DIY Homebuilders' Guide

Desjardins

Your home, your way!

Building your own home, to your own tastes in a place you've dreamed of is a project that's exciting and demanding.

Successfully completing such a big project takes knowledge and the ability to deal with unforeseen circumstances. Before tackling this kind of undertaking, you should ask yourself whether you have the energy and time required. Are you organized? Do you have the contacts, knowledge or experience in residential construction? What are the minimum cash requirements? Who would be available to help you? In sum, what are your resources?

This guide will help you plan and carry out a do-it-yourself home building project. It will be very useful in helping you better visualize the process and make informed decisions. You'll also find a series of practical tips on planning your project, financing it and completing the work.

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This guide is a summary of general information on DIY building. All information was correct at publication. For more information on specific aspects of building your own home, please refer to the sources listed at the end of this guide or speak to a qualified professional. Features of Desjardins products are subject to change without prior notice. All financing is subject to Desjardins credit approval. For all applicable conditions, talk to your Desjardins advisor.

Step 1–Rules and legal framework

A poorly planned, badly managed DIY project could cost you a lot more than having it done by a general contractor.

To avoid disappointment, you'll want to pay attention to the following:

Definition of DIY homebuilding[1] (or what is considered a DIY build)

A DIY build is when some or all of the construction of a single-family house is completed by the homeowner for their own use or the use of their family.[2] A single-family house includes 1- and 2- storey houses, multigenerational houses and cottages. DIY builds can also include factory-built (modular) homes or homes built with prefabricated panels. A DIY build is not an option for a multiplex, even if the homeowner wants to live in one of the units.

For a multiplex, an owner-builder's licence is required.

Once you've bought the land, you probably won't be able to do all the work yourself or have it done by friends. To comply with building standards, a lot of the work has to be done by licensed professionals.[3]

You are responsible for planning the build schedule and giving instructions. You're in charge of organizing and coordinating the project and carrying out or overseeing the construction work. **If you hire a general contractor or an external project manager to handle these responsibilities, it's no longer a DIY build.** In Quebec, this person needs to have a valid licence from the Régie du bâtiment du Québec (RBQ) and be accredited by the Garantie de construction résidentielle (GCR). In Ontario, they need to be registered with Home Construction Regulatory Authority.

As a DIY builder in Quebec, you won't have a new build warranty unless you're licensed by the RBQ. The principle is the same in Ontario: DIY builds aren't covered by the Ontario New Home Warranties and Protection Plan. This plan is only available for registered builders who sell new properties.

Finally, a DIY builder can't repeatedly build and sell personal homes. This would go against Commission de la construction (CCQ) standards in Quebec and the *New Home Warranties Plan Act* in Ontario. For a DIY build, no single contract can exceed 50% of the total building cost.

In **Quebec**, DIY builds must comply with Commission de la construction (CCQ) standards. In Ontario, they must comply with the *Building Code Act*, 1992.

Key factors for a successful DIY build

DIY builders often take on this type of project to build their very own dream home, but also to save money, especially on labour.

A DIY build is a major project that involves a lot of time, work, supervision, stress, fatigue and unforeseen events.

Each project is unique. As the project manager, you're in charge of keeping everything on schedule. Generally speaking, the work should be completed within about 6 months.

Before you make your decision, here are some important things to think about and be prepared for.

Make sure you have the financial capacity and cash required

Take a close look at your available cash to make sure you'll have enough money to cover any cost overruns or other unforeseen events. You'll need to be able to **show that you have the cash or financial capacity to cover at least 10% of the total building cost**, in addition to your down payment.

Your Desjardins advisor can help you calculate your maximum financial capacity.

Get clear and detailed plans that include costs

You'll need to get plans prepared[4] by an architectural firm specialized in new builds. These plans will need to comply with construction standards and applicable bylaws and include a full list of required materials.

Make sure you have a cost and work estimate with all the **supporting detailed bids or specifications**. We strongly recommend getting help from a construction appraiser.

Get commitments ahead of time from licensed experts and subcontractors for work that needs to be done by a professional and work that you can't do or can't do alone.

Make sure you do your research. DIY builds are highly regulated, so it's important to make sure you're following all local building rules.

Make sure you have the right permits (see below).

