



ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration No: 3427/Delhi)

State Bank Buildings, St. Mark's Road, Bangalore – 560 001

CIRCULAR NO.18

07.02.2012

TO ALL AFFILIATES/MEMBERS:

HOUSING LOAN SCHEME TO BANK EMPLOYEES

We have been pursuing with the Government of India to introduce a uniform Housing Loan Scheme for the Bank Officers and Employees, with the attendant concessional rate of interest. As a sequel to our vigorous follow-up, the Personnel Committee/Managing Committee of IBA had recommended to Government of India to enhance the House Building Advance to Bank Employees at maximum of Rs. 25.00 lacs for Officers, Rs. 15.00 lacs for clerical staff and Rs. 10.00 lacs to sub-staff. The Government of India instead of endorsing the recommendations of IBA has initiated steps to dilute the existing scheme by linking the interest rate with the prevailing base rate and bringing the rate of interest on par with the terms of the loans given to the general public. The Govt. of India has instructed IBA to assess the impact of housing loans at concessional rate of interest in terms of cost to Banks. This is a clear attempt to dilute the scheme and deny the Housing loan facility with concessional rate of interest, to Bank Officers/Employees.

2. We have lodged our protest against this retrograde move of the Government and written a letter to the Union Finance Minister, urging him to not only retain the scheme with attendant concessional rate of interest, but also rationalise the scheme by enhancing the quantum of loan with further reduction in the rate of interest.

3. A copy of the letter annexed is self-explicit.

4. Further developments will be informed to you.

With greetings,



(G.D.NADAF)
GENERAL SECRETARY



ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration No: 3427/Delhi)

State Bank Buildings, St. Mark's Road, Bangalore – 560 001

No.1454/37/12

02.02.2012

To,
Sri. Pranab Kumar Mukherjee,
Hon'ble Finance Minister,
Government of India,
South Block, Parliament House,
NEW DELHI.

Respected Sir,

ENHANCEMENT OF HOUSING LOAN TO BANK EMPLOYEES AT INDUSTRY LEVEL

We have been pursuing with the Ministry of Finance, through IBA to enhance the quantum of Housing Loan to Bank Officers/ Employees, with the concessional rate of interest extended as hitherto. We understand that, after continuous persuasion and follow-up, IBA has forwarded the proposal to the Ministry of Finance, with their recommendations for revision of quantum for staff Housing Loan to Bank Officers/Employees, at a maximum of Rs.25.00 lacs for Officers, Rs.15.00 lacs for clerical staff and Rs.10.00 lacs for sub staff, at uniform rate of interest of 8% simple per annum, vide IBA's letter No.HR&IR/MV/GOVT/624-A/4171 dated 30th September, 2011.

2. We learn that, the Ministry of Finance, Government of India vide their letter No.F.No.4/5/2/2003-IR dated 16th November, 2011 have advised IBA to revisit the proposal sent by IBA and send revised recommendations covering the following points:

- a) Assess the impact of the concession loans in terms of cost to the Banks.
- b) Interest rates should be indexed with the prevailing Base Rate and clearly conveying that while for smaller loan there could be some rebate from the Base Rate and this should get progressively reduced and bigger loan should be at par with the terms of loan given to general public.

3. We wish to bring to your kind notice the fact that, the concessional rate of interest has been enjoyed by the Bank Officers/ employees for more than four decades and the facility has been a product of bipartite settlements. This has enabled the Bank Officers and employees to acquire a residential property, which is everybody's dream and has given an impetus to employment generation in the construction sector. The quantum of loan was enhanced keeping in tune with the changing times, along with the concessional rate of interest. The concessions were extended as a welfare measure for the Bank employees as is being done in the Central Public Sector undertakings, Central and State Governments. The concessions were extended by the Ministry of Finance, well before introduction of the Model Housing Loan Scheme by the Government.

4. The Staff Housing Loan carried interest rate of 5% upto Rs.1.10 lacs and 10% for loans between Rs.1.10 lacs and Rs.5.00 lacs and these rates were fixed during 1988, when third party lending rate was at 18% p.a.

