

“Must Know Tips for Hiring a Contractor”



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Thinking About a Home Improvement? Don't Get Nailed

If you are thinking about making improvements to your home, selecting a contractor is the first and most important step in the process. The Federal Trade Commission offers the following tips and checklist to help you along.

- Deal only with licensed contractors. Make sure that any contractor you're considering has a current license to operate in the District. Call the D.C. Business Services Division at 727-7070 to find out. According to D.C. law, only licensed contractors and salespeople can require and accept any payments before the job is completed.
- Don't assume that all contractors who advertise in the "home improvement" section of the Yellow Pages have a valid license or that they're reputable. Check out licensed contractors with the D.C. Better Business Bureau. You'll find out if there are any unresolved consumer complaints on file.
- Ask friends, relatives and co-workers for recommendations. Ask contractors if there's a charge for an estimate before allowing them in your home. Get written estimates from at least three firms. Ask for explanations for price variations. Don't automatically choose the lowest bidder.
- Be skeptical of contractors who come to your door unsolicited or offer reduced prices because they've just completed work nearby and have materials left over.
- Beware of contractors who ask you to pay for the entire job up front. Your down payment should not be more than one-third of the total price. And remember, only licensed contractors and salespeople can require and accept any payments before the job is completed. Pay only by check or credit card, not cash.
- Be cautious about using your home as security for a home improvement loan. If you fail to repay the loan as agreed, you could lose your home.
- Have a knowledgeable friend, relative or your attorney review the contract before you sign. If you get a loan to pay for the work, consider having these documents reviewed as well.
- Be aware that you have cancellation rights. Under Federal and District law, you have three business days to cancel the deal if you sign the contract in your home or at a location that is not the seller's permanent place of business. The salesperson must give you two copies of a cancellation form (one to keep and one to send back) and a copy of your contract or receipt. The contract or receipt must be dated, show the name and address of the seller, and explain your right to cancel.

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Check Out Your Contractor

Ask the contractor for the following information. Use it to check out the contractor with appropriate authorities and previous customers. If the contractor is reluctant to give you this information, consider doing business with another company.

- An unsigned copy of the contract
- A copy of the estimate
- Contractor's name
- Street address (no P.O. Box)
- Telephone Number
- License Number
- Name under which license is filed
- Number of years contractor has had a license
- Names, addresses and telephone numbers of previous customers. Ask them about their experiences with the company. If possible, visit a completed job.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

Tips for Selecting A Contractor

Home repairs can cost thousands of dollars and are the subject of frequent complaints. When selecting a contractor:

- Get recommendations and references. Talk to friends, family and other people for whom the contractor has done similar work.
- Get at least three written estimates from contractors who have come to your home to evaluate what needs to be done. Be sure the estimates are based on the same work so that you can make meaningful comparisons.

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- Make sure the contractor meets licensing and registration requirements with your local or state consumer agency. Some states require licensees to pass tests for competency and scrutinize licensees for financial solvency. Some states also have a fund to cover some financial losses that result from problems with licensed contractors.
- Check to see if state or local laws limit the amount by which the final bill can exceed the estimate, unless you have approved the increase.
- Check contractor complaint records with the Better Business Bureau.
- Get the names of suppliers and ask if the contractor makes timely payments.
- Contact your local building inspection department to check for permit and inspection requirements. Be wary if the contractor asks you to get the permit. It could mean the firm is not licensed.
- Be sure your contractor has the required personal liability, property damage and worker's compensation insurance for his/her workers and subcontractors. Also check with your insurance company to find out if you are covered for any injury or damage that might occur.
- Insist on a complete written contract. Know exactly what work will be done, the quality of materials that will be used, warranties, timetables, the names of any subcontractors, the total price of the job, and the schedule of payments.
- Try to limit your down payment. State law may specify that only a certain percentage of the total cost may be made as a down payment.
- Understand your payment options. Compare the cost of getting your own loan versus contractor financing.
- Don't make final payment or sign an affidavit of final release until you are satisfied with the work and know that subcontractors and suppliers have been paid. State lien laws may allow unpaid subcontractors and/or unpaid suppliers to attach your home.
- Pay by credit card when you can. Under federal and state law, in most cases, you have the right to withhold payment to the credit card company until problems are corrected See Resolving Credit Problems.
- Be especially cautious if the contractor:
 - comes door-to-door or seeks you out;
 - just happens to have material left over from a recent job;
 - tells you your job will be a "demonstration";

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- offers you discounts for finding other customers;
- quotes a price that's out of line with other estimates;
- pressures you for an immediate decision;
- offers exceptionally long guarantees;
- can only be reached by leaving messages with an answering service;
- drives an unmarked van or has out-of-state plates on his/her vehicles; or
- asks you to pay for the entire job up front.