Give yourself lots of time

A DIY build is a very demanding and time-consuming project, and it will be on top of your work and family obligations. For example, managing a 6-month DIY build can easily take 20 hours a week, or about 520 hours in total. It's a major time investment.

Prepare a detailed schedule and stay on top of it

A clear, detailed schedule will help you:

- Give clear instructions
- Minimize unforeseen events and their impacts
- Efficiently coordinate contractors who specialize in the work that you're not licensed to do or that you don't have the experience to do. Examples may include roofers, cabinetmakers, electricians, structural experts, heating and cooling experts, French drain experts, foundation experts, septic tank and disposal field experts, exterior siding experts, masons and plumbers.

Make sure you always pay fees and bills on time to avoid the registration of **legal construction hypothecs in Quebec or construction liens*** **in Ontario**.

Be realistic and ready to manage delays and cost overruns, which are almost inevitable (bad weather, accidents, illness, delivery delays, work delays, material shortages and price increases, absenteeism, etc.).

You'll need to deal with the impacts and risks of any changes or delays in the timeline or scheduled work.

Comply with laws, regulations and municipal and other requirements

In Quebec

Make sure your project complies with the standards of the Commission de la construction (CCQ), which administers the *Act Respecting Labour Relations, Vocational Training and Workforce Management in the Construction Industry* (Bill R-20) and related regulations.

If required, get a licence from the Régie du bâtiment du Québec (RBQ) to comply with Bill R-20.

Ensure all skilled workers/specialists/contractors and other labourers have the required qualifications (CCQ).

*In Ontario, the term "construction lien" is used. The purpose of a construction lien under the *Construction Act* is to guarantee payment to a person who supplies services or materials to an improvement for an owner, contractor or subcontractor for work they have performed, such as unpaid invoices. They have 60 days from the completion of work to register a lien in the proper land registry office and notify you.

File a detailed monthly report with the CCQ listing hours worked and wages paid and make payments for employee benefits.

Get a licence that designates you as an employer for family members or friends who come to help you. If they work on a volunteer basis, an exception can be made. Note: Volunteers must not earn any benefits or advantages whatsoever for their work.

Get a **building permit** from your municipality with proof of project feasibility, including the **layout certificate or real property report**, a copy of the home plans and specifications, a water quality test or soil quality test (in some cases) and any other municipal requirements.

Take out a **liability insurance policy**. You are legally responsible for the safety of everyone working on your site, whether or not they're paid workers.

In Ontario

Builders and DIY builders must complete their projects in compliance with the *Building Code Act*, 1992. To summarize, this means you need to:

- Have all necessary permits issued by the municipal chief building official* (building permits to begin work and occupancy permits upon completion of the work).
- Make sure the construction work is done only by people with the skills and insurance required by the law and the building code.
- Construct the building in accordance with the permit.
- Use appropriate construction methods to comply with the law and the building code.
- Make sure construction plans comply with construction standards and Ontario's Building Code.
- Comply with municipal bylaws.
- Get a letter of confirmation from Home Construction Regulatory Authority as an owner-builder.

Information for Quebec

Legal construction hypothec

The purpose of a legal hypothec for construction/renovation contractors and suppliers under the *Civil Code of Québec* is to guarantee payment to contractors or suppliers for work they have performed, such as unpaid invoices. They have 30 days from the completion of work to register a legal hypothec on the land register and notify you.

The registration of a legal hypothec can be a significant irritant for you and for your caisse or credit union, because it ranks above our mortgage. The legal hypothec allows anyone who was involved in building or renovating your property to sell the house to recover their payment, up to the amount of the value added to the property by their work.

Therefore, certain requirements must be fulfilled to protect our interest in the property.

*The chief building official is appointed by the council of each municipality and is responsible for establishing operational policies for the enforcement of the law and the building code.

Information for Ontario

Construction lien

The purpose of a construction lien under the *Construction Act* is to guarantee payment to a person who supplies services or materials to an improvement for an owner, contractor or subcontractor for work they have performed, such as unpaid invoices. They have 60 days from the completion of work to register a lien in the proper land registry office and notify you.

