

SUMMARY D.I.Y. HOMEBUILDERS' GUIDE



Desjardins

Cooperating in building the future



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STEP 1 PLANNING



PLANNING

A poorly planned, badly managed DIY project could cost you a lot more than having it done by a general contractor. In order to avoid serious disappointment, you'll want to pay attention to the following:

WHAT IS SELF-BUILD HOUSING?

Self-build housing means that the construction of the home, in full or in part, was done by the homeowner. After buying the land, the individual builds the home himself or subcontracts the work to one or several subcontractors, who are generally building professionals. These contracts must not exceed 50% of the construction cost.

CHOICE OF HOUSE TYPE AND LAND

Obviously the starting point, and quite an art! The important thing is to choose the type of house and land that best suit your tastes, needs and financial capacity. Important points to consider:

- Choice of house style
- Price of the land: should not be more than 25 to 30% of the total cost
- Distance to your work, public transportation, schools, recreational facilities, grocery stores and other retailers, family members you'd like to be close to, etc.
- Impact of school and municipal taxes on your budget
- Risk of flooding or landslides (subsoil composition, water table, nearby slope)
- Proximity of hydro service to your lot
- Proximity of water connections and sewers
- Installing a well or septic tank

PLANS AND SPECIFICATIONS

Not only are they essential for planning the construction of your home, but plans, specifications, municipal waterworks bylaws or others are required to go forward **required for credit and municipal approval**, so be sure to have them done by specialists. Please note:

- Plans must be drawn up according to the construction standards in Québec or the Building Code in Ontario.
- The Real Property Report must be made by a surveyor.
- Your house must be built according to the municipal regulations and respect the regulations on setback and the permitted land percentage that can be built on.
- Have enough copies for subcontractors, the city and your caisse.

CONSTRUCTION PERMIT

To ensure your project doesn't contravene any municipal regulations*, you must get the required authorizations and a construction permit from the city. The documents required for your application are:

- Copies of all plans and specifications
- Copies of the Real Property Report (orientation and placement of a new house on the land)
- Soil-quality tests and studies (upon request)
- Drinking-water tests (upon request)

LICENSE OR QUALIFICATION CARD

Since you're building your own house, you don't need to have any qualification card or license at all. However, workers you hire need to have their construction qualification cards in conformity with the applicable laws and regulations.

TIPS:

- It's best to get an insurance policy (responsibility, fire, theft) in order to protect yourself and your employees on-site in case of accident or claim – speak to a representative at your caisse.
- Electrical work and gas installations are required by law to be done by qualified trade contractors.

THE MAJOR STEPS OF CONSTRUCTION

Planning and organizing construction requires the following four major steps (with average percentage costs)¹

1	Excavation and foundation: foundation, footings and walls, pouring the cement, floor joists, etc. (33% of costs)
2	Framing and closing-up: windows, stairs, roof, electricity, plumbing, insulation, exterior finishing, etc. (30% of costs)
3	Installing drywall: walls and ceilings (9% of costs)
4	Finishing: cupboards, counters, exterior stairs, bathroom fixtures, flooring, connecting to public services, painting, landscaping etc. (28% of costs)

N.B.: The work usually takes about six months to complete.

*Ontario: your project cannot contravene either the municipal regulations or the Ontario Building Code.

¹Source: Canada Mortgage and Housing Corporation (CMHC).

BUDGET AND FINANCIAL CAPACITY

Whether you're buying a house or building it yourself, it's important to remember that your total housing costs should not be greater than 32% of the gross monthly revenue of your household and that a **maximum of 40% of your household's gross monthly revenue should go to repaying all your debts**¹.

There's really no typical budget, but it's important to anticipate all costs as meticulously as possible for each step in the order they'll be accomplished. Costs include direct costs (material and labour) and indirect costs (permits, evaluation fees, survey certificate, legal or notarial fees). Be careful not to stray from the work budgeted for, and make sure you have a 15% margin for the unforeseen. Here are some suggestions to evaluate your 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 to buy, but they save you time and/or labour costs
 - Ask for guarantees, agreements and written contracts

- **Indirect costs:**

- Get estimates for professional honoraria
- Evaluate the cost of installation of connecting to services (Hydro, Bell, etc.)
- Estimate the real estate transfer tax (Québec) or the land transfer tax (Ontario)
- Evaluate the cost of moving, as well as buying new furniture, appliances, etc.

