

# Avoid these five mistakes while building a house

Any error in the initial stage of construction of a house may spell doom later. Read more to know how to plan and avoid any such mistakes

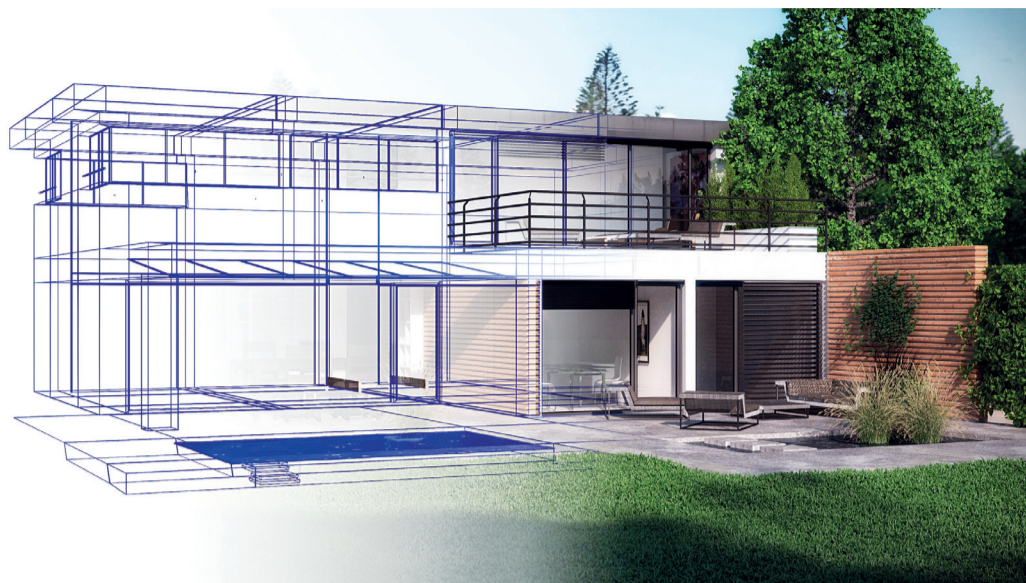
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While it is a dream to build one's house, people often tend to commit some mistakes at the time of building the house. Consult an architect before you embark upon your home construction journey. Just like the cost of the land, your construction too has a good cost associated with it. As the owner of a house, you just can't afford to build either too little or too much and need to always consider your family strength, preferences, and your construction budget too, for that matter. The timeline associated with the construction of your house also matters a lot to this effect. One must ensure that construction never stops in between, as also not gather a pace that's too unrealistic or haphazard.

Nidhi Aggarwal Mathur, founder, SpcaeMantra, elaborates, "Constructing a villa, or any independent house for your family requires to have a proper construction plan in place in addition to a proper financial budget. A new house (including the land) could cost anywhere in the range of ₹40 lakh - ₹2 crore, depending on the size of the plot, the span of construction, and whether you have purchased the land first-hand or in one of the subsequent re-sales. There are around 45 crore houses in India in total as of date, out of which around two-thirds lie in rural areas, and, the rest one-third, in urban areas." A sizable percentage of these houses are constructed and managed in an individual and independent manner. Mathur looks at top 5 mistakes to avoid while constructing a new house.

## Looks or substance?

It matters how you give precedence to the construction quality, structure, and the quality of material



DID YOU KNOW?

**As the owner of a house, you cannot afford to build either too little or too much and need to always consider your family's strength and preferences and also your construction budget**

for your house over its feel, looks, and aesthetics. "The interiors and the decor of your house come after you have answered the question that the house is structurally safe and sound, and that it can safely withstand jolts of earthquakes and other natural and/or artificial phenomenon. More than the feel and the ambiance of the house, it's the construction strength and the structural stability that matter more. An 80:20 thumb rule to this effect is a fairly good indicator of how much you should invest yourself in the house's substance vis-a-vis its feel and looks," adds Mathur.

## Not finding a reliable construction contractor

While it's possible that you hire different contractors for different aspects of your house's construction, it makes more sense to hire

an umbrella constructor for your entire house. Doing so ensures that you not just achieve economies of scale, but also construction quality and reliability. Whether it's the DPC, the structure, the walling, electrical, plumbing, the flooring, the plastering, the painting, or the wooden work of your house, a professional umbrella contractor would ensure quality and reliability across all of these aspects, while also rendering to you a deep discount on an overall basis.

## Not taking adequate care of construction regulations

Aspects such as the floor area ratio (FAR), the height of your construction, the carpet area, the built-up area, and the super built-up area of your house go a long way in determining the compliance and the regulatory efficacy of your house.



Go without saying, you need to get each one of them the first time right without fail. To ensure regulatory compliance, you'd need to consult a regulations representative or an equivalent professional on a periodic basis. It will also ensure

that your time, money, effort, and resources always stay under control.

