

DID YOU KNOW??

It is certainly the American dream to build your own home . . . but to literally do it yourself is not as easy as it sounds. There is a mistaken idea that to hire a professional contractor to build your home will add an outrageous inflated figure to the cost of your home. The questions to ask yourself are . . . Do I really have the time to undertake a project so time consuming? What is my time worth?

Your home is the single largest investment you will make in your lifetime. Do you have the expertise to make sure this home will last you a lifetime?

The objective of this brochure is to give “food for thought” before you embark upon a project which you may or may not have the skills to do properly

In the end, should you decide to hire a licensed, experienced, insured professional building contractor and let him have the headaches, frustration and sleepless nights, call the Acadian Home Builders Association for some tips on hiring the best one for YOU.



FINANCING

Arranging & Approval

Arranging and applying for a home loan can be quite involved and should be one of the first orders of business.

Even if you feel that you have enough cash to do the job, applying for a home loan to allow for inevitable overruns due to increased materials costs or upgrading is always advised. Most mortgage companies will not lend on a home which has already begun construction in order to cover unanticipated costs.

As a self-contractor, some lenders will not lend you more than 80% of the projected cost of your home.

House plans, specifications and an itemized list of documented costs and bids must be attached or provided to the lender. In calculating costs, do not allow for “sweat equity,” as most lenders do not allow for that consideration.

INSURANCE

Do you know why a builder carries Builder’s Risk, General Liability and Workman’s Compensation insurance on all of his building projects? Why? Because he knows what his liabilities are and YOU, as a self-contractor, may have the same liabilities.

Builder’s Risk

The mortgage holder will require this type of insurance, which covers the home materials only (no bodily injury, etc.). Upon completion of the home and closing of the loan, you will want to convert this to a homeowner’s policy. Your lender can explain.

General Liability

Your lender may or may not require this type of insurance, but as a self-contractor, the permit purchaser and the property owner, YOU are responsible for any third party injuries which may occur on your property. Without the proper general liability protection, YOU will be held liable if anyone gets injured on the project, including children injured while playing on the job site.



Worker’s Compensation

If you are not in the business of building homes, you may not be required to carry worker’s compensation insurance, however it would be considered prudent to require any subcontractors you hire to present certification of their own worker’s compensation coverage. Also, it is important to know that any subcontractor who employs any number of workers must carry worker’s compensation insurance. It is required by law.

A FRIENDLY WARNING

* Do not accept a release of injury in lieu of a sub having workman’s compensation insurance for it may not be binding in a court of law.

There is an issue which has been of increasing concern to property owners . . . there is a fine line between being an employer and a do-it-yourself minded builder. A case in Oregon ruled that, since the property owner was serving as their own general contractor and had the right to control the worker, they were employers and therefore liable for workman’s comp insurance. This presents a legal issue about which property owners should be knowledgeable.

PERMITS

Building permits and periodic inspections are required even if you are self-contracting. It can be a tedious and frustrating experience if you are not familiar with the system and all of the “red tape” requirements which must be complied with before commencing work. Mistakes here can be costly and time-consuming.

Department of Zoning

The Lafayette Consolidated Government has certain development regulations for which the permit purchaser/ builder is responsible.

An architectural scaled plan/plat showing all of the variances and setbacks must be presented and approved before you can secure a building permit. This plat must be an engineered scaled plat plan. Your lender will also require a slab survey to insure that you are complying with all variances and setbacks.

NOTE: DOTTIE must confirm the location of existing utilities and any underground wiring before any construction can begin.



Codes Department

You must secure a building permit from the Lafayette Consolidated Government Codes Department. As the permit purchaser you are liable for compliance with all IBC residential codes. A pamphlet is available through the Lafayette Codes Department office. It is advised that you carefully plan your construction so that it meets all of these regulations.

Another requirement of those applying for a permit is proof of insurance, both general liability and worker’s compensation, unless you are the property owner, in which case you are exempt. (See Section on Worker’s Compensation Insurance). However, to qualify for this exemption, you must present certain proof of property ownership. You must also sign an affidavit from the codes department documenting that the home you are building is your personal home and not for sale.

After construction begins, the Lafayette Codes Department must perform at least nine mandatory inspections. If any of these construction inspections fail, remedial work must be completed before work can continue.

You may also need a Flood Plain elevation certificate.

A certificate of occupancy will also be required upon completion.

PERMITS

Deposits will be required on all utilities before construction can begin.

CONSTRUCTION MANAGEMENT

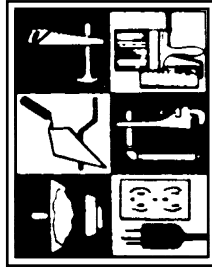
TALENTS

Do not take this area for granted. There is a lot more to building a home than meets the eye. Be realistic about your level of skill and the amount of time you can spend. Base your decision to put “sweat equity” into your home on your experience, skills, available time and the amount of stress you and your spouse are able to manage. Your ability to handle long-term disruption of schedules is just as important as your ability to handle a hammer.



