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**KARNATAKA MUNICIPALITIES (GRANT OF LOANS TO  
MUNICIPAL SERVANTS FOR CONSTRUCTION OF HOUSES)  
RULES, 1967**

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**KARNATAKA MUNICIPALITIES (GRANT OF LOANS TO  
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In exercise of the powers conferred by clause (e) of Section 91 read with Section 323 of the Karnataka Municipalities Act, 1964 (Karnataka Act 22 of 1964) the Government of Karnataka hereby makes the Karnataka Municipalities (Grant of loan to Municipal Servants for construction of house) Rules, 1967, the draft of the same having been published as required by sub-section (1) of Section 323 of the said Act in Notification No. LMA 18 MLR 66, dated 23rd February, 1967, published as GSR 151 in Part IV, Section 2-C(i) of the Karnataka Gazette, dated 30th March, 1967, namely.

**1. Title :-**

These rules may be called the Karnataka Municipalities (Grant of Loans to Municipal Servants for Construction of Houses) Rules, 1967.

**2. Definitions :-**

In these rules unless the context otherwise requires.

- (a) "Form" means a form appended to these rules;

**1** 5B(b) "Municipal Servant" means an employee working under a Municipal Council whose services are whole-time and pensionable and does not include sweepers and scavengers].

1. Clause (b) substituted by GSR 63, dated 5-3-1981

**3. Application :-**

These rules shall not apply to municipal servants employed under a Municipal Council holding any category of posts coming under the Karnataka Municipal Administrative Service.

**4. Eligibility :-**

(1) Loan for the construction of houses may be granted by the Municipal Council to a municipal servant who has rendered at least five years continuous service, if the Municipal Council is satisfied that he is likely to continue in service till the loan is fully repaid.

(2) A municipal servant who has drawn a loan under the Low Income Group Housing Scheme shall not be eligible for a loan under these rules.

(3) In case where both the husband and wife happen to be municipal servants and are eligible for grant of loan under these rules, it shall be admissible to only one of them.

(4) A municipal servant, who has stood surety to another municipal servant for a loan under these rules and has not been released from his suretyship shall not be eligible for loan under these rules.

**5. Amount of loan :-**

(a) Not more than one loan shall be granted under these rules to a municipal servant during his entire service.

(b) A loan equal to forty-two months pay subject to a maximum of fifteen thousand rupees, provided that where forty-two months pay of a municipal servant falls short of three thousand and six hundred rupees (Rs. 3,600), a loan not exceeding three thousand and six hundred rupees (3,600) may be granted provided the entire amount of the loan Plus interest thereon can be recovered from him partly by convenient monthly deductions from his salary and partly from any gratuity or death-cum-retirement gratuity that may be admissible to him.

Explanation. The term 'pay', means the substantive pay of the municipal servant. A loan may however be reckoned on the basis of

the pay drawn by a municipal servant holding post on a non-substantive tenure provided the Municipal Council is satisfied that there is no likelihood of the municipal servant reverting from the non-substantive appointment. Special pay may also be taken into account as pay for the purpose of fixing the amount of loan.

## **6. Interest :-**

(1) Loans granted under these rules shall carry simple interest at six per cent per annum or at such other rate as may, from time to time be prescribed by Government in respect of such loans to Government servants. Interest shall be calculated from the date of drawal of the loan and on the balance outstanding on the last day of each month. Penal interest on overdue, monthly instalments shall be recovered at nine per cent per annum.

(2) A loan shall be deemed to have been drawn by the municipal servant on the date of disbursement of cash to him.

## **7. Repayment :-**

(1) A loan granted to a municipal servant shall be repaid in full together with interest in monthly instalments within a period not exceeding fifteen years. The principal shall be recovered in not more than 139 instalments and the interest in not more than 41 instalments thereafter, the amount of instalments of interest being however, not appreciably greater than the amount of instalments towards principal. The recovery of interest shall commence from the month following that in which repayment of principal would be completed. The actual number of instalments in which the principal and interest have to be recovered shall be determined by the Municipal Commissioner or Chief Officer in consultation with the Controller, State Accounts Department.

(2) The amount to be recovered in monthly instalments shall be fixed in whole rupees, except in the case of last instalment when the remaining balance including any fraction of a rupee shall be recovered.

(3)

(a) In the case of municipal servants owning the plots of land recovery shall commence from the sixth month following the drawal of the first instalment or from the month following that in which the second instalment is drawn whichever is earlier.

(b) In the case of others, recovery shall commence from the sixth month following the drawal of the second instalment or the month following that in which the third instalment is drawn whichever is earlier.

(c) If a municipal servant who does not own a plot of land draws the first instalment of the sanctioned loan, but does not draw second instalment within one year from the date of drawing the first instalment recovery shall commence from the twelfth month following the drawal of the first instalment.

(d) It will be open to a municipal servant to repay the amounts in a shorter period if he so desires, in any case the entire loan shall be repaid in full with interest thereon before the date on which he is due to retire from service.