5. It is pertinent to note here that, during the intervening period the rate of interest on home loans to the general public came down to 6% to 7%, prior to the rates looking northward again a couple of years ago. But rate of interest on Staff Housing Loan continued to be 10% and 11% above the slab of Rs.1.10 lacs. Even interest rate for loans to general public has been prevailing at 10% (Base rate) but the interest rate on Staff Housing Loan was not reduced in consonance with the falling interest rate. This, needless to say that it has resulted in withdrawal of concession in the rate of interest, hitherto enjoyed by the Bank employees.

6. LINKING STAFF HOUSING LOAN INTEREST RATE TO "COST OF FUND TO BANK".

Through its communication dated 16.11.2011, the government has advised all the Banks to link rate of interest on Staff Housing Loans to the cost of funds.

We wish to bring to your kind notice the fact that, average cost of fund for the entire Banking Industry as at 30th September, 2011 was worked out to be 6.30%, which is on the higher side because of raising of Repo/Reverse Repo rates during the last 12 months on more than 13 occasions. Otherwise, the cost of fund for the Banking Industry normally works out to 5.50% only.

Going by the above facts the effective rate of interest on Staff Housing Loans should be fixed at around 6% p.a. irrespective of the quantum of loan.

7. STAFF LOANS AS PERCENTAGE TO TOTAL ADVANCE AND EARNING ASSETS OF THE BANK.

Staff Loans as a percentage to total advances works out to less than 0.50% only, at the Industry level.

Also the Staff Loans as a percentage to average earning assets of the Bank works out to 0.40% only.

From the above, you may observe that, staff advances to total advances of the Banks works out to less than 0.50% which is very, very negligible.

Organisations like HUDCO, Axis Bank, grant Staff Housing Loans at 4 to 6% p.a. simple, as an employee welfare measure.

8. PERFORMING ASSETS.

Staff Loans are always standard and Performing Assets and hence, no cost of provisioning for NPAs is required while indexing rate of interest for Staff Loans.

9. LOANS TO CORPORATE BODIES ARE SUBSIDISED.

As per the credit policy of the Banks, loans to Corporates are being sanctioned subject to the rating and pricing policy.

Most of the loans to Corporates are being considered at concessional rate of 2% to 3% less than the applicable rate of interest for the particular segment of borrowers.

10. In this background, we strongly feel that indexing the interest rate to base rate and at par with loans to public, tantamounts to withdrawal of the concession in the rate of interest, which is being extended as a welfare measure. Therefore, we urge upon you to not

only continue the concessional rate of interest as it is being enjoyed by all the employees in the Banking Industry for more than four decades but also enhance the quantum of loan, keeping in tune with the inflationary trends and rising cost of construction materials.

11. We would like to reiterate that interest concession hitherto enjoyed by the Bank Employees needs to be revisited and rate of interest be further reduced, since the house building advance is extended as a welfare measure for Bank employees to own a shelter.

12. We would like to suggest the following, keeping in view the welfare of the employees working in the Banking Industry.

- (a) Enhancement in the quantum of loan upto Rs. 30.00 lacs for officers.
- (b) Interest rate should not be linked to Base Rate or at the rate given to general public.
- (c) The rate of interest of Staff housing loans be at cost of funds or 6% p.a (Simple)
- (d) Repayment of the loan should be increased to 30 years and/or upto 75 years of age whichever is earlier (at present repayment for Award Staff is available upto 25 years) as against 20 years for officers at present.
- (e) Outstanding loan amount at the time of superannuation should be recovered by way of equated monthly installments from the pension upto the age of 75 years.
- (f) The discrimination in Staff Housing loan to employees/officers recruited after 01.01.1991 be abolished.
- (g) The Banks to insure the housing loans for any eventuality.

13. We request you to please consider the foregoing, positively keeping in view the welfare of the officers/employees working in the Banking Industry.

14. We will be thankful to you if an opportunity is afforded to us to explain the whole issue before the officials of the Ministry.

Thanking you,

Yours faithfully,

A handwritten signature in black ink, appearing to be 'G.D. NADF', written in a cursive style.

(G.D.NADF)
GENERAL SECRETARY