A FEW TIPS TO HELP YOU CHOOSE SUPPLIERS AND SUBCONTRACTORS:

SUPPLIERS	SUBCONTRACTORS
<ul style="list-style-type: none">• Check out their reputation• Verify the availability of materials at the time of starting work• Verify payment conditions and credit availability	<ul style="list-style-type: none">• Check out their reputation and solvability• Verify their license number*• Get references

Don't forget: The key to a successful project is respecting your planning and budget.

¹These debt ratios must be respected to get mortgage loan insurance when your downpayment is less than 20% of the cost of the project.

*Municipal Business License number in Ontario.

STEP 2 FINANCING



FINANCING

Your project and budget are prepared, evaluated and precisely detailed. Now you're ready to look after the financing, so make an appointment with the financial advisor at your caisse – your best ally – to discuss the issue. Your financial advisor can help you express your needs and will tell you about the conditions and criteria for mortgage credit, as well as guide you in choosing a Desjardins mortgage loan adapted to your borrowing profile. Here's an outline of the borrowing profiles and the suggested mortgage loans for each.

Your priority is rate and payment stability.

- **Closed Fixed-Rate Mortgage Loan:** The lowest available term (usually 5 years but can vary from 6 months to 10 years) protects you from interest rate hikes. The interest rate is generally higher.
- **Open Fixed-Rate Mortgage Loan:** Perfect if your property is currently for sale, or if you're waiting for a large inflow of funds in the short term, and can apply those funds to your loan to avoid paying a penalty. Its interest rate is higher than the Closed Fixed-Rate Mortgage Loan. 6-month to 1-year terms.

**You prefer stable payments but want to take advantage of low rates.
You have some tolerance for rate fluctuations.**

- **"5-in-1" Yearly Fixed-Rate Resetter Mortgage Loan:** This very popular loan gives you the benefit of one of the best fixed rates on the market. The term is for 5 years, revised annually, and provides a pre-arranged rate discount.

**You prefer stable mortgage payments and want to take advantage of possible rate decreases
without exceeding a pre-determined maximum if the rates go up.**

- **Protected Variable-Rate Mortgage Loan:** Combines the advantages of a variable rate with those of fixed rate and fixed payments. You benefit from rate decreases, while being protected from major rate increases throughout the loan's 5-year term.

**You want to take advantage of rate drops.
You are moderately sensitive to interest-rate and payment fluctuations.**

- **Reduced Variable-Rate Mortgage Loan:** The best interest rate. The rate follows the rise and fall of the prime rate. It can be converted into a fixed rate at any time, without penalty. You also get a pre-arranged rate discount.
- **Regular Variable-Rate Mortgage Loan:** Guarantees a very competitive interest rate. The rate follows the rise and fall of the prime rate. This open loan with a one or two-year term is flexible, too: it's refundable at any time in whole or part without penalty.

You're looking for an extremely flexible, tailored financing tool.

- **The Versatile Line of Credit:** With the Versatile Line of Credit, you can get financing of up to 80% of the current value of your principal residence... and at a very good rate. Plus, at any time you can convert the balance of your Versatile Line of Credit – in whole or in part – into a mortgage or a personal loan so you can benefit from rate and payment stability.

DOCUMENTS REQUIRED FOR FINANCING APPROVAL

When you meet with your advisor at the caisse, be sure to bring the following documents in order to make it easier to get your financing:

- The purchase offer and/or deed of sale*
- Copies of plans and specifications
- A detailed estimate of costs with backup documentation (supplier and contractor bids)
- The building permit
- The construction schedule

EXPENSES

Financing a DIY home building project is usually done in a minimum of three steps at three specific stages¹ as the work progresses. Also, remember that your caisse or any other financial institution usually holds back 15% of each expenditure² in order to avoid mortgage liens³⁻⁴. This hold-back will be paid out by the caisse 35 days after the work is completed⁵.

FINANCING PROTECTION

You're a crucial part of the completion of this project, which involves considerable sums of money. Therefore it's important to protect your ability to meet your financial obligations from the project. With Desjardins loan insurance, if you die or if an accident or sickness prevents you from working or looking after the project, your insurance can take over your payments.

*Conveyance in Ontario

¹ Site inspections by authorized appraisers may be required at certain stages.

