

20 Tips for the First Time Home Buyers in India

Acquiring a home – sweet home or rather building one has always been on top of the list of ambitions for every Indian. The beginning of the 21st century has witnessed significant growth in this trend with an increased supply of disposable income in the hands of young Indians. The proliferation of information technology business had added further impetus and cities and towns are growing vertically and horizontally to cater to the demand for new homes. First time home buyers in India have a long list of concerns to be addressed before signing on the dotted lines of a home buyer's agreement. The following tips are intended to help you come to grips with most of these concerns.

Budgeting

First time home investment is always multi dimensional. Your home provides you the much needed shelter, security, satisfaction of having achieved a major milestone in life, an elevated social status, a sense of responsibility, financial commitment, and better returns on your investment. A well thought out budget is therefore the stepping stone for first time home buyers in India. Fewer people have the ability to fork out the large investment needed for a home from their owned funds. Housing loans thus form an integral part of the home buying exercise. A typical home loan stretches over 15 to 20 years and even a 0.25% savings in interest can translate to a neat pile of money over the tenure of the loan. The equated monthly instalment or the EMI should be extremely comfortable for you. Remember that the repayment obligation will keep visiting you month after month for several years. Setting aside 4 to 5 EMIs as reserve funds will work wonders with your personal finances, particularly when unforeseen demands exert pressure on resources available at your disposal.

Affordability

Many first time home buyers in India fail to factor in a long list of expenses after they have moved into their new home. Furnishing, interiors, painting, and other miscellany can potentially gobble up several lakhs of rupees. When these expenses are not factored into your acquisition price, you can potentially face grave financial instability for long years. Finding an affordable home and making the space comfortable for you and your family should gain priority over your passions and other influences.

Location

Choosing the right location is another important step for the first time home buyers. Your job and other personal circumstances can take you places. Are you better off buying home in a town/village where you expect to spend the evening of your life or would you rather buy a home in a metropolitan city? You may also want to conduct a detailed analysis of the costs involved in city dwelling vs. village dwelling, rate of appreciation in values, and your sentimental pulls.

Tuning into your needs

For first time home buyers considering city dwelling units in particular, the wide array of options can present significant confusions. What floor should you choose in high rise structures and why, what is the quality of material used in the construction, is there a recurring monthly cost of maintenance, is the water supply arrangement adequate and hygienic, what deviations from standard specifications are possible and at what cost are among the major questions that should be answered to tune into the needs of your family.

Scalability

The acquisition of a home for most first time home buyers is among the earliest investments in life. The number of occupants in most families will steadily go up over a period of time. Is the space you plan to acquire adequate for an enlarged family. What scalability options are available to you? A mezzanine floor is an option which some people consider. However, the floor to ceiling height should be suitable for such an expansion when needed.

Factoring in delays

In the Indian context - and particularly so, with high rise structures and community housing, delays are inevitable for varying reasons. Fewer builders across the nation have demonstrated their ability to stick to committed delivery schedules. Working with a cushion of 90 to 120 days will therefore work to your advantage.

Know-how to deal with builders

Dealing with builders offering high rise structures and/or group housing is no mean task for the first time home buyers. Use a magnifier to understand every bit of fine print in your agreement with the builder. Interpretation of various clauses and ambiguous specifications can potentially cause serious difficulties for you during the progress of construction. Many builders are known to create artificial demand for the space they offer and pressurize you into signing on the dotted. It is your money and the principle of 'caveat emptor' applies in a large measure in your home building exercise.

Leave nothing to chance

First time home buyers are investing a major part of their life's savings into the home they are about to buy. As a buyer you have every right to ask for elaborate specifications including brands, free modifications, and modifications at extra cost, marginal changes to specifications and more. What is important however is to document all these discussions and insisting on the builder signing every minutes of meetings.

Documentation

Documenting the acquisition for first time home buyers is best done in consultation with a competent legal professional. In practice however, home buyers are provided with stereotype agreement. Do know that these agreements can be modified to reflect your specific needs and concerns. A carefully worded document can save you plenty of bothers and even some money in some circumstances.

