LEGAL NOTICE NO. ……

THE PUBLIC FINANCE MANAGEMENT ACT
(Cap. 412A)

THE PUBLIC FINANCE MANAGEMENT (TEACHERS SERVICE COMMISSION SECRETARIAT STAFF CAR LOAN AND MORTGAGE SCHEME FUND) REGULATIONS, 2026

ARRANGEMENT OF REGULATIONS

Regulation

PART I—PRELIMINARY

1—Citation.
2—Interpretation.
3—Object of the Regulations.

PART II—THE TEACHERS SERVICE COMMISSION SECRETARIAT STAFF CAR LOAN AND MORTGAGE SCHEME FUND

4—Establishment of the Fund.
5—Purpose of the Fund.
6—Sources of funds.
7—Initial capital of the Fund.
8—Payments out of the Fund.
9—Retention of funds.

PART III—ADMINISTRATION AND MANAGEMENT OF THE FUND

10—Committee of the Fund.
11—Administrator of the Fund.
12—Secretariat of the Fund.

PART IV—EMPLOYEE LOANS

13—Application for a mortgage loan.
14—Disbursement of mortgage loan for development.
15—Leasehold property.
16—Maximum loan disbursements.
17—Repayment of the mortgage loan.
18—Lien.
19—Conditions for mortgage loan repayment.
20—Mortgage loan insurance coverage.
21—Application for car loan.
22—Age of the car.

23—Maximum limit for car loan.
24—Lien.
25—Conditions during the car loan repayment.
26—Car loan repayment period.
27—Maximum car loan entitlement.
28—Mandatory car insurance cover.

PART V—RESPONSIBILITIES OF THE FINANCIAL INSTITUTIONS/BANK, AND INTEREST CHARGED

29—Responsibility of the financial institution or bank.
30—Interest charged on a mortgage or a car loan.
31—Interest on Fund monies held on call.

PART VI—OTHER PROVISIONS

32—Employee mortgage or car loan facilities before commencement of these Regulations.
33—Existing mortgage facilities.
34—Loan terms when employee exits service.

PART VII—FINANCIAL PROVISIONS

35—Financial year.
36—Bank accounts of the Fund.
37—Overdrawn accounts.
38—Expenditure and commitments of the Fund.
39—Withdrawals from the Fund.
40—Annual estimates.
41—Records of the Fund.
42—Financial and procurement Regulation.

PART VIII—MISCELLANEOUS PROVISIONS

43—Administrative expenses.
44—Review of the performance of the Fund.
45—Winding up of the Fund.

THE PUBLIC FINANCE MANAGEMENT ACT
(Cap. 412A)

IN EXERCISE of the powers conferred by section 24(4) of the Public Finance Management Act, the Cabinet Secretary for the National Treasury and Economic Planning makes the following Regulations—

THE PUBLIC FINANCE MANAGEMENT (TEACHERS SERVICE COMMISSION SECRETARIAT STAFF CAR LOAN AND MORTGAGE SCHEME FUND) REGULATIONS, 2026

PART I—PRELIMINARY

Citation.

1. These Regulations may be cited as the Public Finance Management (Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund) Regulations, 2026.

Interpretation.

2. In these Regulations, unless the context otherwise requires—

Cap. 412A.

“Act” means the Public Finance Management Act, 2012.

“Administrator of the Fund” means the person designated as such under Regulation 11(1);

“Bank’’ means a company which carries on, or proposes to carry on, banking business in Kenya under the Banking Act;

No. 16 of 2024.

"borrower" means an employee in receipt of a loan out of the Fund;

“Cabinet Secretary” means the Cabinet Secretary for the time being responsible for matters relating to public finance;

“Car’’ means a motor vehicle, new or used, purchased for personal use;

“Car loan” means a loan advanced to an employee for the purpose of purchasing a car;

"Commission" means the Teachers Service Commission established under Article 237(1) of the Constitution;

“Committee” means the Committee of the Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund established under Regulation 10;

No. 16 of 2024.

“employee" means a staff member of the Commission appointed pursuant to Section 18 of the Teachers Service Commission Act;

“equity release” means a loan that allows the homeowner to access equity in their home without having to sell it for purposes of improving it.

“Financial Institution’’ means a company other than a bank which carries on, or proposes to carry on, financial business under the Banking Act,

"Financial year" means the period of twelve months ending on the 30th June in each year;

“Fund” means the Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund established by Regulation 3.