Some other considerations . . .

Time Constraints: Be prepared to spend at least 6-8 hours a day, 5 days a week for 4-5 months. This is calculated for an average 1500 square foot home. If the home is larger, figure accordingly. Does your present employment allow enough flexibility to put in these hours?



Proper Selection & Scheduling of 30-40 Subcontractors: Remember these subs have other jobs in progress besides yours. Will they be available at the proper time? For example: Do you have the plumber put in the toilet before the sheet vinyl is installed or after? Does the toilet go in before carpet or after? One

cannot do their job until the other does theirs!! Delays are costly and frustrating.

Bidding Expertise: Do you know proper cost breakdown analysis! Can you distinguish high bids, low bids and work quality?

Are you allowing for all of the materials you need? For instance, everyone knows to buy tile . . . what about grout, thin-set and spacers?

Is that included in your bid? Do you know enough about it to realize if it's not? Remember, the lender will require that cost breakdown be documented and if you have not projected costs efficiently and run short of funds, the loan amount cannot be adjusted after it is approved.

Technical Expertise: As the general contractor of the home, it will be your responsibility to hire qualified, licensed, insured and / or certified subcontractors. Do you have the technical expertise to oversee if the work is done properly? If, after inspection, the work is rejected by the Codes Department, who absorbs the cost to redo the work? While this work is being redone, time has been lost, and consequently other subs may have to be rescheduled.

BOOKKEEPING RESPONSIBILITIES



IRS: The IRS requires that you send any sub who earns \$600.00 or more a 1099 form at the end of the year. In the event you are audited, be prepared to prove that the sub is an independent contractor – that is, you did not have to supervise his work and you did not dictate what time he reported.

Tracking Materials Purchases: Being on site yourself or having someone you can trust to document delivery slips is very important. Returns must be accounted for also, since inaccurate billing can run up costs. Check invoices and account for all materials. Waste can add hundreds to your bills.

OSHA (OCCUPATIONAL & SAFETY HEALTH ADMINISTRATION)



As the general contractor of your own home, you can be held responsible for all sub-contractors who do not adhere to the construction site OSHA safety requirements. Specifics such as regulations involving stairways and ladders have been a major source of injuries among construction workers. OSHA has set out about 17 detailed rules that govern stairway and ladder use. Other OSHA standards for a job site would include posting of emergency numbers and instructions in the event of an injury.

If your job site became the target of an OSHA inspection, penalties for any infractions could be very costly. For example, in Texas one inspection of a single house under construction resulted in \$20,000.00 worth of citations. (Source NAHB Business Management.)

WARRANTY RESPONSIBILITY

Louisiana has a New Home Warranty Act, effective August 30, 1986, which requires builders of new homes to provide certain warranties that extend over periods of one, two or five years, depending on the nature of the defect.

If you sell the home to another party, you will then become responsible for any of the legitimate damages within the given five year time frame. In the case of your death, your estate would be responsible for any claims.

For a copy of Louisiana's New Home Warranty Act, check with your local Home Builders Association.



WETLANDS PERMIT 404

If the property on which you plan to build is located in an established subdivision, the developer has probably already had the environmental assessment and secured a 404 permit.

Failure to clear property of any wetlands regulations could result in construction shut-down and; if the Corps of Engineers should find you in violation, impose severe fines and penalties.

LIEN LAWS

In the event any of your subcontractors fail to pay their supplier or laborers, a lien can be filed against your property.

LICENSING

A homeowner may build his own home one time per year. But remember, YOU must actually occupy the home upon completion. Other than this exception, any person or firm who is the prime contractor on any residential construction which total cost exceeds \$25,000 must be licensed.

A word of caution - anyone who pulls a permit as a self-contractor, builds the home, never lives in it, sells and then pulls another permit as a self-contractor and does this several times, is considered "in the business of" and therefore required to be licensed. You may not pull another permit to build again as a self-contractor for 18 months from the time you pull the previous permit.

All builder members of the Acadian Home Builders Association are required to be licensed. For a copy of AHBA's builder referral list, call (337) 981-3053.



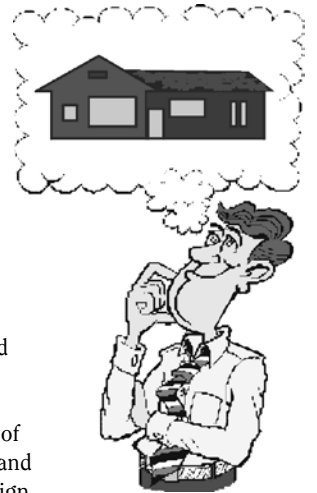
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Revised 03/17/06

Thinking of Self-Contracting Your Own Home . . .



. . . is it worth the risk — could it be more than you bargained for?



This brochure published by the Acadian Home Builders Association, Lafayette, LA as a part of their public awareness and consumer safety campaign.