

Buying a new house? Ask the right questions

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THE joy that you experience upon being able to own the house you always dreamed of is probably unparalleled when compared with any other material desire. But, in your euphoric frame of mind, you should not forget to ask four basic but integral questions before homing in.

Does the builder have right approvals?

You should ask your developer for a copy of some crucial documents such as intimation of disapproval (IOD) and commencement certificate (CC). For an under-construction property, you could even look at some approved drawings of the project. IOD lists out the conditions based on which the building should be constructed. It is usually valid for one year and has to be revalidated thereafter.

A CC is issued by the local authorities such as Municipal Corporation of Greater Mumbai (MCGM), which gives the licence to the builder to begin construction only after all terms and conditions have been satisfied. If you don't verify the project's CC, you could end up paying money for a property that will never be constructed. These documents would also ensure that the land is free of mangroves, salt pans or any such restrictions imposed by the local municipal authority.

Another crucial document is clear land title. It should be free of litigation and any kind of associated debt. The buyer should also ensure that the property has a functional water connection and proper power supply with an occupation certificate. Without these documents, a buyer is better off without investing in these projects. Ninety five per cent of home buyers opt for a home loan. So, even if a home buyer fails to undertake complete due diligence before booking a house, the HFC will do all the relevant paper and legal checks before sanctioning the loan. They charge a processing fee for this service but it's worth the buck, said Gulam Zia, director, national advisory services, Knight Frank.

Have you invested in a mortgaged property?

It may be of less relevance to you that residential projects are funded by housing finance companies or banks. But while buying a property, it is important to know who the real owner would be. In fact, there have been instances where the customer has been asked to extend cheques on the bank's name rather than the developer's name for partial disbursements. The best way to do so is involving a lawyer and asking for title verification. The lawyer can carry out a search from the office of the sub-registrar, society, corporation or other authorities concerned, and ascertain the legitimate ownership of the asset.

If you are buying an under-construction flat from a builder, check if it is already mortgaged with a lender. "If the property is already mortgaged thus, insist on a no-objection certificate from the lender, before entering into a purchase agreement," advises Rajesh Narain Gupta, managing partner, SN Gupta & Company. In the case of a default from the builder and lack of NOC from the lender, a buyer can be turned out of the house. It is essential to ask for original documents. Sanctioned plans of the property and completion certificates must be asked for to ensure compliance with law. Mere registration of property does not make it an authorised or a compliant property. Absence of original documents of ownership is a good starting point for a fraud. There are instances where the flat is mortgaged with a bank and the originals are with the bank. If that happens it is highly likely that the buyer will be ousted if the borrower defaults on the bank loan.

What is the total cost of the house?

Owning a flat at Rs 8,000 per square feet for a 1,000 square feet area flat at a posh suburb may sound too good to be true. It is indeed if you forget to factor in the other costs such as stamp duty, maintenance, registration of the property with the local electricity board, a one-time expense of an electric meter, cost of furnishing, fittings and all other expenses to meet your needs and tastes. Each of these may add few thousands of rupees, which could overshoot your budget. In India, the first hidden cost a home buyer will incur is stamp duty. Normally, the rates quoted by builder are on the super built-up area. There could be many other components such as floor rise, infrastructure development costs, car parking charges, society and club membership fee, electricity and water charges, advance maintenance collections, etc. "The budget for a home purchase should also take into account the stamp duty and registration fee, which will be a percentage of the total price of the apartment," said Mrunal Duggar, vice-president, Homebay Residential, Jones Lang LaSalle Meghraj.

Do I get a tax benefit on the pre-EMIs?

Unlike a regular housing loan, the entire amount is not disbursed to the builder at one go. Instead, the sanctioned amount is disbursed to the builder in tranches as and when the stipulated work is completed. This stipulation is defined in the agreement. For instance, 20% of the amount may be disbursed when the second slab is completed and so on. At this stage of partial disbursements you pay only interest component of the disbursed amount, which is called the pre-EMI. You can avail of tax benefits on the interest component of the pre-EMI only after the construction is complete.

HOUSE WARMING A BRIEF ON THE ENTIRE PROCESS OF BUYING A HOME

- Selection of property
- Purchase of a pre-launch property
- Brokerage fee
- Budgeting of the purchase
- Token money
- Down Payment
- Bank loan
- Registration of the property
- Getting possession of the premises
- Maintenance by the builder
- Formation of the housing society