² 10% in Ontario

³ A subcontractor's right to withhold property in order to obtain payment for work done, but unpaid by the owner

⁴ Lien registration in Ontario

⁵ 45 days in Ontario

STEP 3 INSURANCE



INSURANCE

HOME INSURANCE – WE ASSURE YOU IT'S BETTER!

When one decides to build one's own house it's important to be a responsible contractor. Why allow an accident or claim to endanger your project? And once the work is completed, don't forget to protect your new home!

DURING THE CONSTRUCTION

While you are building your own home, we recommend having civil liability insurance in order to protect yourself and your employees in case of accident or claim. Desjardins Generales Insurance¹ home insurance* would be ideal, although there are certain exclusions, such as theft of tools or materials on site, flooding etc. You can, however, get all the details from an insurance agent at your caisse, call 1-855-MADE-TO-MEASURE (1-855-623-3866), or visit DesjardinsGeneralInsurance.com.

ONCE YOUR HOME IS BUILT

It's essential to have good coverage for your most precious asset. Desjardins Home insurance includes a basic all-risks policy covering public liability; loss due to fire, theft, or vandalism; damages caused by wind, ice storms or a vehicle hitting your house – in other words, the majority of accidents that cause damage to your home or property. This insurance also covers identity theft. You can add optional clauses for specific needs, such as aboveground water damage or an aboveground pool.

LOAN INSURANCE – A SMART WAY TO PROTECT YOUR FINANCIAL POWER

You are the crucial link in completing your project, which involves large sums of money. That means it's important to protect your ability to respect the financial obligations the project entails. With loan insurance, the insurance can take over your payments in trying times.

Desjardins loan insurance can provide you with two types of protection: life insurance and disability insurance. Life insurance guarantees repaying the balance of the loan if you die. Disability insurance pays the insured portion of your regular payments if an accident or illness stops you from working or looking after your project.

Speak to an advisor at your caisse who will be glad to help you make the right choice.

¹ Desjardins General Insurance refers to Desjardins General Insurance Inc.
* Only available in Québec.

YOUR QUESTIONS DESERVE ANSWERS

Are you ready to make the final decision, but you'd first like clarification on some aspect of building your own dream home? Don't hesitate to talk to a Desjardins advisor.

To find out more about Desjardins mortgage loans, speak to an advisor at your caisse, dial 1 800 CAISSES or visit desjardins.com/home.

In the years ahead, you may have other projects in mind, such as going back to school, taking a vacation or buying a new vehicle. Your advisor would be pleased to help you achieve your dreams, whatever they may be.

USEFUL LINKS AND SOURCES:

QUÉBEC :

- The Québec homebuilders association (l'Association provinciale des constructeurs en habitation du Québec, or APCHQ): www.apchq.org
- The Association de la construction du Québec (ACQ): www.acq.org
- The provincial construction department (la Régie du bâtiment du Québec, or RBQ): www.rbq.gouv.qc.ca
- The Canada Mortgage and Housing Corporation (CMHC): www.cmhc-schl.gc.ca
- The work health and safety department (La Commission de la santé et de la sécurité du travail, or CSST): www.csst.qc.ca
- Genworth Financial Canada (GFC): www.genworth.ca

ONTARIO :

- The Ontario Building Code: www.obc.mah.gov.on.ca/scripts/index_.asp
- The Ontario Home Builders' Association: www.chba.ca
- The Ministry of Municipal Affairs and Housing (MMAH): www.mah.gov.on.ca
- The CMHC (see above)
- Genworth Financial Canada (see above)
- The Work Safety and Insurance Board (WSIB): www.wsib.on.ca