## Compromising on the material used in terms of quality

A house owner just can't afford to compromise on the quality, or the quantity of material, work, and resources used in its construction. Whether it's the beam, the column, the bricks, the cement, the wall putty, the wood, the paint, tiles and flooring, electricals, furniture, safety and security or the entire construction approach for that matter, you need to get each one of them to spot on for your own good. Quality and quantity together ensure that your house even exceeds your lifetime in terms of shelter and habitability, while demanding minimal renovation, and maintenance in between.

## Not constructing enough, or constructing too much

Sarabjit Singh, founder and architectural designer, Villa Ortiga, says, "Designing your independent, dream home is an incredible opportunity because you can personalise and customise it to suit your preferences and lifestyle. However, some critical things should top your checklist when doing the same. The



This will cut your additional travel costs and help save time and energy during peak traffic hours. Once the area is finalised, the next important thing to decide is the size of the plot. The size or built area of your home should be based on your requirements, such as the number of members in your family, how often you entertain, and what kind of personal spaces you want." It is crucial to check the material and quality of it before constructing your home. Using easy-to-install and high-quality materials enhances your home's longevity and reduces the need for frequent maintenance.

All these put together will create your much-awaited dream villa!

Ansel Colaco, team lead at Studio Lotus, says, "There are three key aspects that need to be closely considered when constructing an independent villa or house—what I'd call its soul, skin, and skeleton."

## Soul

For any homeowner, it is paramount to ponder one's way of life and develop a sense of what one wants their home to be. A home is an embodiment of the inhabitants' interests and passions, a canvas for them to express themselves.

## Skin

"Homes and villas need to be designed with long-lasting, low-maintenance materials that form a backdrop for everyday life. A desire to create large, double-height glazed openings often results in maintenance issues and increased internal temperatures that then need to be offset with mechanical air conditioning," adds Colaco.

## Skeleton

While building the structural framework of an independent house or villa, decisions are generally based on cost alone. But in the context of the ongoing climate emergency, we need to be mindful of the impact of construction and build lightly and consciously. This entails selecting materials most appropriate to location and site and ones that age well.

All in all, once you've purchased the plot and decided to build your own house over it, give it your 100 per cent in every possible sense, for building your home is, in all probability, a once-in-a-lifetime activity. So, make sure that you build a good house while at it.

## What is your CIBIL score?

Are you planning to apply for a home loan? Remember, a healthy credit score is a must for approval of such loans by banks

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Maintaining a healthy CIBIL score is key to grab the best deal while applying for a home loan. But what is a CIBIL Score? How to maintain a good score? CIBIL score is an essential parameter for availing home loan. Though banks see many factors like Income, obligations, number of years in a company, designation, and educational qualifications etc, credit history is important for banks to arrive at your intention to pay. Therefore, banks look at CIBIL in ascertaining if an individual can be given a loan. Most banks or NBFCs have minimum score that act as a filter in evaluating home loan clients. Thus, few banks do not lend Home Loan to clients who are having score below 750. The credit score is also essential in arriving the ROI available to a customer for home loan. Many banks charge a higher ROI if the client does not have a good CIBIL score. This 'risk-based pricing' methodology is used by many banks who charge 100 basis point higher or more to clients whose CIBIL Score are lower than a pre-determined score as per Banks policy.

Amit Goenka, MD & CEO, Nisus Finance, says, "A credit score is a measure of an individual's ability to pay back the borrowed amount. It is the numerical representation of their creditworthiness. A credit score is a 3-digit number that falls in the range of 300-900, 900 being the highest. Credit scores are calculated by the credit bureaus in the country after taking into consideration several factors like the length of your credit history, repayment records, credit inquiries, among others."



## HOW IS THE CIBIL SCORE CALCULATED?

There are four key factors that impact your CIBIL score:

- ➔ **Payment history:** Making late payments or defaulting on your EMIs has a negative impact on your score,
- ➔ **Credit mix:** Having a balanced mix between secured loans and unsecured loans is likely to have a positive impact,
- ➔ **Multiple enquiries:** Too many loan enquiries may have a negative impact on your score as it indicates that your loan burden may go up in the future,
- ➔ **High credit utilisation:** A high credit utilisation limit indicates a rising debt burden over time and may negatively impact your score.

## IMPORTANCE OF CIBIL SCORE

TransUnion CIBIL is one of the most trustworthy credit bureaus in India. Lenders such as non-banking financial companies and banks will check the CIBIL score of a borrower while processing the borrower's loan application. While there are other credit scores such as the CRIF Highmark which is equally accurate, CIBIL is more widely known in India.

Lenders use credit scores to assess a borrower's cred-

itworthiness. If you manage your finances well and have a good credit history, you should have an excellent score. For most lenders, 750 or above is an excellent CIBIL Score. Raghuvir Gakhar, CEO, CashBean, says, "Extremely important as that is one of the first factors that the banking institution would view especially for sizeable loan such as one for buying a home. Now over the long term for a high-ticket loan even small percent changes can make a huge difference."

## HOW TO IMPROVE YOUR CIBIL SCORE

Always check your CIR (Credit Information Report) to ensure that there are no erroneous details in it which may result in adverse impact on your CIBIL. Then of course one should always pay off debts on time to keep their CIBIL high, try and use around 20-30pc of your expenses using a credit card (to be paid without delay) so as to maintain an ongoing credit history. Usually takes between 4-12 months depending on where your current CIBIL level is to get it above 750.