The registration of a lien can be a significant irritant for both you and your caisse or credit union, because it ranks above our mortgage. The lien allows anyone who was involved in building or renovating your property to sell the house to recover their payment, up to the amount of the value added to the property by their work. Therefore, certain requirements must be fulfilled to protect our interest in the property.

Choosing land

Choosing the right land is key. It's the starting point for your project. Generally, it's easier to adapt a house to a plot of land than vice versa. Choosing the right land is just as important as choosing the right house.

Here are some important points to consider:

- Price: The lot should not be more than 25% to 30% of the total cost
- Permission: Before buying, make sure you can get authorization to build on the lot (check zoning with the municipality and property titles through a notary or lawyer)
- Risk of flooding or landslides (subsoil composition, water table level, nearby watercourses or bodies of water, topography, drainage needs)
- Proximity of electricity service to your lot
- Proximity of water connections and sewers
- Whether a well or septic tank is needed
- Distance to work, public transportation, schools, recreational facilities, grocery stores and other retailers, family members you'd like to be close to and so on

If there's a dilapidated building on the lot that needs to be demolished before you start building, you'll need to include a quote for the demolition costs. These costs do not increase the project's value. Some conditions must be met before these costs can be included in the project financing.

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Home plans and specifications

There's no room for improvisation in construction. Clear and detailed plans and specifications will make your life easier and help you get the most out of your space and budget.

These important documents need to be prepared by a professional. You'll also need to show them to the appraiser.

What are they?

1. The **plans** are the technical and graphic representation of the construction. They must be signed and sealed by either an engineer or architect.
2. The **specifications** or bids are a written document setting out the nature and details of the work to be done. They include technical specifications and a detailed description of the materials used.
3. The plans must be made to scale. Both the plans and the specifications must describe the nature and details of the work to ensure it is done in compliance with the Quebec Construction Code or with Ontario's *Building Code Act*, 1992.
4. In addition to being indispensable for planning construction, plans, specifications, municipal waterworks bylaws and other tools are **required for municipal and credit approval**.

Key takeaways

- Construction plans and methods must comply with construction standards (Quebec Construction Code, Ontario's *Building Code Act, 1992*, local bylaws, etc.).
- The specifications must include a detailed list of materials.
- The layout plan (or real property report) must be provided by a land surveyor.
- Your house must be built according to municipal bylaws and comply with setback regulations and the permitted land occupancy ratio. You need to have a certificate of location prepared and give a copy to your caisse or credit union.
- You must have enough copies of the plans for subcontractors, the municipality and your caisse or credit union.

Building permits

You must get a building permit from your municipality to confirm that your project meets the bylaws and to get the required authorizations. The documents required for your application may include:

- Copies of the plans and specifications
- A copy of the layout plan or real property report (orientation and location of a new house on the land)
- Soil quality tests and studies (on request)
- Drinking water tests (on request)

Trade certifications and licences

In Quebec, you don't need to have an RBQ licence for a DIY build. In Ontario, you must obtain a letter of confirmation from Home Construction Regulatory Authority as the owner-builder. Any workers you hire need to be qualified or certified and carry out the work according to applicable laws and building codes.

You are responsible for verifying the qualifications of the people you hire.

As a DIY builder, you are generally not required to be qualified or hold a licence.

However, if you want to do some work on your own or have it done by friends or family, it's important to know that only some work can be done without proper certification or qualification.

List of work that can be done without certification or qualification:

Quebec
(Commission de la construction du Québec):

- Interior and exterior painting
- Work relating to interior surfaces such as floor, wall and ceiling coverings and their finishes, and similar or related construction work
- Non-structural wood or plastic construction work such as finish carpentry and similar or related construction work
- Interior door and window work
- Work relating to marble, granite, ceramics, terrazzo and other **similar** materials
- Cabinet and counter top work

Ontario
(Ontario Trade License Requirements):

- Masonry
- Framing
- Cabinet making
- Floor installation
- Interior and exterior painting
- Roofing
- Tile setting

Other types of work can't be done by unqualified volunteers or employees. Any workers you hire need to be qualified or certified and carry out the work according to applicable laws and building codes.

This is a requirement to get mortgage financing.

Step 2—Mortgage financing

First, make an appointment with your Desjardins advisor—your best ally—to discuss your project. Your advisor will help you clarify your needs and will tell you about the conditions and criteria for mortgage credit.

