

1.6 LOANS AND ACCOUNTABLE ADVANCES

1.6.1 POSTING LOANS

Moving abroad can involve pretty hefty cash outlays for various items you will need during the course of your posting. FSD 10 recognizes this by making provision for you to obtain substantial loans at concessional interest rates.

Maximum Amount of Loan

Under the 1979 Directives, a Posting Loan of three to four thousand dollars was available depending on your family status. It was also possible to get an Automobile Loan of up to twenty-six hundred dollars.

There is no longer a distinction between automobiles and any other items you may wish to purchase. As of April 1, 1982, the maximum amount you may borrow is \$15,000 or one-half your basic annual salary, whichever is less. You are entitled to apply for a second loan during your posting but only up to the maximum amount less any unpaid balance on the original Posting loan. In subsequent years, the ceiling will be adjusted by the average percentage increase in Public Service contract settlements.

Calculation Of Interest*

At the beginning of every Quarter in the Fiscal Year (the first day of April, July, October and January), an interest rate is prescribed by the Department of Finance for 90-Day Treasury Bills. This is the same rate you will be charged if you take out a posting loan. It is generally more preferential than rates charged by commercial banks and lending institutions, often as much a 4% lower than their rates for unsecured loans. In fact, this rate is the lowest that can be offered without creating a taxable benefit for the borrower.

Whatever the Quarterly interest rate is at the time your loan is actioned, it remains fixed until the loan is repaid or renegotiated. Should interest rates decline, you have the option once during the repayment period to request that the outstanding balance be recalculated using the Quarterly rate in effect at that time. Similarly, if you obtain a second loan during your posting, the prevailing interest rate would be applied to the total amount of the new loan and outstanding balance of the original.

Another feature is that interest is not charged until the first day of the month in which recovery begins. In effect, this means that your posting loan is interest-free for up to four months. To get the most from this benefit, try to arrange for your loan to be issued as early in the month as possible.