

# Before signing a contract with the developer...

... make sure to scan it for all costs, charges and penalties you are likely to incur and the final product you will receive.

When you buy property, you will be required to sign a legal contract with the real estate developer. This forms the basis of the agreement between you and the developer and outlines the rights and obligations of both the parties.

Given that most of these contracts are skewed in favour of the developer and you have very little bargaining power to change it, make sure that you read the contract carefully. Ask the developer for a sample contract much before you make the booking and check for the following:

**PAYMENT:** Ensure that the contract you sign is with the same entity in whose name you are writing the cheques and giving the follow-on instalments. If not, then get a clear documentation trail to establish the relationship between these two entities.

**EARNEST MONEY:** If the project is cancelled or the developer backs out due to some financial difficulty, find out how much of your earnest money will be refunded. Also check whether you will be entitled to any interest payment on the money that you have paid the developer.

**ESCALATION COST:** Confirm that the cost of the apartment is escalation-free.

This ensures that any increase in the cost of raw materials does not impact you and the costs are absorbed by the developer.

**TRANSFER CHARGES:**

Find out about the charges that will be levied if you transfer the property in someone else's name. Note that any change in name under which the booking is made, even if the transfer is to a family member, is treated as a transfer.

**COMPENSATION AND PENALTY:**

If there is a delay in construction, are you entitled to some compensation? In case of delay in payment of instalments by you, what will be the rate of interest charged by the developer? This can be as high as 18% per annum. Understand whether this penal interest will be on the outstanding amount or full instalment.

**AMENITIES:** Check the amenities that are included in the project (club house, swimming pool, common rooms, tennis courts, etc). These should be clearly mentioned in the contract.

**SUPER AREA:** The total area of the unit being bought should be clearly mentioned in the contract. Also understand whether this is super area or carpet area. Usually, it's the super area that is mentioned in the contract.

**CHANGES IN PLAN:** Be clear about the maximum deviation that is allowed in the super area. Sometimes the contractor or the architect make some last-minute changes to the floor plan during construction, which results in an adjustment in the final area you get in your apartment. It's common for contracts to specify a 10% deviation. In case the change is more than 10%, the buyer should have an option to back out of the project and claim a refund of the amount paid so far (with interest, if possible). In case of a reduction in the area, the excess amount paid to the builder should be refunded with interest.

**FLOOR PLAN:** Ensure that you sign on the floor plan layout, specification details and payment schedule. The sections should be part of the contract as annexures. If possible, get the site plan layout signed as part of this legal contract.

Finally, it is your responsibility to know what you are signing. In case of a dispute, you will not be able to use the defence that you didn't read the contract and signed where you were asked to.