



MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT
State Department of Housing and Urban Development
Civil Servants Housing Scheme Fund

FRAMEWORK FOR PROVIDING HOUSING LOAN FACILITIES TO CIVIL SERVANTS FOR DEVELOPMENT AND PURCHASE OF RESIDENTIAL HOUSES

PREAMBLE

There are approximately 71,000 civil servants who are employees in Ministries within the national Government and they are spread out throughout the country. Majority of them cannot afford to service mortgages offered in the Housing market and hence very few own houses either in the urban centres or in the rural areas. In realization of this predicament, the Government established the Civil Servants Housing Scheme Fund in 2004 vide Legal Notice No.98 of 15th September 2004. Amendments to the Legal Notice were done vide Legal Notice No. 231 of 7th December, 2015.

OBJECTIVES OF THE CSHSF

The objective and purpose for which the CSHSF is established is to:-

- a) Provide housing loan facilities to civil servants for the purpose of either purchasing or constructing a residential house.
- b) Develop housing units for sale and for rental by civil servants and
- c) Raise funds for the implementation of the above objectives.

MORTGAGE LOANS

- The maximum amount of loan that can be granted to a civil servant depends on the job group and affordability status and ranges from Kshs.4 Million to Kshs.20 Million.
- The loan will be repayable within a period of twenty (20) years or before the loanee attains the age of sixty (60) years whichever is the earlier.
- The interest payable on the loan will be at the rate of 5% per annum on a monthly reducing balance.

TERMS AND CONDITIONS OF GRANTING A LOAN

- 1 The applicant must be a serving civil servant.
- 2 A civil servant shall be eligible to two loans provided that the loans shall not run concurrently. Where one is applying for the second benefit or the spouse has benefited before, priority shall be given to those who have never benefited. The two loans shall not exceed the officer's current entitlement at the time of the application.

MODE OF LOAN PAYMENT

The loan repayments will be through the check – off system and the remittances to the Finance Institution should be on or before the 10th of the subsequent month. All other modes of payment must conform within this period otherwise a penalty for late remittances may be charged.

Defaulters will be dealt with in accordance with Section 15(1) of the Legal Notice No. 98 of 15th September, 2004 which states that *“Where a borrower defaults in repayment of the loan for a period of three consecutive months, the Committee shall repossess and sell the property to another deserving civil servant.*

- 3 Where a borrower leaves service and has served for more than 10 years in the service the borrower shall continue to service the loan at the same terms and conditions as set out in these Regulations, provided that where the borrower defaults for a period of four months in repayment, the interest shall be converted to prevailing commercial rates.
- 4 where a borrower leaves service on disciplinary grounds or resigns before serving for a period of ten years, the Committee may grant the borrower a maximum period of four months to repay the full outstanding loan or permit the borrower to repay the outstanding loan at the prevailing market rate and on such other terms and conditions as the Committee may from time to time prescribe.
- 5 Where the commercial rates are applicable and the borrower is in default for a period of four months, the Fund may call in the loan and sell the charged property by public auction or private treaty.
- 6 The borrower will take and maintain a mandatory life insurance policy and a fire insurance policy.
- 7 The applicant must demonstrate their ability to repay the loan. A balance of not less than a third of their basic salary should be retained by the applicant after the monthly loan repayment.
- 8 The plot or house being purchased should be in an urban area and not in the rural areas.
- 9 The title deed of the property being purchased must be surrendered to the Scheme for charging and safe keeping until the loan is paid in full.
- 10 Provide an official search of the title to the property intended to be purchased or developed.
- 11 Provide a certified copy of the Sale Agreement relating to the property being purchased.
- 12 Provide current valuation report on the property being purchased or plot being developed from a registered valuer.
- 13 For a development loan, the applicant must do the following:-
 - Have a title deed to the plot being developed free of any encumbrances.
 - The remaining lease period for the identified property should not be less than forty five (45) years
 - Make an application to the officer administering the Fund which shall be accompanied by:-
 - (a) Copies of the building plans of the proposed residential property duly approved by the relevant Authority within whose area it is to be situated.
 - (b) Priced Bills of Quantities in respect of the proposed development prepared by a registered Quantity Surveyor.
 - The development loan will be released to the applicant in a maximum of three (3) instalments based on the levels of construction where a maximum of 25% of the cost of construction will

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- be advanced as the first instalment, a maximum of 50% as the second instalment and the balance of 25% as the third and final instalment.
- Demonstrate willingness that the construction will be supervised at the cost of the applicant by relevant Professionals appointed by the Scheme or any other body authorized by the Scheme.
 - Allow access to CSHSF technical staff or their agents to verify the quality and level of Construction.
- 14 The applicant will be required to pay 10% of the purchase price or provide evidence of 10% cost of construction for development loans.
 - 15 The Scheme (CSHSF) will grant a loan at a maximum of 90% of the purchase price or cost of construction.

APPLICATION PROCEDURE

It is only Serving Civil Servants who are eligible to apply for the loans. The application procedure will include:-

1. Interested civil servants to express their interest by registering with the Fund.
 2. Shortlisting of potential applicants.
 3. Interested applicants to apply by filling an application form for the loan through the Administrator of the Scheme.
 4. The Administrator of the Scheme will satisfy himself that the applicant is eligible.
 5. The list of eligible applicants will be forwarded with recommendations to the mortgage finance institutions.
 6. The applicant will formally apply for the loan with the mortgage finance institution.
 7. The application will be subjected to the appraisal criteria among other normal lending requirements by the mortgage finance institution.
 8. On approval of the application, the applicant will be informed accordingly as the funds are disbursed to him/her. Rejected applications will be returned to the Administrator of the Scheme with reasons for their rejection.
- Where the Scheme Management Committee appoints a tenant Purchase Institution or a Mortgage Finance Company under Section 18 of the Legal Notice No. 98 of 15th September, 2004, the applicant will have to fulfil the requirements of the Legal Notice and Legal Notice No.231 of 7th December 2015 as well as meet the appraisal criteria and normal lending requirements of such Institutions.

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