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## Tamil Nadu RERA Orders Extra 20% Escrow for Delays

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Chennai, Tamil Nadu – The Tamil Nadu Real Estate Regulatory Authority (TNRERA) has introduced a new compliance requirement aimed at protecting homebuyers from prolonged project delays. Developers seeking construction timeline extensions exceeding one year will now be required to deposit an additional 20% of collected buyer funds into an escrow account.

The directive applies to all residential and commercial real estate projects registered under TNRERA. The authority stated that the measure is intended to ensure that homebuyer investments remain secure during extended construction timelines, especially in cases where delays could jeopardize project completion.

Under the Real Estate (Regulation and Development) Act framework, developers are already required to deposit 70% of collected buyer payments into an escrow account to be used solely for project-related expenses. The new 20% additional escrow requirement will apply only when a developer requests an extension beyond one year from the original project deadline.

TNRERA officials explained that the regulation aims to balance consumer protection with the operational needs of developers. By securing extra funds in escrow, the authority seeks to safeguard buyers' interests without halting construction progress. "The purpose is to instill greater discipline in project management while ensuring that buyers' money is shielded from misuse," a senior TNRERA representative said.

Industry observers note that delayed real estate projects have been a persistent challenge in Tamil Nadu, particularly in high-demand urban markets such as Chennai and Coimbatore. Extended delays often result in financial strain for homebuyers who continue paying rent while servicing home loan EMIs. The new rule is expected to provide additional financial assurance in such cases.

However, developer associations have expressed concern about potential cash flow disruptions caused by the higher escrow requirement. Some industry representatives argue that while the policy is well-intentioned, it could make it more difficult for smaller builders to manage operational costs, especially in a market already affected by rising material and labor prices.

Legal experts point out that the rule strengthens TNRERA's oversight capacity. By increasing the funds held in escrow, the authority can better monitor whether resources are being allocated strictly to construction activities, thereby reducing the risk of diversion to unrelated ventures.

The compliance process for the new requirement will involve developers submitting proof of additional escrow deposits when filing for project extensions. Failure to meet the escrow condition could result in the rejection of extension requests, penalties, or both.

Real estate analysts believe the measure could help improve buyer confidence in Tamil Nadu's property market by reinforcing regulatory accountability. They also suggest that over time, stricter enforcement could reduce the number of stalled projects and encourage more responsible project planning.

TNRERA has advised developers to factor the additional escrow requirement into their project timelines and financial planning to avoid last-minute funding challenges. Homebuyers and industry stakeholders are now watching closely to see whether the new rule leads to measurable improvements in on-time project delivery across the state.