Financing options

Most first time home buyers in India opt for a home loan to finance their acquisition. There is no dearth of home finance companies and banks with specialized subsidiaries for home finance. A housing loan also entitles you to multiple benefits with major gains coming from your income-tax liability. Though most financing options may portray an identical picture, you should know that each financier has a profit maximization objective. Understanding the fine print is therefore critical to peg your cost of finance at affordable levels. Purvey every single option that is available to you and seek help of professionals if you have difficulties in understanding the numbers.

Understanding common area in high rise structures

First time home buyers considering high rise structures should educate themselves on the concept of 'common area'. Some builders do offer a differential pricing for 'common area' since much of the amenities provided in the carpet area offered to you do not apply to the common area. This subject by itself is pretty exhaustive and merits in-depth learning.

Payment modalities

The cash component in home buying is an accepted reality in India, though the legal sanctity is absent with such transactions. Most builders sign an agreement of sale upon payment of the cash component. Your home loan provider approves the loan on the strength of the agreement and releases payment directly to the builder either as a lump sum payment or in progressive instalments. Once the loan is approved and accepted by you, there can be instances when you are not in absolute control of the disbursement. This can lead to tricky situations when your builder colludes with the home loan provider. Document your loan appropriately to save yourself of such embarrassments.

Shopping for home loans

Let us now take a breather from the builders and turn our attention to home loans. Shopping for competitive home loans is another major component of in-depth work for first time home buyers. At first sight, most loans may look alike. Marginal difference in interest rates, the amount of margin money offered by you, the loan amortization table, prepayment options, penal interest for belated payments, processing fee, and documentation charges are among the major components you should understand in great detail to understand the net cost of funds that you borrow. Do expect some fine print and clauses that can be interpreted to suit the lender.

Furnishing needs

A new home must be appropriately furnished to make it comfortable for the occupants as well as the visitors. Some home owners end up spending nearly the cost of the home itself in furnishing. The scope is unlimited and your access to financial resources is the only limiting factor. In practice however, many first time home buyers tend to conveniently forget this all important part of the acquisition and end up with empty wallets when they move into their new home.

Up-keep and maintenance

Your home will also need regular up keep and maintenance. Depending on your life style and the size of the home itself, you must set aside a decent sum of money month after month to meet these expenses.

Add-ons

First time home buyers should also consider possible expenses on account of add-ons after they have moved into their new homes. This is particularly true in the case of high rise structures. Enclosing the balconies is among the most popular additional spend that you incur upon moving into a new apartment.

Tax benefits

The major motivation for first time home buyers comes from the income-tax deductions that are available against home loan repayments. Without a home loan your contribution to income-tax would be greater and the money accrues to the exchequer. But, when you avail the tax concession, it promotes indirect savings for you, and the benefit accrues to your personal account. The exact scheme of deductions and percentages are announced in the annual fiscal budget released by the Government of India.

The sale deed

The contents of the sale deed conveying absolute rights to the space sold to you will hold the key to your peaceful enjoyment of the acquisition over long periods of time. The schedules forming part of the sale deed should vividly describe the carpet area of your apartment, the common areas, your undivided share in the property on which the structure stands, any residual rights retained by the builder on the common property, builder's responsibility for common maintenance, common facilities like lift, transformer, water supply arrangement etc. provided by the builder and other related details. Understand also that the builder retaining residual rights in a completed project can become a contentious issue as time progresses. This clause is best avoided to buy peace of mind.

Verifying link documents

Scores of urban property across the nation is the subject matter of litigation in one court or the other. In most metros it is becoming increasingly difficult to find litigation free properties suitable for high rise structures in particular. First time home buyers should remember that they are buying a home to enjoy their acquisition in peace and not run around courts of law to establish their rights. Even if you get the slightest hint of trouble, be wary of rushing in where angels fear to tread.

Consider co-ownership

First time home buyers who have the ability to make large investments into their home in the urban agglomerates across the nation can also benefit from co-ownership of the acquisition. A co-ownership between husband and wife where both the individuals have independent income streams, between father and son or daughter and father can be considered subject to legal limitations in force from time to time. As the law exists today, this is one way you can increase the loan component and enjoy better tax advantages for the family as a unit.