(e) In the case of a municipal servant who is due to retire within 15 years of the date of application for the grant of a loan, Municipal Council may permit him to repay the loan with interest in convenient monthly instalments (the amount of which shall not be less than the amount of monthly instalments on the basis of repayment within a period of 15 years) during the remaining period of his service, provided he agrees to the incorporation of a suitable clause in the prescribed agreement and mortgage deed to the effect that the Municipal Council shall be entitled to recover the balance of the said loan with interest remaining unpaid at the time of retirement or death preceding retirement.

(a) from out of the insurance amount due on policy or policies assigned in favour of Municipal Council at the time of grant of loan;

(b) from the whole or any specified part of the gratuity or death cum retirement gratuity that may be sanctioned to him;

(f) In case the municipal servant does not repay the balance of the loan due to Municipal Council on or before the date of his retirement, it shall be open to Municipal Council to enforce security of the mortgage at any time thereafter and recover the balance of the loan due together with interest and cost of recovery by the sale of the house or in such other manner as may be permissible under law.

## **8. Security :-**

(a)

(1) In order to secure the Municipal Council from loss consequent on a municipal servant dying or quitting the service before complete repayment of the loan with interest accrued thereon, the house built together with the land on which it stands shall be mortgaged to the Municipal Council and the mortgage will be released on liquidation of the full amount of the loan together with interest thereon.

(2) The mortgage bond will be prepared in Form I and reconveyance Form II provided it shall not be necessary to use the reconveyance form in all cases.

(3) In cases the mortgagor wants permission to raise a second loan by mortgaging his house built out of a loan sanctioned under these rules, such permission may be granted by the Municipal Council subject to the condition that the second mortgage of the house will be without prejudice to the prior right of the Municipal Council over the property which has already been mortgaged to the Municipal Council.

(4) The Municipal Commissioner or Chief Officer shall sign the agreement, the mortgage deed, etc., on behalf of the Municipal Council.

(5) Whenever the amount of loan originally sanctioned is enhanced, a supplementary mortgage bond shall be obtained in Form III.

(6) Reconveyance may be effected on the mortgage deed itself by superscribing the words "the mortgage deed is cancelled and the deed returned to party". In case, the mortgagor wants a reconveyance in a separate form prescribed for the purpose it may be done at the cost of the mortgagor.

(b) In addition to the above.

(i) the applicant shall have insured his life in the Life Insurance Corporation of India and the value of the policy shall not be less than twenty-five per cent of the loan applied for and the policy shall be got assigned in favour of the Municipal Council; or

(ii) the applicant shall make an assignment of his gratuity or death cum retirement gratuity towards payment of any unpaid balance of the loan given to him by the Municipal Council under these rules. The amount of gratuity deemed to be available for this purpose would be the amount due to a municipal servant on the date of his

superannuation (at the time of retirement calculated on the basis of the appointment held by the applicant at the time of submitting his application for the grant of loan). The amount so worked should not be less than 25 per cent of the loan applied for; or

(iii) the applicant shall furnish the collateral security of another permanent municipal servant who has insured his life in the Life Insurance Corporation of India and who satisfies the following conditions.

(1) He shall not have drawn a loan for house building and if he has drawn such loan, the loan should have been repaid in full and certified to that effect by the Municipal Commissioner or Chief Officer and produced.

(2) He shall not have stood surety to another who has drawn a loan for house building and if he has stood surety, he should have been released of his surety-ship.

(3) A permanent municipal servant standing as surety to the applicant for a loan shall execute a surety bond in Form IV.

## **9. Mode of disbursement :-**

(1) The mode of disbursement of the loan sanctioned shall be as follows.

(a) For the construction of a house where a plot of land is to be purchased.

(i) First instalment. An amount not exceeding twenty per cent (20%) of the sanctioned loan will be payable to the applicant for purchasing a plot of land on his executing an agreement in the Form V for the repayment of the loan. The land must be purchased and sale deed in respect thereof together with title deeds, encumbrance certificate, etc., produced within two months of the date of drawal of the first instalment before the Municipal Commissioner or Chief Officer failing which the applicant shall be liable to refund the entire amount together with interest thereon.

(ii) Second instalment An amount equal to forty per cent (40%) of the loan sanctioned will be payable to the applicant on production of the plans approved by the Municipal Council or the local body concerned together with a probable estimate of the building proposed to be constructed. The Municipal Commissioner or Chief Officer will get the mortgage deed executed in favour of Municipal

Council before authorising payment of the second instalment.

(iii) Third instalment. An amount equal to forty per cent (40%) of the loan sanctioned will be payable after the construction of the building has reached the roof level.

(b) For the construction of a house where the applicant owns a plot. The loan shall be payable in two instalments.

(i) First instalment. 50% (fifty per cent) of the loan will be payable on the applicant producing the title deed of the land, plan as approved by the Municipal Council or other local body concerned together with estimate of probable expenditure for construction of the building and an execution of the mortgage deed in favour of Municipal Council.