With most home improvements, federal law gives you three business days to cancel without penalty. Of course you would be liable for any benefit already received. State laws may also provide some protection. See *Your Rights: 3-Day Cooling-Off Rule*. If you finance home improvements with a home equity loan and don't make your payments, you could lose your home. See *Home Equity Loans*.

Home Sweet Home Improvements

Whether you're planning an addition for a growing family or simply getting new storm windows, finding a competent and reliable contractor is the first step to a successful and satisfying home improvement project.

Your home may be your most valuable financial asset. That's why it's important to be cautious when you hire someone to work on it. Home improvement and repair and maintenance contractors often advertise in newspapers, the Yellow Pages, and on the radio and TV. However, don't consider an ad an indication of the quality of a contractor's work. Your best bet is a reality check from those in the know: friends, neighbors, or co-workers who have had improvement work done. Get written estimates from several firms. Ask for explanations for price variations. Don't automatically choose the lowest bidder.

Home Improvement Professionals

Depending on the size and complexity of your project, you may choose to work with a number of different professionals:

- General Contractors manage all aspects of your project, including hiring and supervising subcontractors, getting building permits, and scheduling inspections. They also work with architects and designers.

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- Speciality Contractors install particular products, such as cabinets and bathroom fixtures.
- Architects design homes, additions, and major renovations. If your project includes structural changes, you may want to hire an architect who specializes in home remodeling.
- Designers have expertise in specific areas of the home, such as kitchens and baths.
- Design/Build Contractors provide one-stop service. They see your project through from start to finish. Some firms have architects on staff; others use certified designers.

Don't Get Nailed

Not all contractors operate within the law. Here are some tip-offs to potential rip-offs. A less than reputable contractor:

- solicits door-to-door;
- offers you discounts for finding other customers;
- just happens to have materials left over from a previous job;
- only accepts cash payments;
- asks you to get the required building permits;
- does not list a business number in the local telephone directory;
- tells you your job will be a "demonstration;"
- pressures you for an immediate decision;
- offers exceptionally long guarantees;
- asks you to pay for the entire job up-front;
- suggests that you borrow money from a lender the contractor knows. If you're not careful, you could lose your home through a home improvement loan scam.

Checking References

Talk with some of the remodeler's former customers. They can help you decide if a particular contractor is right for you. You may want to ask:

- Can I visit your home to see the completed job?
- Were you satisfied with the project? Was it completed on time?
- Did the contractor keep you informed about the status of the project, and any problems along the way?
- Were there unexpected costs? If so, what were they?
- Did workers show up on time? Did they clean up after finishing the job?
- Would you recommend the contractor?
- Would you use the contractor again?

Understanding Your Payment Options

You have several payment options for most home improvement and maintenance and repair projects. For example, you can get your own loan or ask the contractor to arrange financing for larger projects. For smaller projects, you may want to pay by check or credit card. Avoid paying cash. Whatever option you choose, be sure you have a reasonable payment schedule and a fair interest rate. Here are some additional tips:

- Try to limit your down payment. Some state laws limit the amount of money a contractor can request as a down payment. Contact your state or local consumer agency to find out what the law is in your area.
- Try to make payments during the project contingent upon completion of a defined amount of work. This way, if the work is not proceeding according to schedule, the payments also are delayed.
- Don't make the final payment or sign an affidavit of final release until you are satisfied with the work and know that the subcontractors and suppliers have been paid. Lien laws in your state may allow subcontractors and/or suppliers to file a mechanic's lien against your home to satisfy their unpaid bills. Contact your local consumer agency for an explanation of lien laws where you live.

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- Some state or local laws limit the amount by which the final bill can exceed the estimate, unless you have approved the increase. Check with your local consumer agency.
- If you have a problem with merchandise or services that you charged to a credit card, and you have made a good faith effort to work out the problem with the seller, you have the right to withhold from the card issuer payment for the merchandise or services. You can withhold payment up to the amount of credit outstanding for the purchase, plus any finance or related charges.

The "Home Improvement" Loan Scam

A contractor calls or knocks on your door and offers to install a new roof or remodel your kitchen at a price that sounds reasonable. You tell him you're interested, but can't afford it. He tells you it's no problem — he can arrange financing through a lender he knows. You agree to the project, and the contractor begins work. At some point after the contractor begins, you are asked to sign a lot of papers. The papers may be blank or the lender may rush you to sign before you have time to read what you've been given to sign. You sign the papers. Later, you realize that the papers you signed are a home equity loan. The interest rate, points and fees seem very high. To make matters worse, the work on your home isn't done right or hasn't been completed, and the contractor, who may have been paid by the lender, has little interest in completing the work to your satisfaction.