It's important to get mortgage financing that reflects your budget. Take the time to review your income and expenses and figure out how much money is available for the property.

Your financial capacity and budget

Good planning is essential to make sure your DIY build works with your budget. Take the time to review your income and expenses and figure out how much money is available for the property.

Basic rules for getting mortgage financing for a DIY build

Maximum financing amount: The lower of these 2 amounts: Building costs (including land if applicable) or the market value of the property (as evaluated by a professional appraiser).

Maximum ratios: It's very important to remember that your total housing costs should not exceed 32% of your household's gross monthly income and that a maximum of 40% of your household's gross income should go toward repaying all your debts.

Cash equivalent to 10% of the total building cost: To obtain your financing, in addition to your down payment and closing costs you need to have 10% of the total building cost, including the land. This cash will be available to cover any unforeseen events and to offset holdbacks on disbursements, including for legal hypothec or construction lien risks. (See the *Disbursements and requirements* section). This additional cash will help you cover costs for things like purchasing materials or paying a deposit for a supplier. Make sure you complete only the work you have budgeted for.

Clear and detailed list of costs:[5] It's important to anticipate all costs as carefully as possible for all steps in the order that they will be completed. (See the *Key factors for a successful DIY build* section). This includes direct costs (materials and labour), indirect costs and closing costs.

Direct costs:

- Get 2 or 3 written estimates from material suppliers and subcontractors (including delivery dates).
- Tips:
  - Some materials, such as prefabricated walls, are more expensive, but they save you time.
  - Ask for guarantees, agreements and written contracts.

Indirect costs:

- Get estimates for professional fees (surveyor for the certificate of location, soil study tests, notary or lawyer, plans and specifications, building permit, inspector and so on).
- Estimate utility installation fees (e.g., electricity, phone).

Closing costs

Closing costs are over and above the building costs, down payment and additional cash required to cover any unforeseen events during construction. They are essential, non-discretionary expenses related to purchasing or building a home. The main closing costs are:

- Inspection fees (for each disbursement)
- Appraisal fees
- Notary or lawyer fees
- Land transfer taxes
- Moving expenses

Make sure you can pay these expenses, which will be approximately 3% of the total building cost.

Tip

Looking to build your first home?

The Government of Canada's new incentive helps make homeownership more affordable.

Plus, if you don't have enough cash for a down payment, you can use the HBP.

To learn more, speak with your advisor.

Down payment and land

Desjardins can offer financing for a DIY build, including the land. You'll need to make a down payment that covers 20% of the total cost of the project. If your down payment is between 5% and 20%, you'll have to take out mortgage insurance from Canada Mortgage and Housing Corporation (CMHC) or Sagen™.

Can land be used as a down payment?

There are 3 possible cases:

1. You already own the land, and you don't have a loan on it. The value of the land can be used for your down payment. It will be included in the overall project.
2. You already own the land, and you have a loan on it. Only the available equity (the difference between your loan and the purchase price or the value of the land if it was acquired more than 12 months ago) can be used for your down payment. The loan to purchase the land will need to be paid off and included in the overall project (land + building).
3. You don't own the land yet, but you have a valid purchase offer on it. You have to purchase the land before construction work starts. For a loan with a loan-to-value ratio of less than 80%, land financing will be included in the overall project. The first stage of financing is for the purchase of the land. So your down payment will be used at this stage to pay for the land. The financing on the land will correspond to the difference between the cost of the land and your down payment (see Step 1 in the table in the *Disbursements and requirements* section).

Can the work you do yourself (sweat equity) be included in your down payment?

In some cases, it may be possible to include part of the labour that you'll be doing yourself without incurring any costs in your down payment. Supporting documents are required, including a statement of work signed by you that includes a list and costs of the work you will be doing, and how much the work would cost if it were done by a third party (using third party quotes). However, sweat equity is not permitted for CMHC-insured loans. For Sagen-insured loans, sweat equity is only allowed if the work is done by a licensed trades person.

Documents required

How do you prepare a strong mortgage application to finance your DIY build? When analyzing applications, we look at 2 aspects:

You as a borrower and the project itself.