“Interest” means an amount accrued over and above the principal amount from a loan advanced to an employee;

“mortgage loan” means a secured loan used to purchase or construct employee residential houses, where the residential house acts as collateral;

“Secretariat Staff Welfare " means an association of Teachers Service Commission Secretariat Staff with the objective of promoting the staff well-being.

"Valuer" means a person registered as such under the Valuers Act, CAP 532 of the laws of Kenya.

Object of the Regulations.

3. The object of these Regulations shall be to provide a framework for the administration and management of a staff car loan and mortgage scheme for the Commission employees.

PART II—TEACHERS SERVICE COMMISSION SECRETARIAT STAFF CAR LOAN AND MORTGAGE SCHEME FUND

Establishment of the Fund.

4. There is established a Fund to be known as the Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund.

Purpose of the Fund.

5. The purpose of the Fund shall be to—

(1) Provide a loan scheme to employees for:

a) purchase of a residential property for the occupation of the borrower;

b) improvement of a residential property occupied by the borrower;

c) development of a residential property for the occupation of the borrower;

d) purchase of land and development of a residential property on the land for occupation by the borrower;

e) equity release for improvement or development of a residential property; and

f) the purchase of cars for personal use by the borrower.

(2) facilitate expenses approved by the Administrator of the Fund to promote the objects for which the Fund was established. Provided that a loan granted under these Regulations shall not be utilized for commercial purposes.

Sources of funds.

6. The Fund shall consist of—

(a) savings from the Teacher Service Commission
(b) amount of money as may be appropriated by the National Assembly;
(c) interest charged on loans and Fund investments; and
(d) grants and donations.

Initial capital of the Fund.

7. The Fund's initial capital shall be Teacher Service Commission savings of Kshs 640 million.

Payments out of the Fund.

8. (1) There shall be paid out of the Fund moneys in pursuance of the objects and purposes for which the Fund is established.

(2) The payments out of the Fund for administrative expenses shall only be based on annual work plans and cost estimates which the Administrator of the Fund shall prepare at the beginning of the financial year to which they relate.

(3) Any revision of the approved annual work plan and any cost estimates shall be submitted to the Committee for advice before the revised annual work plan is implemented.

Retention of funds.

9. The earnings or accruals to the Fund shall be retained in the Fund and shall be spent only for the purposes for which the Fund is established.

PART III—ADMINISTRATION AND MANAGEMENT OF THE FUND

Committee of the Fund.

10. (1) A Committee is established to be known as the Committee of the Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund. The Committee shall consist of:

(a) The Commission Secretary, who shall be the Chairperson;
(b) The Director responsible for the time being for administration;
(c) The Director responsible for the time being for human resources;
(d) The Director responsible for the time being for legal services;
(e) A staff member nominated by secretariat staff welfare;
(f) Two (2) members from the Teacher Service Commission field offices nominated by the Regional and County Directors.

(2) The officer administering the Fund shall be an ex officio member of the Committee and the Secretary to the Committee.

(3) The members of the Committee shall be appointed in writing by the Commission Secretary.

(4) The members of the Committee under clauses (e) & (f) shall serve for a term of three years, renewable once.

Functions of the Committee

(5) The functions of the Committee with regard to this Fund shall be to—

(a) oversee the administration of the Fund;

(b) manage the Fund in accordance with these Regulations and the Act;
(c) approve applications for loans in accordance with these Regulations;

(d) consider, review, and approve estimates of revenues and expenditures of the Fund and recommend them to the Teachers Service Commission for approval;

(e) approve policies to guide the administration of the Fund;

(f) approve the opening and closing of bank accounts of the Fund in accordance with the Act;

(g) consider, review, and approve the quarterly financial and non-financial reports of the Fund prepared in accordance with the Act;

(h) Review and recommend for approval the annual financial and non-financial statements of the Fund prepared in accordance with the Act in the format prescribed by the Public Sector Accounting Standards Board for submission to the Auditor-General, with a copy to the

National Treasury, Commission on Revenue Allocation, and Controller of Budget;

(i) advise the Administrator of the Fund on proper administration of the Fund; and

(j) Advise the Teachers Service Commission on the Fund's funding requirements.

(6) The Committee shall conduct its business and affairs in the manner provided under Schedule 1. Except as provided in Schedule 1, the Committee may regulate its own procedure.