Appendix

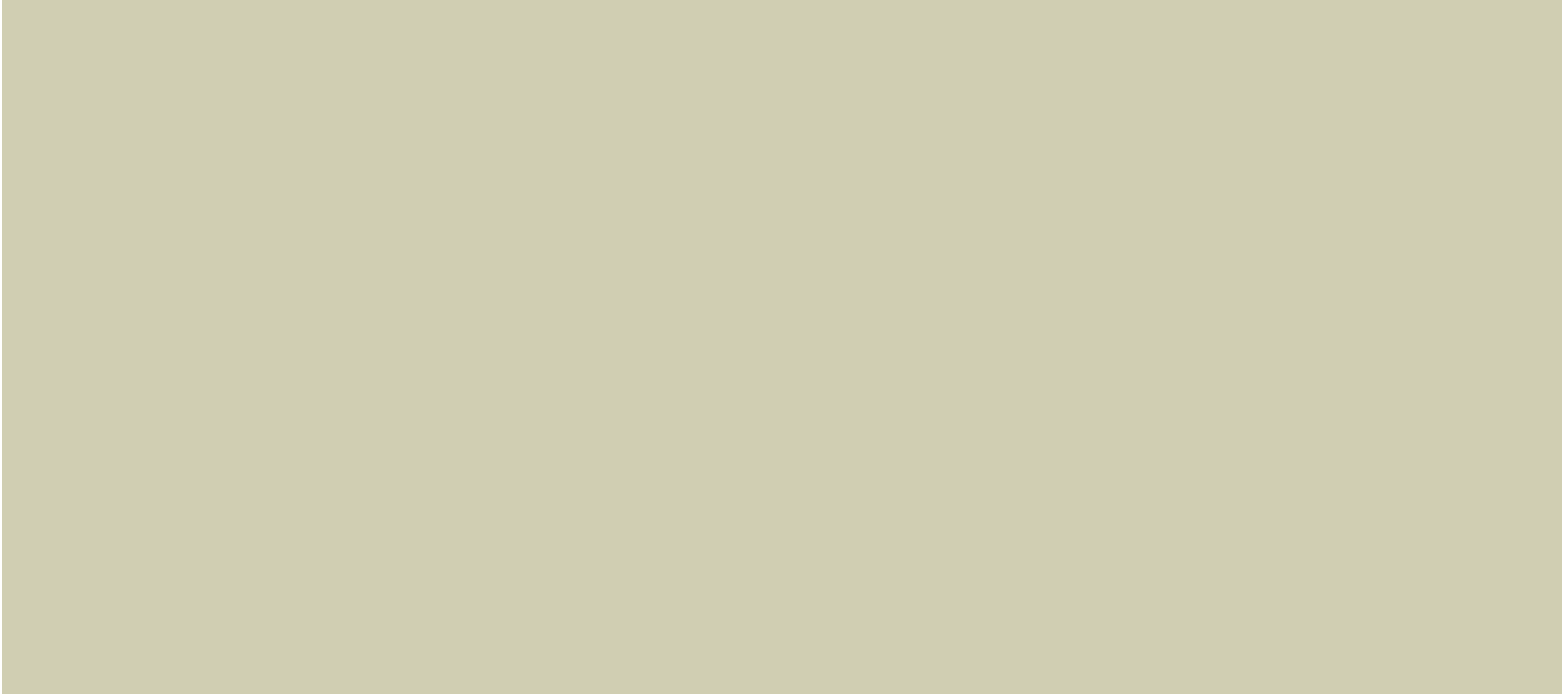
PRACTICAL ADVICE ON COMPLETING THE PROJECT

You have your permits, plans and specifications; your schedule is ready and your financing is accepted: you're ready to go! The following advice will help you smoothly coordinate the work and ensure it is done according to the appropriate standards (the building code, respect of costs, etc.):

- Get Desjardins' responsibility and fire insurance coverage as soon as you start, to protect you as owner and contractor.
- From your caisse and municipality, find out the inspection steps required in order to respect the municipal regulations and obtain the required advances for your labour and material costs.
- Create a construction schedule for all activities in order to avoid wasting time and money.
- Check that your subcontractors have their license from the Régie du bâtiment du Québec (RBQ) and take their expertise and trust worthiness into account* (consult the recognized associations).
- Ask for bills and contracts (including insurance and guarantees if applicable). The contracts should contain the following:
 - Site address
 - Names and addresses of both parties
 - Detailed description of the work to be done and materials required
 - Clause specifying that the work will be done in conformity with construction norms and practice
 - Dates of commencement and end of work
 - Contract amount and payment modalities
 - Signatures of both parties
 - Identification of the person – you – responsible for obtaining permits, inspections and required certificates
- Manage your construction costs in a dedicated account.
- Have the person with the appropriate qualifications verify work progress. Suppliers and contractors must follow the plans, specifications and construction schedule**.
- Regularly follow up on the budgets in order to keep your caisse abreast of your cash-flow requirements.

* In Ontario, verify that your designer and subcontractors are licensed.

** Required for getting an "occupancy permit" in Ontario



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