When you meet with your Desjardins advisor, you'll first have to provide information about your personal situation as a borrower. This includes providing proof of income. You'll also have to provide proof of your down payment. Ask your advisor ahead of time so you'll know which documents to bring to the meeting.

You'll also need to present your DIY build project. That means you'll need to have a plan for the entire project and include the following supporting documents. This will simplify the mortgage application process.

The goal is to demonstrate that you are ready and able to see your project through. Make a good first impression!

Key documents related to the build:

- The purchase offer or deed for the land signed by a lawyer or notary, depending on the province
- Copies of plans and specifications with costs
- Estimates with detailed costs and supporting documents (all quotes from suppliers and subcontractors)
- The building permit
- The layout certificate or real property report
- The construction schedule
- The contract with the manufacturer for a home kit with wall panels
- Proof of insurance
- A water test
- The certificate of location once the building's structure has been assembled
- A letter of confirmation from Home Construction Regulatory Authority for the owner-builder (in Ontario)

Disbursements and requirements

A DIY building project is financed through progressive disbursements as the project advances through the key steps of the build. The schedule is set at the outset and typically covers a 6-month period.

There are normally 4 disbursement phases, which are triggered when your caisse or credit union receives the inspection reports confirming work progress. Of course, construction can't start until you own the land.

It's also important to keep in mind that:

- An amount will be withheld on each disbursement (15% in Quebec and 10% in Ontario). The main purpose is to make sure the building is built as planned and to prevent and mitigate potential losses related to the registration of legal construction hypothecs (in Quebec) or construction liens (in Ontario).
- The withheld funds will be released 35 days (in Quebec) or 60 days (in Ontario) after the work is completed (Step 3).
- Your caisse or credit union will hire an appraiser to evaluate work progress.
- Before each disbursement is made, an inspector hired by the caisse or credit union will need to confirm the progress of work.
- Each disbursement will go through the notary (in Quebec) or lawyer (in Ontario), who will make sure no legal hypothecs or construction liens have been published on the property.

Example of a construction and disbursement schedule

Project phase		Progressive disbursements	Conditions / requirements
Before construction begins **Land acquisition**		*If the land is to be acquired and financed:* 1st disbursement 100% of the land purchase price less the down payment	Signed copy of land purchase agreement.
Construction work	1. Excavation and foundation: Foundation, footings and walls, pouring cement, floor joists and so on (30% to 35% of costs)	2nd disbursement After the drain is installed and the foundation is sealed	1st inspection by an external independent inspector hired by Desjardins
	2. Framing and closing-up: Windows, stairs, roofing, electricity, plumbing, insulation, exterior finishing and so on (about 30% of costs)	3rd disbursement After the insulation is installed (before the walls are finished)	2nd inspection by an external independent inspector
	3. Drywall installation: Walls and ceilings (about 10% of costs)	4th disbursement After the siding is on	3rd inspection by an external independent inspector
	4. Finishing: Cupboards, counters, exterior stairs, bathroom fixtures, flooring, utilities connection, painting, landscaping and so on (about 28% of costs)	5th disbursement After the work is completed	4th inspection by an external independent inspector
35 days after the completion of work (60 days in Ontario) **Holdback disbursement** (15% in Quebec and 10% in Ontario)		6th disbursement (final)	• Certificate of location confirming everything is in order with the building • No legal construction hypothecs or construction liens on the property

Example of progressive disbursements for a DIY build* with land purchase

Total project cost:	**$350,000**
Land cost:	**$100,000**
Building cost:	**$250,000**
Down payment:	**$70,000**
Total financing amount:	**$280,000 ($250,000 + $100,000 - $70,000)**

This example uses a $70,000 down payment, meaning the down payment isn't enough to cover the cost of the land. In Step 1 of this example, a first disbursement of $30,000 on the $280,000 mortgage will be made to cover the difference between the land cost and the down payment ($100,000 - $70,000).

Once the land has been purchased, construction can begin (Step 2). The funds that are withheld from each disbursement will be released 35 days (in Quebec) or 60 days (in Ontario) after the work is completed (Step 3).

Important:

There are no disbursements to purchase materials for upcoming work. Disbursements are made when the work for each step is completed. A certified appraiser has to confirm the progress of work before each disbursement.

The disbursement requirements and amounts may differ when the financing includes mortgage insurance (CMHC or Sagen). To learn more, speak with your advisor.