(ii) Second instalment The balance of 50% (fifty per cent) of the loan will be payable after the building has reached the roof level.

(2) If an applicant draws a lesser amount than the ceiling fixed for the first or second instalments under clause (a) or first instalment under clause (b) above, he will be allowed to draw the difference between the amount drawn and the maximum permissible for that instalment along with the subsequent instalment.

(3) The final instalment of the loan shall not be disbursed unless the Municipal Commissioner or Chief Officer is satisfied, by actual inspection by himself or by an Officer deputed by him and certifies to the effect that the amounts of previous instalments have been fully spent on the building and the building has reached roof level.

#### **10. Procedure :-**

The application for loan shall be made in Form VI in duplicate. The following documents shall accompany the application.

(1) A declaration in regard to house property, if any, owned by the applicant.

(2) In cases where the applicant happens to be in possession of land and desires to construct a new house on it, a copy of the title deed or other proof of the applicant having clear title to land along with site plan.

(3) In cases where the applicant is not in possession of the land, a declaration to the effect that he proposes to acquire the plot with the object of constructing a house, encumbrance certificate or other

proof that the title is clear and marketable provided however, that the Municipal Council, may in its discretion allow such reasonable time as it deems fit to produce the title deed, encumbrance certificate or other proof of title.

(4) Particulars regarding Life Insurance Policies and gratuity or death-cum-retirement gratuity.

(5) A declaration that he/she has not drawn any loan under the Low Income Group Housing Scheme.

(6) A declaration that his wife/her husband is not a municipal servant or where she/he is a municipal servant that she/he has not drawn any loan under these rules or under the Low Income Group Housing Scheme.

(7) The Municipal Commissioner or Chief Officer shall satisfy himself by examining the title deeds and other documents.

(a) if the loan is for building a house or a plot already owned that the applicant possesses a clear title to the site on which he proposes to build a house;

(b) and obtain a certificate from the Life Insurance Corporation of India about the policy numbers held by the municipal servant, amount assured and the surrender value at credit.

(8) The Municipal Commissioner or Chief Officer will thereafter place it before the Municipal Council with his certificate that the applicant is eligible for the advance and that he (the applicant) is prepared to abide by the conditions and rules laid down therefor. The Municipal Council may sanction the advance under the rules subject to availability of funds.

## **11. General Provisions :-**

(1) On receipt of the order sanctioning the loan, the municipal servant to whom the loan is sanctioned will arrange to complete the prescribed formalities such as execution of agreement, mortgage deed, surety bond undertaking in the prescribed forms assignment of Life Insurance Policy or Policies before the Municipal Commissioner or Chief Officer and make a report in writing for the drawal and disbursement of the loan. The Municipal Commissioner or Chief Officer will make a note in the Register of the details of the advances sanctioned and the amount required to be drawn for disbursement. He (Municipal Commissioner or Chief Officer) will



thereafter arrange to make necessary deductions monthly from the salary drawn for the debtor.

(2) The last pay certificate granted to a municipal servant who has taken loan, should specify the original amount of such advance, the amount repaid and the balance remaining due. The Municipal Council recovering the instalment of loan shall on its recovery remit the amount to the credit of the funds of the Municipal Council mat has originally sanctioned the loan by means of R.T.R. or Bank draft.

(3) The Municipal Commissioner or Chief Officer shall maintain a register showing the names of municipal servant, to whom loans for construction of houses have been granted and shall arrange to get from them quarterly statements of progress of construction. When no such statements are received for period of one year, or when the reported progress is so unsatisfactory as to amount to a breach of the terms of the loan the Municipal Commissioner or Chief Officer may order the recovery of the balance outstanding at the time, by deduction from the pay of the municipal servant concerned or otherwise and in case of deliberate use of money for purposes other than construction of house with penal interest at nine (9) per cent per annum (inclusive of simple interest).

(4) Whenever a municipal servant who has drawn loan is transferred, absent on leave with or without allowances, retired, or dismissed, the Municipal Commissioner or Chief Officer responsible for the preparation of their establishment pay bills, will furnish a clear statement of such changes in the acquittance roll and in the case of transfers, whether the deductions for instalments have been duly noted in the last pay certificates granted by them.

(5) The Municipal Commissioner or Chief Officer should give prompt and timely intimation to the Accountant General of the death or retirement of Municipal servants against whom loans for construction of house are outstanding with details of the amounts due by them as soon as any such occurrence takes place among the members of his establishment.

(6) The title deed, agreement, mortgage bond and other document shall be kept in safe custody by the Municipal Commissioner or Chiet Officer till such time as the entire amount of advance together with interest thereon is fully repaid, a certificate to that effect being furnished by the Municipal Commissioner or Chief Officer before reconveyance of the property to the applicant is

given effect to.

(7) The cost of obtaining encumbrance certificate, stamp duty on registration of mortgage bonds shall be borne by the municipal servant to whom the loan is sanctioned.