How will the new Real Estate bill help home buyers?

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Executive Summary - The government has passed a new Real Estate bill which has brought in new regulations such as a separate account for 70% of the money got from buyers, quoting price for carpet area, set-up of regulatory bodies to regulate real estate projects and rules regarding penalties and punishments for the builders in case of violation of rules. The bill aims to regulate the real estate sector and make builders more accountable.

Buying a residential property is not easy. The buyers have to face many hurdles like high prices, getting a loan, property registration, construction delays, upper hand of builders over buyers in the transactions etc. The government seemed to have understand the predicament of the common man and has passed the real estate bill in both houses which offers some relief to buyers. The bill tries to bring some regulation and transparency in the housing sector and safeguard buyers’ interests.

Here are the important points of the bill -

Protection of Buyer's Money - In many cases, buyers do not get the property in their possession as per the timeline indicated by the builder. The bill states that 70% of the money taken from buyers has to be put in a separate escrow account and cannot be used for any other purpose by the builder except construction activities on that particular project.

Carpet Area versus Built Up Area - Builders have various measurements - carpet area, built-up area, super built-up area and the area that the buyer finally lives in is different from what he has paid for it. Now the builder has to quote the rate for the carpet area i.e. the actual usable area so that the buyer knows what he is paying for.

Better organization of real estate sector - Builders need to get their projects registered with regulatory authorities that will be set up. These Real Estate Regulatory Authorities (RERAs) will regulate the transactions of residential and commercial projects and grade the projects so that customers know how good the project is. The builder should disclose all information such as approval status, completion status, layout details etc. These steps will help to ensure that the project is going on track, gets completed on time and handed over to the customers. The builder can start the project only after getting all statutory clearances and approvals.

Penalty and Punishment - If the builder delays in giving the property to the buyer, he should pay an interest amount as damages to the buyer. If the builder violates any rules, he can get imprisonment.
up to 3 years and/or pay fines.

The bill is a positive step towards bringing more transparency and accountability in all property related transactions and provide more support to buyers.

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