A Desjardins advisor can suspend progressive disbursements if they learn of one or more major changes to the project that could affect the value of the caisse's or credit union's interest in the property. Disbursements will be suspended until the situation is addressed to the advisor's satisfaction.

As a DIY builder, you are responsible for costs relating to inspections and notary or lawyer fees.

Adapted pricing

There are certain risks involved in financing a DIY build, and your Desjardins advisor has to invest significantly more time and energy for this type of financing than they would to finance an existing home.

This investment of time and energy extends over the entire duration of the build and includes things like managing and verifying disbursements, communicating and coordinating with the notary/lawyer, appraiser and insurance company, and managing cost overruns. This is why Desjardins has special mortgage rates applicable to DIY builds.

* Example for an uninsured mortgage (CMHC or Sagen).

Step 3–Insurance

In a DIY building project, you must protect your project, yourself and your family.

Learn about the types of protection available to cover all your needs.

Liability, fire and theft insurance

Once work begins, you'll need to get a home insurance policy (liability, fire and theft) to protect yourself and your employees on the construction site in case of an accident or claim. You also need to have insurance in case any volunteers who are helping you with the build get injured. You'll need employer liability insurance that covers bodily injury to volunteers during construction.

In a DIY building project, you must protect your project, yourself and your family throughout the build. Learn about the types of protection available to cover all your needs.

Home insurance

When you decide to build your own home, you need to be a responsible contractor. Why let an accident endanger your project? Talk to an insurer before starting the work.

During construction
While you're building your new home, we recommend having home insurance that covers the building as well as legal and construction liability insurance to protect yourself in case of an accident or claim.

There are certain exclusions, such as theft of property or materials on the construction site, water damage and vandalism. However, you can get additional coverage, including for vandalism and theft of materials or even tools. Be sure to talk to a property and casualty insurance agent to assess your needs. Desjardins Insurance can help you identify the additional coverage you'll need.

Once your home is built
Once the work is completed, review your coverage with your insurer to make sure your new home is properly protected.

Having good coverage for your new home and its contents is essential. If you're eligible, Desjardins home insurance includes a basic all-risks policy covering the most common types of loss, such as fire, theft, vandalism and windstorms—in other words, the majority of accidental events that could damage your home or property.

You can then add optional clauses for specific needs, such as coverage for a pool, hot tub or certain types of water damage.

Loan insurance

You are the crucial link for your project's completion, which involves large sums of money. That means it's important to protect your ability to fulfill the financial obligations the project entails. In the event of hardship, loan insurance could cover your payments for you.

Desjardins Loan Insurance can provide you with 2 types of protection: life insurance and disability insurance. Disability insurance pays the insured portion of your regular payments if an accident or illness prevents you from working or looking after your project.

Your questions deserve answers

If you've just about made up your mind to build your own dream home but you have a few questions, ask a Desjardins advisor.

For more information about Desjardins mortgages, contact your advisor or go to desjardins.com/home.

Useful links

for Quebec

- **Association de la construction du Québec (ACQ):**
  acq.org (French only)
- **Association des professionnels de la construction et de l'habitation du Québec (APCHQ):**
  apchq.com (French only)
- **Government of Canada incentive:**
  www.placetocallhome.ca/fthbi/first-time-homebuyer-incentive
- **Canadian Mortgage and Housing Corporation (CMHC):**
  cmhc-schl.gc.ca/en/
- **Commission de la construction du Québec (CCQ):**
  www.ccq.org/en/
- **Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST):**
  cnesst.gouv.qc.ca (French only)
- **Sagen:**
  sagen.ca
- **Régie du bâtiment du Québec (RBQ):**
  rbq.gouv.qc.ca (some content is French only)

for Ontario

- **Canadian Home Builders' Association:**
  www.chba.ca
- **Workplace Safety and Insurance Board (WSIB):**
  www.wsib.ca/en
- **Ontario Building Code:**
  ontario.ca/page/ontarios-building-code
- **Ontario Contractor License Requirements:**
  trustedpros.ca/license-requirements/on
- **Skilled Trades Ontario:**
  www.skilledtradesontario.ca
- **Ministry of Municipal Affairs and Housing:**
  www.ontario.ca/page/ministry-municipal-affairs-housing
- **Canada Mortgage and Housing Corporation (CMHC):**
  cmhc-schl.gc.ca/en/
- **Sagen :**
  sagen.ca
  (formerly Genworth Canada)
- **Government of Canada incentive:**
  www.placetocallhome.ca/fthbi/first-time-homebuyer-incentive