(7) The Committee may, if it considers it appropriate, appoint a Financial Institution or Bank to administer the Fund at a fee on its behalf.

Administrator of the Fund.

11. (1) There shall be an officer administering the Fund who shall be appointed under Section 24 (5) of the Act, and in consultation with the Commission Secretary.

(2) The Administrator of the Fund shall—

(a) develop predictable, transparent, and accountable financial internal control systems for the Fund;

(b) prepare estimates of annual revenue and expenditure of the Fund and submit them to the Committee for advice before adoption;

(c) establish proper systems of control and oversight as per the provisions of the Act;

(d) consult the Committee on matters relating to the administration of the Fund;

(e) prepare a non-financial performance report of the Fund and submit it to the Committee for adoption.

(f) be the custodian of the property, assets, and equipment of the Fund;

(g) keep or cause to be kept proper books of accounts and other books and records relating to the Fund; and

(h) prepare, sign, and transmit to the Auditor-General in respect of each financial year and within two months after the end of the financial year, a statement of account relating to the Fund in such form as the Public Sector Accounting Standards Board established under the Act.

(3) The Administrator of the Fund shall comply with the government budget cycle in preparing the estimates for the Fund.

(4) Upon approval by the Teachers Service Commission, the Administrator of the Fund shall submit estimates of revenue and expenditure to the Cabinet Secretary by the 31st January of each financial year for approval.

(5) The originals of all documents relating to property or a car financed by a loan from the Fund shall be kept in safe custody by the Administrator.

Secretariat of the Fund.

12. (1) In consultation with the Commission Secretary, the Administrator shall designate such staff as may be necessary to assist in the administration of the Fund.

(2) The Fund Administrator may assign duties to the staff regarding the administration and management of the Fund.

PART IV—EMPLOYEE LOANS

MORTGAGE LOAN

Application for a mortgage loan

13. An application for the purchase, development, or improvement of a residential property under these Regulations shall be accompanied by an application as per Schedule 3.

Disbursement of the mortgage loan for development

14. A mortgage loan granted for the development of a residential property under these Regulations shall be released to the borrower in the following phases-

(a) The first disbursement shall be based on twenty per cent of the estimated value of the construction or twice the open market value of the land on which the residential property is proposed to be constructed, whichever is lesser;(b). The subsequent disbursements are based on the completion rate of the various development phases as certified by a qualified valuer at the cost of the borrower.

Leasehold property

15. Where the property intended to be purchased through a mortgage loan from the Fund is leasehold property, such a mortgage loan shall be granted where the expiry date of such a lease is at least thirty-five years.

Maximum loan disbursement

16. (l) The maximum mortgage loan entitlement for an employee shall be subject to a sixty-seven percent commitment level limit set by the Salaries and Remuneration Commission.

(2) For an employee of the Commission to qualify for a mortgage loan, such an employee shall be:

(a) confirmed in appointment as a permanent and pensionable, or

(b) on a fixed-term contract of employment.

(3) A mortgage loan granted to an employee under these Regulations shall be funded at the rate of—

(a) one hundred percent of the value of the property or the sale price, whichever is lower, or

(b) ninety percent for the construction of a house for residential purposes.

(4) The Fund may advance the auxiliary costs of the loan, including legal fees, insurance costs, and statutory levies, subject to the borrower's ability as per Regulation 17.

Repayment of the mortgage loan

17.(1) A mortgage loan granted under these Regulations shall be repayable: -

a) within twenty years or the remaining period of service of the employee on permanent & pensionable terms, whichever is less, for the purchase or construction of residential property, house improvement, and equity release;

b) within ten years or the remaining period of service of the employee on permanent & pensionable terms, whichever is less, for the purchase of land;

c) employees on fixed-term contracts may borrow beyond the contract period, subject to a demonstration of the ability to repay post-contract

(2) A member granted a loan shall be allowed to secure it using their retirement benefits to the extent allowed by the Retirement Benefits Authority.

Lien

18. The Fund shall have a charge registered on the residential property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of title for such residential property;

Condition for mortgage/land loan repayment

19. (1) During the mortgage or land loan repayment period, every borrower shall-

(a) not mortgage, charge, surrender the lease, or sell or agree to sell or part with the possession of the charged property or any part thereof without the prior written consent of the Fund;

(b) meet and pay all taxes, rates, rents, insurances, and any other outgoings in respect of the property;

(c) ensure the residential property is used for residential purposes only;

(d) maintain the property in a satisfactory state of repair; and

(e) not alter or make any structural alterations to the property, assessment, or investigation relating to the property or title thereto, as the case may be, without the approval of the Fund.