You can protect yourself from inappropriate lending practices. Here's how.

Don't:

- Agree to a home equity loan if you don't have enough money to make the monthly payments.
- Sign any document you haven't read or any document that has blank spaces to be filled in after you sign.
- Let anyone pressure you into signing any document.
- Deed your property to anyone. First consult an attorney, a knowledgeable family member, or someone else you trust.
- Agree to financing through your contractor without shopping around and comparing loan terms.

Getting a Written Contract

Contract requirements vary by state. Even if your state does not require a written agreement, ask for one. A contract spells out the who, what, where, when and cost of your project. The agreement should be clear, concise and complete. Before you sign a contract, make sure it contains:

- The contractor's name, address, phone, and license number, if required.
- The payment schedule for the contractor, subcontractors and suppliers.
- An estimated start and completion date.
- The contractor's obligation to obtain all necessary permits.
- How change orders will be handled. A change order — common on most remodeling jobs — is a written authorization to the contractor to make a change or addition to the work described in the original contract. It could affect the project's cost and schedule. Remodelers often require payment for change orders before work begins.
- A detailed list of all materials including color, model, size, brand name, and product.
- Warranties covering materials and workmanship. The names and addresses of the parties honoring the warranties — contractor, distributor or manufacturer — must be identified. The length of the warranty period and any limitations also should be spelled out.
- What the contractor will and will not do. For example, is site clean-up and trash hauling included in the price? Ask for a "broom clause." It makes the contractor responsible for all clean-up work, including spills and stains.
- Oral promises also should be added to the written contract.
- A written statement of your right to cancel the contract within three business days if you signed it in your home or at a location other than the seller's permanent place of business. During the sales transaction, the salesperson (contractor) must give you two copies of a cancellation form (one to keep and one to send back to the company) and a copy of your contract or receipt. The contract or receipt must be dated, show the name and address of the seller, and explain your right to cancel.

Keeping Records

Keep all paperwork related to your project in one place. This includes copies of the contract, change orders and correspondence with your home improvement professionals. Keep a log or journal of all phone calls, conversations and activities. You also might want to take photographs as the job progresses. These records are especially important if you have problems with your project — during or after construction.

Completing the Job: A Checklist

Before you sign off and make the final payment, use this checklist to make sure the job is complete. Check that:

- All work meets the standards spelled out in the contract.
- You have written warranties for materials and workmanship.
- You have proof that all subcontractors and suppliers have been paid.
- The job site has been cleaned up and cleared of excess materials, tools and equipment.
- You have inspected and approved the completed work.

Where to Complain

If you have a problem with your home improvement project, first try to resolve it with the contractor. Many disputes can be resolved at this level. Follow any phone conversations with a letter you send by certified mail. Request a return receipt. That's your proof that the company received your letter. Keep a copy for your files.

If you can't get satisfaction, consider contacting the following organizations for further information and help:

- State and local consumer protection offices.
- Your state or local Builders Association and/or Remodelers Council.
- Your local Better Business Bureau.
- Action line and consumer reporters. Check with your local newspaper, TV, and radio stations for contacts.
- Local dispute resolution programs.

For More Information

- **Federal Trade Commission:** www.ftc.gov
- **National Association of Home Builders Remodelers™ Council:** www.nahb.com

To order a free copy of How to Find a Professional Remodeler, send a self-addressed stamped envelope to:

NAHB Remodelers Council
Dept. FT
1201 15th Street, NW
Washington, DC 20005

- **National Association of Consumer Agency Administrators:** www.nacaanet.org

1010 Vermont Avenue, NW
Suite 514
Washington, DC 20005
E-mail: nacaa@erols.com

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- Ask friends, neighbors, and co-workers for contractor referrals.
- Contact local trade organizations, such as the local Builder Association or Remodelors Council for the names of members in your area.
- Check out the contractor with your local or state consumer protection officials.
- Ask the contractor for customer references who have projects similar to yours.
- Ask for a copy of the contractor's current insurance certificates and licenses, if required.
- Get written estimates from several firms. Make sure bids are based on identical project specifications.
- Get all guarantees, warranties and promises in writing.
- Agree on start and completion dates, and have them written into the contract.

You can file a complaint online, by telephone 202-FTC-HELP, or by mail, Consumer Response Center, Federal Trade Commission, Washington, D.C. 20580.