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Finance and Law

Experts mention that buyers can be segregated into four distinct categories, and the financial planning process would differ from one another. Here's a checklist...

DANCING TO THE TUNES OF MONEY

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If you are really well-off, money makes the world go round. Hence, the value of it cannot be denied or ignored, especially if you are a potential home buyer looking to invest in real estate.

So, if you are looking to buy a home, it is of utmost importance that you manage your financial needs before taking the plunge or else you could be sitting on a possible monetary crisis.

FIRST-TIME BUYER/END USER:

- 1 **Prepare a budget:** Plan a budget depending on your requirements. But before you invest in your property, purchase a loan readiness.
- 2 **Check your credit score:** Your credit score is a key factor in the range of the loan you can get.
- 3 **Check for hidden costs:** Check for hidden costs like stamp duty, registration, etc.
- 4 **Registration fees:** It is a one-time fee of Rs 10,000 per unit.
- 5 **Stamp duty:** It is a one-time fee of 3% on the value of the property.
- 6 **Other charges:** Check for other charges like maintenance, etc.

• Housing loan and EMI: It is a must to check if it is necessary to start housing loan to fund the property acquisition. Your loan eligibility will be based on your present earnings, the nature of the loan, your age, other loans, credit score and age of the property, and various other factors. After understanding the loan eligibility, the next thing to check is the monthly EMI. EMI is based on the rate of interest of the loan. For instance, for a rate of interest of 10% to 12% per annum for a loan tenure of 20 years, the EMI would be around Rs 45,000 for a loan amount of Rs 25,00,000.

• Utilise your savings: You can use your savings to fund the loan. You can also invest in equity deposits, mutual funds, etc. to fund your property acquisition. Further, ask the bank for other options such as offset or step-down loan, and you can also opt for a top-up loan. The going rate for such loans can be as low as 8% to 10%.

• Subsidised housing: Check for any subsidies available for first-time home buyers.

NEE:

• Cost of ownership: Cost of ownership is the price to be paid. The price developer is not aware of. It includes the cost of the land, the cost of the construction, the cost of the loan, the cost of the stamp duty, the cost of the registration, the cost of the other charges, etc. It is a good idea to get a cost estimate from the developer before you start the construction.

• Home loan: Home loan is a loan taken from a bank or a financial institution to purchase a home. It is a long-term loan with a fixed interest rate. The interest rate is usually 10% to 12% per annum. The loan tenure is usually 20 years. The EMI is usually Rs 45,000 to Rs 50,000 per month.

• Stamp duty: Stamp duty is a tax levied on the purchase of a property. It is a one-time fee of 3% on the value of the property. The stamp duty is usually Rs 10,000 to Rs 15,000 per unit.

• Registration fees: Registration fees are the fees paid to the government to register the property. It is a one-time fee of Rs 10,000 per unit.

• Other charges: Other charges include maintenance, etc. It is a one-time fee of Rs 10,000 per unit.

SECOND HOME BUYER:

• A successful investment: A second home is a good investment. It can be used as a vacation home or as a rental property. It can also be used as a hedge against inflation. The value of a second home usually increases over time.

• First home loan EMI reduction: If you have a first home loan, you can get a concession on the EMI of your second home loan. The concession is usually 1% to 2% on the EMI. This concession is available for a period of 12 months.

• New to arrange for home payment? On an investment of Rs 25,00,000, you can get a loan of Rs 20,00,000. The loan tenure is usually 20 years. The EMI is usually Rs 45,000 to Rs 50,000 per month.

INVESTOR:

• Invest in real estate: Real estate is a good investment. It can be used as a hedge against inflation. The value of real estate usually increases over time.

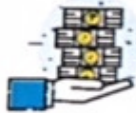
• Invest in equity deposits: Equity deposits are a good investment. They are usually offered by banks and financial institutions. They are usually offered for a period of 12 months to 24 months. The interest rate is usually 8% to 10% per annum.

• Invest in mutual funds: Mutual funds are a good investment. They are usually offered by financial institutions. They are usually offered for a period of 12 months to 24 months. The interest rate is usually 8% to 10% per annum.

• Invest in bonds: Bonds are a good investment. They are usually offered by the government and financial institutions. They are usually offered for a period of 12 months to 24 months. The interest rate is usually 8% to 10% per annum.

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NRI:



● **Cost of ownership:** Cost of ownership is the price to be paid to the seller/developer

in INR terms; it includes forex losses or gains during purchase of the asset; also statutory dues to be paid in India and abroad plus cost of capital (bank loan interest).



● **Home loan/ Mortgage:** While Indian banks lend easily to NRIs who

have NRE/NRO accounts with them, several HFCs today are also extending loans to NRIs at competitive rates. However, it is possible to leverage the purchase through loans from dwelling country banks having a branch in India, and they

should be extensively explored.



● **Capital investment:**

NRI buyers need to budget for more than their resident Indian counterparts in buying homes since the home loan tenure is usually 15 years; hence EMIs will be larger;

- While some HFCs in India are able to cover GST, stamp duty, registration and several other costs in the Loan to Value; NRIs may not get the same benefit and hence, will be required to bring in a larger own contribution;
- Foreign exchange risk will cause fluctuation in payment and may hence need to budget for larger contribution.

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