

# GET THAT PERFECT HOME

*The RBI may have dropped repo rates by 0.50 basis points, causing financial markets to cheer, but the average home buyer still has to use tact while finding the ideal home.*

*By Arthur Candillac*



Everyone grumbles about the rising costs of real estate in Indian cities. It's become a national pastime of sorts, like cricket or politics. So often, we get to hear talk like "The houses are so expensive here" or "Try for a flat somewhere outside the city; it will come cheaper."

It's a fact that finding an apartment in the city can be intimidating and troublesome

and can make you extremely anxious. Cities such as Mumbai and Delhi have seen real-estate prices go up exponentially, even with the increasing demand. Many urban centres have people looking for apartments but not many are able to shed the extra moolah. The developer, however, knows that for every 'No', there is a 'Yes' somewhere. The Ministry of Housing and Urban

Poverty Alleviation has estimated a shortfall of 47.43 million houses in rural areas and 26.53 million in urban areas, taking into consideration an increase in the demand for property.

Inflated property prices and high home-loan rates have made consumers shy away, resulting in a recent slowdown in home sales across the country. Developers can't be blamed, with many



of them still dealing with problems, including restricted access to necessary finance and high input costs caused by continued increases in interest rates.

The good news in all of this has been the Reserve Bank of India's (RBI) decision to drop the repo rate by 0.50 basis points from 8.5% to 8%, which has led many banks to reduce their interest rates on home and car loans. This drop, which has taken nearly three years to come after 13 rate hikes between March 2010 and October 2011, is by no means any indication that the RBI may not increase the rate yet again owing to current economic constraints.

The simple truth is that planning to invest in a home is one of the most crucial and critical decisions you will ever make. In fact, besides being the single-largest investment to come out of your

### Preserve and Make Money out of Your Home

- Buying your dream home is great, but you also need to secure it with home insurance. Home insurance comes cheap in India, owing to its low penetration in the market. It gives you overall protection for your property, with coverage options for theft, burglary and larceny.
- You can also opt for reverse mortgage if you are in your golden years. A senior citizen who does not have a stable source of income can get his/her property mortgaged with a bank or a housing finance company, which then pays him/her a monthly or quarterly stipend on a regular basis. The senior citizen also gets to stay in that house for the rest of his/her life.
- You also have the option of giving your house or property on lease. It's a better idea than locking up a house and letting it decay.

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pocket, it will also be a very important asset with a deep emotional quotient in the years to come. So, if you are ready to pay for that ideal home, here are some guidelines to keep in mind.

### HUNTING FOR WHAT YOU WANT

Finding a house is not easy. Selecting the best one for your needs is certainly tougher. So, it's very important to decide what you want. Take a few minutes and ask yourself these questions:

- What is your budget?
- Do you need a big house?
- How many rooms do you need?
- How important is the location? Are the building and neighbourhood offered to you safe?
- Do you consider aspects such as great views, a complete kitchen, or in-built shelves important?
- Is it important that your new home be close to a school?
- Do you need car-parking space or a building where visitors can park their cars easily?

- What facilities do you find important? Do you need a doorman or a fitness centre?
- Does your building allow pets?

After these preliminary questions, decide what your immediate needs are. For instance, if you want a flat near a school, then this becomes an instant priority. Also, keep in mind a set of alternatives. For example, not all buildings allow their tenants to park their cars inside the premises, so see if you are agreeable to parking outside.

Now, with these basics taken care of, find out how much all your various 'wants' will cost you. Buying an apartment in cities is expensive, and some of the amenities you think may be good for you need to be questioned further. Do you really need to pay a lot for a swimming pool or a gym when



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“ Your developer must have a plan document showing the layout of the project and flat, as approved by the municipal corporation or an equivalent body.

there may be a sports club somewhere close by?

Also, convenient transport, nearby schools, even easily accessible markets can increase the cost of buying a house.

### HOW TO FIND OUT WHAT YOU WANT

Now that you have listed all your criteria, for the perfect home, it's time to shop. The best way of getting to know about flats is through a broker. Another option is your local newspapers. Also, use the internet for browsing house-hunting websites. Let your family and friends know that you are in search of one. But even as you do all this, finally trust only your own judgement. Check out the place and see how comfortable you personally are. Don't rely on anyone else saying so. When deciding to purchase a property that is still under construction, it is crucial that you carry out a thorough check of the builder's track record on project completion and quality of work. When you find a home that seems to be what you're looking for, probe further. If the answers given to you are not what you want to hear, or you sense that your broker or landlord isn't telling you the truth, move ahead to other reliable options.

### THE JARGON

Here are some terms which you need to be acquainted with.

**Stamp Duty:** When you buy a property (house or land), you need to pay stamp duty. This is a certain percentage of the actual cost of the house, as levied by the state government, and can vary from state to state.

**Registration of Agreement:**

Under the Indian Registration Act, any immovable property has to be registered at the time of purchase and transactions related to the property should be registered with the sub-registrar of assurances.

**Floor Space Index (FSI):** The ratio of a building's total floor area to the size of the land on which the building stands.

**Carpet Area:** The area within the flat where you can lay a carpet, or the usable area.

**Super Built-up Area:** This includes your open spaces, lift, stairways, etc.

**Built-up Area:** The space covered by the thickness of the inner and outer walls of a flat, over and above the carpet area.

**Covered Area:** The area under the roof. Not commonly used.

**Property Title:** The legal owner of the property as per registration records, serving as evidence of ownership.

**Approved Plans:** Your developer must have a plan document showing the layout of the project and flat, as approved by the municipal corporation or an equivalent body.

**No Objection Certificate (NOC):** Before any construction, the builder must have an NOC from the municipal corporation to show that the completed project is as per the approved plan.

**Allotment Letter:** When everything is signed, sealed, and delivered, an allotment letter is issued, which contains price details, date of delivery, construction schedule, house plans, and the developer's liability if they miss the completion date.

**Possession Letter:** When the building or house is completed, you receive a possession letter from the developer.

**Sale Deed:** It provides the buyer with absolute ownership of the property, thus completing the transfer from the seller to the buyer.

### THE PAYMENTS

For a long time, buying a home was a difficult decision, as it led to a huge cash outlay. But the current market has a lot of home-loan plans available. Some of them are as follows.

**Construction-linked Plan:** Here, you pay the builder through preset instalments in tandem with the project development, thus allowing you time to pay. Therefore, the buyer saves on the interest generated by not paying too early and restricts the builder from charging too much in the beginning.

**Time-linked Plan:** Here, the buyer is given the option of paying through instalments within a preset time frame, irrespective of project development. This arrangement allows the buyer to plan out his expenditure effectively, without any hidden shocks.

**Down Payment Plan:** A traditional way of repaying a loan, the down payment plan involves the buyer paying up to 20% of the total loan value upfront. Based on what you find most comfortable, you can pay the amount you want to, and so there are commensurate discounts. ■

### Know Your Rights

- To protect home buyers from undue harassment, the government is currently debating the Real Estate (Regulation and Development) Bill. Among its provisions is a proposal to set up a Real Estate Appellate Tribunal that will resolve property disputes in a transparent and timely manner.
- In case a consumer wishes to report a lopsided deal or any perceived unfair practice carried out by a large real-estate developer, they have the option of appealing to the Competition Commission of India (CCI). The CCI is the statutory body mandated to take action against dominant firms misusing their market position.