Practical tips

You have your permits, plans and specifications, your schedule is ready and your financing is approved: you're ready to go! The following advice will help you coordinate the work smoothly and ensure it meets all requirements (e.g., building code standards, budget):

- Get liability and fire insurance coverage as soon as you start, in order to protect you as the owner and contractor.
- Check with your caisse or credit union and municipality to find out the inspection steps required to comply with municipal bylaws and obtain the required advances for your labour and material costs.
- Draw up a construction schedule for all tasks to avoid wasting time and money.
- Check that your subcontractors have licences from the Régie du bâtiment du Québec (RBQ) and take their expertise, reputation and trustworthiness into account (consult the recognized associations). It's important to look at a variety of criteria, not just the best price. The most important thing is trustworthiness to guarantee that the job will be done well.
- Ask for invoices and contracts (including insurance and guarantees if applicable). The contracts should contain the following information:
  - Site address
  - Names and addresses of both parties
  - Detailed description of the work to be done and the materials required
  - Clause specifying that the work will be done according to construction standards and requirements
  - Work start and end dates
  - Contract amount and payment schedule
  - Both parties' signatures
  - Designation of the person—you—responsible for getting permits, inspections and required certificates
- Be careful: Check your contracts for any clauses that would allow for an increase in costs that could affect your budget.
- Manage your building costs in a dedicated account.
- Have a person with the relevant qualifications verify work progress. Suppliers and contractors must follow the plans, specifications and construction schedule agreed upon.
- Monitor budgets regularly to keep your caisse or credit union abreast of your cashflow requirements.

A few tips to help you choose suppliers and subcontractors:

Suppliers	Subcontractors
• Check their reputation	• Check their reputation and solvency
• Verify the availability of materials for the date work is set to begin	• Check their licence number
• Verify payment conditions and credit availability	• Get references

Remember: The key to a successful project is sticking to your plan and budget.

Checklist for your DIY build

Project appraisal

☐ Appraisal of the market value of the home you're planning to build: Your building costs will be submitted to a certified appraiser or to the mortgage insurer for review.

- Your caisse or credit union will hire the appraiser.
- You will be responsible for the costs.

☐ To get an appraisal, you must provide all construction costs, including:

- Plans and specification.
- Quotes.
- A detailed cost estimate for the construction will be required. An Excel file can be provided.
- See the DIY Homebuilders' Guide for a list of all costs to include.

IMPORTANT

Determine how much the build will cost from the outset. You'll have to pay out of pocket for any cost increases during construction, like more expensive materials. You won't be able to make any decisions that could lower the building's value.

Work progress

☐ Once you've bought the land, you can do some of the work yourself, but most of it will have to be done by licensed subcontractors. Refer to our DIY Homebuilders' Guide for a list of work that can be done without a licence.

☐ If you're in Quebec, check that your subcontractors have licences from the Régie du bâtiment du Québec (RBQ) and take their expertise and trustworthiness into account.

☐ You need to have 10% of the total building cost (in addition to your down payment and closing costs) in cash to cover any unforeseen events and cost overruns.

Financing disbursement

Through the notary/lawyer, your caisse or credit union will gradually disburse your loan as work progresses. A percentage will be held back to protect against the registration of any legal construction hypothecs or construction liens.

It's important to manage your cash carefully.

- Open accounts with your suppliers so you have more time to make payments.
- Efficiently coordinate contractors who specialize in the work that you're not licensed to do or that you don't have the experience to do. Make sure the project stays on schedule.

Before construction begins

☐ You must provide a copy of the construction permit issued by your municipality.

☐ You'll also need to provide copies of the layout certificate or real property report, the specifications and plans and, in some cases, a water quality test and/or soil quality study.

☐ DIY building insurance coverage is also required.

During construction

Carefully follow up on the initial schedule on a regular basis

Evaluating construction progress

☐ We recommend a 6-month construction schedule:

- It's usually enough time to get the job done right.
- It also makes it easier to manage invoice payments.

