Real Estate (Regulation and Development) Act

What is RERA?

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- The Real Estate (Regulation and Development) Act, 2016 is an Act of the Parliament of India which seeks to protect home-buyers as well as help boost investments in the real estate industry.
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- The Act came into force from 1 May 2016 with 69 of 92 sections notified.
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- The Real Estate Act provides transperancy and accountability in the realty sector.
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- Its objective is to make known the status of building approvals, to enable customers to make accurate decisions.
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- The Act aims to take steps to promote affordable housing for everyone.
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Applicability of RERA

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- RERA requires any project that has 8 dwelling units or is at least 500 sq m in area to be registered with the regulatory authority.
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- On registering with the authority for every project, the builder gets a login and password using which he goes on to fill in details of the project.
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- This is meant for the end-consumer to review and evaluate. Significantly, registration details have to include those of the architect, agents and structural consultants involved in the construction.
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- Registration details will also have to include clearances obtained, such as highway- and environment-clearances.
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- An important benefit is that the builder is eligible to receive only 10% of the

money as advance before the agreement with the consumer is inked.
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- Further, 70% of payment has to be put into the designated account for the project (like an escrow).
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- Another step forward is that a builder is permitted to sell units only based on carpet area.
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Advantages

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Timely delivery of flats

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- Developers often make false promises about the completion date of the project, but hardly ever deliver.
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- Strict regulations will be enforced on builders to ensure that construction runs on time and flats are delivered on schedule to the buyer.
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- If the builder is not able to deliver the flats on time, he/she will have to refund the purchaser with interest.
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Furnishing of accurate project details

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- In the construction stage, builders promote their projects defining the various amenities and features that will be part of the project. But not everything goes as per plan, with several features missing.
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- As per the Act, there can't be any changes to a plan.
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- And if a builder is found guilty of this, he/she will be penalized 10% of the project’s costs or face jail time of up to three years.
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Specifying carpet area

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- Generally, builders sell flats on the basis of built-in area, which includes a common passage area, stairs and other spaces which are 20-30% more than the actual flat’s area.
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- But, not all buyers are aware of the concept of carpet area.
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- With this Act it will become mandatory to declare the actual carpet area.
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All clearances are mandatory before beginning a project

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- Builders often attract buyers with huge discounts and pre-launch offers. And, the buyer, enticed by the offers, does not bother about the clearance.
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- But, due to delays in getting clearance, the buyer does not get the flat on time.
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- This Act ensures that developers get all the clearances before selling flats.
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Each project should have a separate bank account

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- Developers raise funds through pre-launch offers and use them to purchase some other land or invest it in other projects.
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- This Act will make it compulsory that a separate bank account be maintained for each project.
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- Each transaction will have to be recorded, and diversion to another project will not be entertained.
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After sales service

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- As per an interesting clause in the Act, if the buyer finds any structural deficiency in the development of the building, the buyer can contact the builder for after sales service.
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- But, the buyer should approach the builder within a year of purchase to rectify such defects without further charges.
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Disadvantages

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Past real estate projects not included

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- Only new projects are covered by the Act.
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- Projects that are ongoing, completed or stuck due to clearance or financial issues, don’t come under this.
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- Hence, many buyers will not be benefitted by it.
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Delay from government agencies

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- There can be delays caused by the government, which sometimes takes a lot of time to clear a project.
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- It is up to government bodies to follow strict time frames to approve projects, so that developers can launch, complete and deliver them on time.
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No compulsory regulation for projects less than 1000 square meter

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- Registration with the regulator will not be mandatory for projects less than 1000 square meter.
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- So, small developers will not be bound to register.
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New project launches expected to be delayed

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- Because a project will not be allowed to launch without the requisite clearances from the government (which generally takes two to three years), projects will automatically get delayed.
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Source: The Hindu

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