



TREASURY CIRCULAR No. 6 OF 1956

BUILDING SOCIETY HOUSING LOANS FOR GOVERNMENT OFFICERS NEARING RETIREMENT

The arrangements under which Government officers are able to receive special terms from the Federal and Colonial Building Society (now called Malaya Borneo Building Society Ltd.) are set out in Treasury Circular No. 15 of 1954. Under paragraph 5 of that circular it is laid down that the repayment must be fully completed within the period terminating on the day before the applicant reaches the age of 55 or the due date of his retirement if earlier. The provisions of paragraph 24 of the form Fin. 153 attached as the appendix to Treasury Circular No 15 of 1954 mention collection by deduction from pension or from gratuity but this proviso was included to meet unforeseeable contingencies such as unexpectedly early retirement and was not included as a modification of paragraph 5 of the circular.

2. The Malaya Borneo Building Society has now agreed to an extension of the provisions of Treasury Circular No. 15 of 1954 to enable officers whose expected date of retirement is not less than three years from the date of applying for grant of a circular whereby repayment would be completed after the date of retirement. Application will be considered subject to the additional provisions set out hereunder.

3. Applications for loans will only be considered where the officer wishes to build a house in the town in which he is serving. Those who wish to build elsewhere than at their present stations must make their own arrangements with the Malaya Borneo Building Society as is the case for members of the general public.

4. Form Fin.153 will continue to be used for applications, but if he is unable to complete repayment prior to retirement the applicant must state in addition in answer to question 6 the period of time subsequent to retirement in which he will make repayment.

5. In such cases the Malaya Borneo Building Society will consider whether repayment conditions can be arranged in accordance with the applicant's wishes which should be stated in a covering letter ..? to each copy of the form Fin. 153. The Society will, however, ensure that the Government guarantee is fully extinguished before the expected date of retirement. This may mean large instalments during the first few years and reduced instalments after retirement. It will be open to the applicant to arrange to pay off part or all of his post retirement debt in a lump sum on retirement from his gratuity or commuted pension, and it is advisable for him to make proposals in regard to any lump sum payment in his application.

6. In the event of an officer wishing to make a lump sum payment at any time to reduce his debt to the

Society, it should be appreciated that such lump sum payment may not affect the interest charge during the year in which it is made although it will be taken fully into account for the subsequent year. If three months notice has been given to the Society of the amount and date of payment and if the sum exceeds \$1,000, the Society will take action to adjust the interest for the year in which the payment is made effective from the date of payment. If the three months notice of such payment is not given, the interest adjustment will only be made three months after the date of payment unless the end of the year intervenes in which case no adjustment is made in the year of payment.

7. In the event of an officer being granted a loan very little in excess of three years prior to the date of retirement, it may be necessary, in order that the amount of the instalments may be calculated so as to relieve Government of its guarantee before the retirement date, to calculate instalments and fix the date for repayment to commence respective of the date on which the first loan payment may be made to the officer by the Society. (For instance there may be delay in the building work and the first instalment there may be delay in the building work and the first payment on the loan may not be due when the first instalment has been calculated for payment). In such cases it will be necessary for the officer to start repayment before the actual payment by the Society is made. The Society agrees, however, to credit the account of such officer with interest at the rate of 3 per cent. per annum on minimum monthly credit balances as at the beginning of each calendar month that may be held in the officer's account. Such credit balance is only likely to exist until such time as the first instalment of the loan is paid by the Society.

8. The Society has been informed of the method of computation of pensions under Pension Regulations 5, 13 and 15 and accordingly it will be necessary for Heads of Departments to ensure that the application clearly shows the date of birth the number of years completed pensionable service, and the value of the present annual pensionable emoluments of the applicant. These details should be shown as an addendum to Questions 6, 7 and 8 of form Fin. 153 together with the information normally required.

By Command,

C.R. FORSYTH,
Secretary to the Treasury

THE TREASURY,
Kuala Lumpur, 14th April, 1956.

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