## HOW CIBIL SCORE IS CALCULATED

There are three key factors that go into calculating one's CIBIL score. First being the past performance of the customer with regards to her/his prior debt repayments. This is where timely repayments of loans becomes important and this factor contributes to almost 30pc of the CIBIL score. Secondly, credit duration and type, that is loan structure, collateral /sans-collateral loan, type of loan instrument and duration of the same, all come under this second factor that comprises of around 25 pf the CIBIL.

Thirdly, Credit Expose consisting of around 25pc of the score essentially looks into how much loan burden already exists on the borrower. Finally, another 20pc is earmarked for any 'other' factors that may contribute to credit behaviour and leaves room for a little more subjectivity while in assessing an individual. Zafar Imam, CEO, FinShell Pay, says, "Home loan is a long-term partnership between the borrower and the lender. The CIBIL Score plays a critical role in the home loan application process. The lender is able to judge the financial behaviour and character of the applicant through the CIBIL score."

## Who can be your co-applicant?

Applying for a joint home loan can enhance the eligibility of a customer in getting a higher loan amount sanctioned

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Buying a dream home is a milestone for every individual but one may lack adequate income to buy a home loan. In such cases, the foundation can be laid with help of a co-borrower — in most cases a spouse, with lenders preferring joint home loans as it provides additional comfort to sanction the loan.

Pramod Kathuria, founder and CEO, Easiloan, says, "Post pandemic, as cities and towns gradually exited long periods of lock-down and the markets resumed regular function, Indians emerged eager to own property. But investing in real estate or owning a house can pose certain difficulties in a volatile market with the backdrop of a global recession looming large. The most common problem facing a person today is the availability of credit in the market for large purchases such as land, houses or flats, and it can be a burdensome task to access a hefty loan with a single applicant budget. The counter to this problem lies in joint applications for home loans that can reduce the burden of paying the amount back on a single applicant, and avail higher loan amounts due to two incomes and individual creditworthiness."

In case of families and married couples seeking to make their dreams of home ownership come true, there is a greater benefit in joint ownership and applications, as female applicants receive loans sanctioned at 10 to 25 lower basis points on interest rates than their male counterparts, further reducing the financial burden of credit. "Joint ownership and repayment of loans also avails the possibility of availing tax deductions for both parties separately, and under IT Act Article 80C, you can claim up to ₹1.5 lakh in a year on principle payment, and ₹2 lakh if you happen to occupy the purchased property. These options to circumvent the challenges of loan repayments make co-applications for loans the best choice today," Kathuria adds.

Not only your spouse even your brother or son can be the co-applicant. Ravindra Sudhalkar, ED and CEO, Reliance Home Finance, says, "A parent, son or brother are also eligible co-applicants. A joint home loan includes a primary applicant, generally the per-

son on whose name the property is registered and an additional borrower or the co-applicant."

However, there is a catch. One must bear in mind that being co-borrower does not automatically make one a co-owner of the property but makes him/her equally liable to repay the loan.

Applying for a joint home loan can enhance the eligibility of a customer in getting a higher loan amount sanctioned. The biggest advantage of a joint loan is that both the applicants individually become eligible for tax exemptions. The combined tax deductions are higher

and the financial institution benefits from the additional assurance that more than one person takes responsibility of repayments."

A co-applicant also enhances the eligibility criteria of the application since there is already a guarantor in the form of co-applicant who shall be contributing towards repayment of the EMIs. Further it increases the ability to avail a larger loan amount significantly.

## CONS OF CO-APPLICANT

While the benefits are significant, having a co-applicant can cause delays in



If the co-applicants are married, they share joint responsibility of the loan till complete repayment

in case of joint loans. Sudhalkar also flags concern on joint loan. He shares, "Downside to the joint loan is that if the couple separates and one of the applicants decides not to take liability of the loan then its responsibility solely falls on the other applicant. If the primary applicant defaults in repayment, it entails a legal action on co-borrowers as well. Also if one applicant passes away then the burden of repayment falls on the surviving applicant. It is therefore important that applicants have individual term plans. All-in-all, while co-applicant is a bankable option, caution should still be exercised."

But overall, being a co-applicant gives you a ticket for a larger loan. Another financial expert says, "Having co-applicants benefits everyone, the primary applicant can get a larger amount of loan by adding the co-applicant's income, the co-applicant builds cred-

processing documentation. Co-applicant must be aware and cautious of the risk that will be involved in this process. In case of default, credit history of both applicants is eroded. One of the important aspects that often gets overlooked is the impact on the CIBIL score of the co-applicant.

## EXERCISE CAUTION

If the co-applicants are married, they share joint responsibility of the loan till complete repayment. As mentioned earlier, the applicants must be aware that credit history of both will be negatively affected with a joint loan. Hence in case couple has other financial responsibilities which may require them to take additional loan, they should plan finances accordingly. Furthermore, it is in their interest to agree in advance on the approach to be taken in the event of separation/divorce in future.