(2) All residential properties purchased through the Fund shall be constructed of such material as may be acceptable by the National Construction Authority building code.

(3) No borrower shall be entitled to more than one mortgage loan at a time to purchase, construct, improve residential property, or for equity release.

(4) A borrower may be considered for a second mortgage loan to purchase or construct a residential property upon clearance of the previous loan, subject to the availability of funds and the expiry of two years from the date they cleared the previous loan.

Mortgage loan insurance cover

20. A borrower shall have a mortgage protection insurance policy and a fire insurance policy for the residential property with an insurance firm approved by the Fund, the cost of which shall be paid out of the Fund and debited to the borrower's account.

CAR LOANS

Application for a car loan

21. The following documents, where appropriate, shall accompany an application for a car loan under these Regulations-

a) A duly filled application form in the prescribed format (schedule 4);

b) sale agreement;/proforma Invoice

c) certified copy of the logbook or import documents

d) valuation report;

e) a certified copy of the National Identity Card/Passport or incorporation documents of the individual/institution selling the car; and

f) certified copy of the KRA PIN Certificate and National Identity Card certificate of the seller

Age of the car

22. A car to be purchased under this regulation shall not be more than 10 years old from the date of manufacture.

Maximum limit for a car loan

23. A loan granted to a borrower under these Regulations for the purchase of a car shall be funded at the rate of one hundred percent of the value of the car or the sale price, whichever is lower.

Lien

24. A car financed through a loan granted under these Regulations shall be jointly registered under the names of the Fund and the borrower.

Conditions during the car loan repayment

25. During the car loan repayment period, the borrower shall-

(a) not lease, sell, or agree to sell or part with possession of the charged car or any part of the car without the prior written consent of the officer administering the Fund;

(b) ensure that the car is not used for commercial purposes; and

(c) maintain the car in a satisfactory state of repair.

Car loan repayment period

26. A loan granted under these Regulations for the purchase of a car should be paid within 6 years.

Maximum car loan entitlement

27 (1) A borrower shall not be entitled to another car loan before the expiry of five years from the date they secured the previous loan.

(2) No borrower shall be entitled to more than one car loan at a time.

Mandatory car insurance cover

28. A borrower shall maintain a comprehensive insurance policy and group credit assurance policy covering the car with an insurance firm approved by the Fund, the cost of which shall be paid out of the Fund and debited to the borrower’s account.

PART V—RESPONSIBILITIES OF THE FINANCIAL INSTITUTIONS/BANK, INTEREST, AND RELATED PROVISIONS

Responsibilities of a Financial Institution or Bank

29. The responsibilities of a Financial Institution or Bank, if appointed under these Regulations, shall be-

(a) to receive the loan application form and the accompanying documents

(b) appraise the borrower to determine eligibility

(c) review all the documents accompanying the application

(d) to operate individual accounts for each borrower, which shall provide details of recoveries of the loan;

(e) to charge security on properties or cars acquired through a loan from the Fund

(f) protect the interests of the Fund

(g) act as custodian of all charges

(h) to disburse payments for newly approved loans after the Committee of the Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund completes the necessary processes.

(i) to pay all outgoings and issue demand notices where necessary to borrowers through the administrator of the fund;

(j) to ensure that the loan agreements with borrowers align with these Regulations.

(k) upon repayment of the loan, interest, and other expenses which may be outstanding, to discharge the charge and release the security documents to the borrower;

(l) upon default, to call in the loan and sell the charged property by private treaty or public auction, in which event the Fund shall meet any shortfall between the loan outstanding and the proceeds of the sale.

Interest charged on a car /mortgage loan

30. (1) The interest chargeable on the loan shall be one point five per centum per annum on the monthly reducing balance.

(2) A Financial institution or bank appointed under regulation 30 to administer the Fund may charge an interest of not more than one point five per centum to cover management costs;

(3) The interest charged under (1) and (2) above shall be met by the borrower.

Interest on Fund monies held on call

31. (1) The Fund shall deposit surplus funds in a call account in a bank at a negotiated rate of interest.

(2) The interest accruing from the deposit shall form part of the Fund.

