

# Thinking of Being the General Contractor for Your Home? That could be a costly mistake...Is it worth the risk?

BCHBA brochure  
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There are several questions you will need to answer. Do I really have the time to undertake a project so time consuming? Is it worth the time? How stressful will it be on my family? Do I really have the skills to build a home properly?

Your home is the single biggest investment you will make in your lifetime. Do you have the expertise to make sure this home will last you a lifetime? Do you really want to gamble with something this important?

Arranging and applying for a construction loan can be quite involved and should be one of the first orders of business. Most mortgage companies will not lend money to cover the unanticipated costs on a home on which construction has already begun. As a self-contractor, some lenders will not lend you more than 80% of the projected costs. House plans, specifications and an itemized list of documented costs and bids must be provided to the lender.

The IRS requires that you send any sub who earns \$600 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/her work and you did not dictate what time he/she reported to the job.

Deposits may be required by all utilities before construction can begin. Make deposits early as some may take weeks to get their service connected.

Your lender may or may not require General Liability insurance, but as a self-contractor, the permit purchaser and the property owner, YOU are responsible for any third party injuries that may occur on your property. Without 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.

The mortgage lender will require Builder's Risk insurance, which covers the home materials only. Upon completion of the home and closing the loan, you will want to convert this policy to a homeowner's policy.

You may not be required to carry Workman's Compensation insurance; however, it would be prudent to require any subs you hire to provide certification of their WC coverage. Any sub who employs workers is required by law to carry WC insurance.

When scheduling subs, remember they may have other jobs in progress. Their loyalty will be to those builders that give them the most work during the year. Will they be available when you need them? Delays occur when a sub cannot do their work because another sub has not completed theirs. This is very frustrating and costly!

When bidding the project, are you able to distinguish high bids, low bids and work quality? Is everything that will be needed to complete the task included in the bid?

As the general contractor, you are responsible to hire qualified, licensed and/or certified subs. Do you have the technical expertise to oversee if the work is done properly? Also, you can be held responsible for all subs who do not adhere to the construction site OSHA safety requirements. If OSHA inspects your job site, penalties for any infractions could be very costly.

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***If you are overwhelmed after reading the article above, please contact us at 920-993-1520 to schedule an appointment. We would be happy to work with you to build the home of your dreams!***

***— Schmidt Bros. Custom Homes Inc.***