☐ During this period, funds will be disbursed based on construction progress, as confirmed by inspection.

- Your caisse or credit union will hold back a percentage of these funds to protect itself against legal hypothecs and construction liens.
- For uninsured loans, you're responsible for paying the inspection fees (roughly $150 depending on the location).
- For insured loans (CMHC, Sagen), your premium covers 4 inspections.

☐ You should be able to access the funds about 7 to 14 days after your request.

The key times for requesting progress reports are (excluding land purchase):

1. Excavation and foundation (30-35% of costs)
2. Framing and closing-up (about 30% of costs)
3. Drywall installation (about 10% of costs)
4. Finishing of cabinets, counters, stairs, etc. (about 28% of costs)

Disbursement

Disbursements must **always** be made through the notary/lawyer.

☐ A percentage of the funds will be held back (15% in Quebec, 10% in Ontario) on each disbursement to protect your caisse or credit union against legal construction hypothecs (in Quebec) or construction liens (in Ontario).

Note: You can offset this holdback with proper cash management.

☐ Holdbacks will be released 35 days (in Quebec) or 60 days (in Ontario) after construction is finished.

☐ Specific pricing applies given the significant investment of time and energy required by your caisse or credit union throughout the work.

☐ Your notary (in Quebec) or lawyer (in Ontario) will have you sign a borrower's statement for legal construction hypothecs/construction liens before each disbursement. They will release the funds to you after the inspection.

☐ **Before the final disbursement**, you'll need to give the notary the certificate of location (in Ontario, if you don't have title insurance, give the certificate to the lawyer). Your caisse or credit union must be satisfied with this document. If not, funds could be withheld.

Note: The caisse or credit union reserves the right to hold back funds if the certificate of location is required.

Managing cost overruns

☐ If your **project goes over budget**, tell your Desjardins advisor right away. The project will have to be re-analyzed in full (expect additional appraisal fees and delays).

Loan payments during construction

☐ Your account will be debited every month for the interest on your loan's balance (the disbursed amount).

You also have the option of making payments on both the principal and the interest.

Note : Your current mortgage payments will also continue.

After construction ends

☐ Once you've received your final disbursement, you'll start making regular mortgage payments according to the loan's terms and conditions. If you're making monthly payments (principal and interest), they will begin no more than 30 days after the final disbursement.

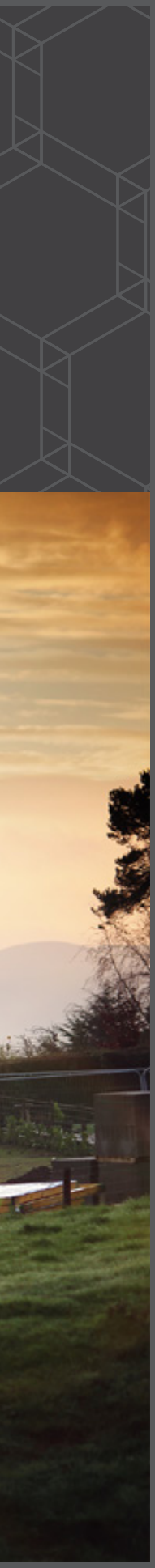
Additional information

☐ If your build isn't finished within a year, the caisse or credit union reserves the right to:

- Have the project's market value reassessed
- Start collecting regular mortgage payments (principal and interest)

Note

Desjardins General Insurance specializes in this type of coverage. To make an appointment with one of our agents, call 1-888-277-8726.



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Desjardins

SAGEN™ is the doing business as name of Genworth Financial Mortgage Insurance Company Canada.

1. Source: Canada Mortgage and Housing Corporation (CMHC).
2. The residence can't house a business or a rental suite or generate any sort of income.
3. Electrical work and gas installations are required by law to be done by qualified trade contractors.
4. Required by the caisse.
5. The building cost is equal to the estimated amount required for the building's construction, excluding the cost of the land.

Home insurance is offered by Desjardins General Insurance Inc., provider of auto, property and business insurance products.
Loan Insurance is offered by Desjardins Financial Security Life Assurance Company. Conditions, exclusions and limitations may apply.

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