

Hiring a Contractor



Adding a room, renovating a basement, or doing some much-needed repairs? Finding a good contractor is important – a home improvement project gone wrong can cost you. A good ad isn't proof a contractor does quality work. Find out for yourself. Check with friends, neighbors, or co-workers who've had improvement work done, and check out a contractor's reputation on online ratings sites you trust. Get written estimates from several firms, keeping in mind the lowest bidder may not be the best choice. Also important: know the signs of a scam.

Finding a Contractor

Depending on how big or complex a project is, you might hire a:

- **general contractor**, who manages all aspects of a project, including hiring and supervising subcontractors, getting building permits, and scheduling inspections
- **specialty contractor**, who installs particular products like cabinets and bathroom fixtures
- **architect**, who designs homes, additions, and major renovations — especially ones involving structural changes
- **designer** or **design/build contractor**, who provides both services

Do Your Research

Check with friends, neighbors, or co-workers who've used a contractor

If you can, take a look at the work done and ask about their experience.

Look at sites you trust that post ratings and reviews

Do people seem to have similar experiences, good or bad? You also can check out a contractor's online reputation by searching for the company's name with words like "scam," "rip-off," or "complaint."

Find out how long they've been in business

Look for an established company whose record and reputation you can check out.

Check for qualifications, like licensing

Many states, but not all, require contractors to be licensed and/or bonded. Check with your local building department or consumer protection agency to find out about licensing requirements in your area. Licensing can range from simple registration to a detailed qualification process. If your state or locality has licensing laws, make sure the contractor's license is current.

Before You Hire a Contractor

Get Estimates

Once you've narrowed your options, get written estimates from several firms. Don't automatically choose the lowest bidder. Ask for an explanation to see if there's a reason for the difference in price.

Ask Questions

How many projects like mine have you completed in the last year?

Ask for a list so you can see how familiar the contractor is with your type of project.

Will my project require a permit?

Most states and localities require permits for building projects, even for simple jobs like decks. A competent contractor will get all the necessary permits before starting work on your project. You may want to choose a contractor familiar with the permitting process in your county, city, or town.

May I have a list of references?

A contractor should be able to give you names, addresses, and phone numbers of at least three clients with projects like yours. Ask each client how long ago the project was and whether it was completed on time. Was the client satisfied? Were there any unexpected costs? Did workers show up on time and clean up after finishing the job? You also could tell the contractor that you'd like to visit jobs in progress.

What types of insurance do you carry?

Contractors should have:

- personal liability
- worker's compensation
- property damage coverage

Ask for copies of insurance certificates, and make sure they're current, or you could be held liable for any injuries and damages that occur during the project.

Will you be using subcontractors on this project?

If so, make sure the subcontractors have current insurance coverage and licenses, too, if required.

To find builders, remodelers, and related providers in your area that are members of the National Association of Home Builders, visit www.nahb.org. To find detailed information about a builder, service provider, or remodeler in your area, contact your local home builders association. You can find your local association at www.nahb.org.

Understand Your Payment Options

Don't pay cash

For smaller projects, you can pay by check or credit card. Many people arrange financing for larger projects.

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 the law in your area.

Try to make payments during the project contingent upon completion of defined amounts of work

This way, if the work isn't going according to schedule, the payments to your contractor also are delayed.

Get a Written Contract

Contract requirements vary by state. Even if your state doesn't require a written agreement, ask for one. It should be clear and concise and include the who, what, where, when, and cost of your project. Before you sign a contract, make sure it includes:

- the contractor's name, address, phone, and license number (if required)
- an estimated start and completion date
- the payment schedule for the contractor, subcontractors, and suppliers
- the contractor's obligation to get all necessary permits



- how change orders are handled. A change order is a written authorization to the contractor to make a change or addition to the work described in the original contract, and could affect the project's cost and schedule.
- a detailed list of all materials including each product's color, model, size, and brand. If some materials will be chosen later, the contract should say who's responsible for choosing each item and how much money is budgeted for it (this is also known as the "allowance").
- information about warranties covering materials and workmanship, with names and addresses of who is honoring them — the contractor, distributor, or manufacturer. The length of the warranty period and any limitations also should be spelled out.
- what the contractor will and won't do. For example, is site clean-up and trash hauling included in the price? Ask for a "broom clause" that makes the contractor responsible for all clean-up work, including spills and stains.
- any promises made during conversations or calls. If they don't remember, you may be out of luck — or charged extra.
- 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

After You Hire a Contractor

Keep Records

Keep all paperwork related to your project in one place. This includes:

- copies of the contract
- change orders
- any correspondence with your home improvement professionals
- a record of all payments. You may need receipts for tax purposes.

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.

Pay Wisely

Don't make the final payment or sign an affidavit of final release until you're satisfied

Besides being satisfied with the work, you also need to know that subcontractors and suppliers have been paid. Laws in your state might allow them to file a mechanic's lien against your home to satisfy their unpaid bills, forcing you to sell your home to pay them. Protect yourself by asking the contractor, and every subcontractor and supplier, for a lien release or lien waiver.

Know the limit for the final bill

Some state or local laws limit the amount by which the final bill can exceed the estimate, unless you have approved the increase.

Know when you can withhold payment

If you have a problem with merchandise or services charged to a credit card, and you've made a good faith effort to work out the problem with the seller, you have the right to contact your credit card company and withhold payment from the card issuer 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.

Use a Sign-Off Checklist

Before you sign off and make the final payment, 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

Signs of a Home Improvement Scam

How can you tell if a contractor might not be reputable?
You may not want to do business with someone who:

- knocks on your door for business or offers you discounts for finding other customers
- just happens to have materials left over from a previous job
- pressures you for an immediate decision
- only accepts cash, asks you to pay everything up-front, or suggests you borrow money from a lender the contractor knows
- asks you to get the required building permits
- tells you your job will be a “demonstration” or offers a lifetime warranty or long-term guarantee
- doesn’t list a business number in the local telephone directory

The Home Improvement Loan Scam

Here’s how it works: a contractor calls or comes to your door and offers a deal to install a new roof or remodel your kitchen. He says he can arrange financing through a lender he knows. After he starts, he asks you to sign papers; they may be blank — or he might hustle you along and not give you time to read through them. Later you find out you’ve agreed to a home equity loan with a high interest rate, points, and fees. What’s worse, the work on your home isn’t done right or isn’t completed, and the contractor — who may already have been paid by the lender — has lost interest.

To avoid a loan scam, **don't**:

- agree to a home equity loan if you don't have the money to make the payments
- sign a document you haven't read or that has blank spaces to be filled in after you sign
- let anyone pressure you into signing any document
- deed your property to anyone. Consult an attorney, a knowledgeable family member, or someone else you trust if you're asked to.
- agree to financing through your contractor without shopping around and comparing loan terms

Report a Problem

If you have a problem with a 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 that fails, consider getting outside help like:

- your state attorney general or local consumer protection office
www.usa.gov/directory/stateconsumer
- your local home builders association
www.nahb.org
- your local media's call for action lines
www.callforaction.org
- dispute resolution programs
www.consumer.ftc.gov

For More Information

National Association of Home Builders

www.nahb.org

National Association of the Remodeling Industry

www.nari.org

The American Institute of Architects

architectfinder.aia.org

ENERGY STAR

www.energystar.gov/newhomes

The FTC works 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 get free information on consumer issues, visit **ftc.gov** or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261.

Watch a video, *How to File a Complaint*, at **consumer.ftc.gov/media** to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.





Federal Trade Commission
consumer.ftc.gov
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