Employee mortgage car loan facilities before the commencement of these Regulations

32. Any outstanding balance of a mortgage/car loan facility obtained before the commencement of these Regulations shall be serviced at the interest rate provided in these Regulations.

Existing mortgage facilities

33. The Fund may take over an employee's existing mortgage facility as long as it was used to purchase a residential property that the employee occupies.

Loan terms when the employee exits service

34. Where an employee exits service, except on disciplinary grounds, the terms of the loan will remain in force. The Fund shall

not change the terms for the duration of the loan, unless in the case of default, in which case the loan shall revert to prevailing commercial terms.

PART V—FINANCIAL PROVISIONS

Financial year.

35. The financial year of the Fund shall be twelve months commencing on the first of July in each year and ending on the thirtieth of June.

Bank accounts of the Fund.

36. (1) The Administrator of the Fund shall cause bank accounts in the name of the Fund to be maintained in a bank regulated by the Central Bank of Kenya in accordance with the Act.

(2) All moneys payable to the Fund shall be paid into the bank accounts of the Fund.

(3) The Fund's bank accounts shall be operated by the Administrator of the Fund and three other persons nominated by the Committee.

(4) The Fund's bank accounts shall be submitted to the National Treasury by the 10th of every succeeding month as per the Act.

Cap. 412B.

Overdrawn accounts.

37. The Administrator of the Fund shall ensure that the bank accounts of the Fund are not overdrawn.

Expenditure and commitments of the Fund.

38. The Administrator of the Fund shall ensure that in any financial year, the expenditure and commitments of the Fund shall not exceed the annual income of the Fund together with any surplus income brought forward from the previous year.

Withdrawals from the Fund.

39. (1) Withdrawal from the Fund shall only be to promote the objects for which the Fund is established.

(2) The records of expenditure relating to the Fund shall be kept and maintained in accordance with the Act and Regulations made thereunder.

Annual estimates.

40. (1) At least three months before the commencement of each financial year, the Committee shall cause to be prepared estimates of the revenue and expenditure of the Fund for that year.

(2) The annual estimates shall make provision for the estimated revenues and expenditures of the Fund for the financial year and, in particular, the estimates shall provide for—

(a) revenues projected to be received by the Fund from the sources of funds provided for under these Regulations; and

(b) amounts of money for the administrative expenses of the Fund.

(3) The Committee shall approve the annual estimates before the commencement of the financial year to which they relate, before submission to the Cabinet Secretary responsible for finance for approval.

Records of the Fund.

41. (1) The Administrator of the Fund shall cause to be kept all proper books and records of account of the income, expenditure, assets, liabilities, equipment, and properties of the Fund.

(2) Within two months from the end of each financial year, the Administrator of the Fund shall submit to the National Treasury the accounts of the Fund together with—

(a) a statement of the income and expenditure of the Fund during the financial year; and

(b) a statement of the assets and liabilities of the Fund on the last day of that financial year.

(3) The financial statements prepared under sub-regulation (2) shall be prepared in accordance with the format prescribed by the Public Sector Accounting Standards Board.

Financial and procurement Regulation.

42. The Fund shall be governed by all relevant financial and procurement laws and regulations as applicable.

PART VI—MISCELLANEOUS PROVISIONS

Administrative expenses.

43. The administrative expenses of the Fund shall not exceed three per cent of the approved budget of each financial year.

Review of the performance of the Fund.

44. (1) The Committee shall, at the end of every financial year, cause a review to be undertaken on the performance of the Fund.

(2) The review under sub-regulation (1) shall be to determine whether the Fund has met the objectives for which the Fund was established.

(3) The report on the review of the Fund shall be submitted to the Teachers Service Commission for consideration and further guidance.

Winding up of the Fund. L.N. 34/2015.

45. (1) The winding up of the Fund shall be in accordance with the provisions of the Public Finance Management (National Government) Regulations, 2015.

(2) On winding up of the Fund—

(a) the Administrator of the Fund shall pay any amount remaining in the Fund into the National Exchequer Account for the credit of the national government; and

(b) the Cabinet Secretary shall pay any deficit in the Fund from the national government's funds in the National Exchequer Account, with the approval of the National Assembly.

(3) The Cabinet Secretary shall submit a final statement of accounts to the National Assembly and the Auditor-General for audit within six months from the date of the decision to wind up the Fund.

Made on the ……..……..., 2026

HON. FCPA JOHN MBADI NG'ONGO, EGH
Cabinet Secretary for the National Treasury