovation/expansion have also been greatly liberalised, with a provision to borrow 10 lakh, almost 6 times more than the earlier eligibility of 1.8 lakh. The icing on the cake is that central government employees will be able to source advances under HBA at the rate 8.5 percent as against slab rates ranging from 6 to 9.5 percent for loans amounting to 50,000 to 7.5 lakh under earlier scheme.

The Centre's new HBA policy comes on the heels of newly liberalised Employees Provident Fund (EPF) policy for its subscribers under which they can withdraw money from their EPF accounts to fund the purchase or construction of house or to buy land. Under the relaxed rules, 4 crore members of EPFO, were allowed to withdraw up to 90 percent of their money from account or the cost of the property, whichever is less, for this purpose whereas earlier they were eligible



“As the repayment is on simple interest basis, the principal amount is paid first and the payment of interest starts thereafter. Thus, the borrower ends up repaying a substantially lesser amount than what he would have paid in case of taking loan from other lending entities. This measure is sure to give a boost to the housing sector, especially the affordable housing segment that features lower ticket sizes.”

Pradeep Aggarwal, treasurer, NAREDCO and co-founder & chairman, Signature Global

for withdrawal of basic salary for purchase or construction of house or for purchase of house under HBA. The construction of house by the recent materials like tiles, glass, doors, paints, etc., has come down from 10 percent to 5 percent of the cost of construction.

The loan result in a 10 percent simple interest, would need a total repayment of just below ₹41 lakh. This will result in a saving of over ₹10 lakh.

Manoj Gaur, Vice President, CREDAI National and MD, Gaur group says that there is a double benefit under the revised HBA scheme. The families where both the spouses are central government employees, can now take double loan as the earlier provision of restricting benefits to only one person has been lifted. With prices already at a low point in NCR, this move is going to encourage a number of fence sitters to finalise deals.

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