

Hiring a residential building contractor

The *Hiring a residential building contractor* guide offers useful information, including: how to select a contractor, how to solicit bids, what to include in a contract, how to understand a mechanic's lien and how to file a complaint against a contractor.

Do your homework before work begins on your home.

The Minnesota Department of Labor and Industry reminds homeowners to do some homework before hiring a building contractor after a storm ... or anytime.

Most contractors are reputable. However, some unscrupulous operators may attempt to take advantage of storm victims. Before hiring a contractor, call the Department of Labor and Industry to verify the contractor is licensed and to learn if there is a history of disciplinary action with that contractor. Do not sign *anything* presented by a contractor unless you read the document very carefully and have made a firm decision to hire that contractor. Generally speaking, if you sign a piece of paper, it is a contract, regardless of what the salesman tells you, and you are then obligated to its terms.

In some cases, a salesman for the contractor will explain that the company will work with the homeowner's insurance carrier to get a good settlement and that the homeowner will not have to pay any more than the amount of their deductible. The salesman will then ask the homeowner to sign an authorization form to allow the salesman to contact the insurer. Many of the forms state that by signing, the homeowner agrees to have the contractor perform the work allowed by the insurance company in exchange for the insurance claim proceeds.

The homeowner may be left with the mistaken impression that they are still free to pursue bids from other contractors, even after signing the document. However, some of these contract forms contain small print (usually on the back of the document) that says if the homeowner cancels the contract after three business days, the homeowner will owe the contractor a percentage (usually from 15 to 50 percent) of the total claim settlement.

This becomes a problem when the homeowner finds another contractor they prefer over the original contractor.

The Minnesota Department of Labor and Industry licenses residential builders, remodelers, roofers and manufactured home installers. To work in Minnesota, these professionals must be licensed. If you hire an unlicensed contractor, you will not have access to the Contractor's Recovery Fund, which is available to compensate consumers who have suffered losses due to a contractor's fraudulent, deceptive or dishonest practices.

Quick tips

Before you hire a contractor, the Department of Labor and Industry suggests the following.

- Ask for the contractor's license number and contact the Department of Labor and Industry at (651) 284-5065 or 1-800-342-5354 to verify the builder is currently licensed and to find out if they have a disciplinary history.
- Ask the contractor how long and where they have been in business.
- Ask for references and check with former customers to see if they were satisfied with the work.
- Ask for a Minnesota business address other than a post office box.
- Ask for a local phone number where the contractor can be reached during normal business hours.

Avoid contractors that:

- arrive in an unmarked truck or van;
- ask you to sign an estimate or authorization before you have decided to actually hire them;
- appear to be willing to do the job at an unusually low price;
- only provide a post office box for their business address;
- require full or substantial payment before work begins;
- refuse to provide you with a written estimate or contract;
- refuse to provide you with a license number issued by the state of Minnesota;
- refuse to provide you with references;
- show up at your door unsolicited; or
- use high-pressure sales tactics.

Before you sign a contract, make sure it includes:

- a detailed summary of the work to be done;
- a description of materials;
- the total contract price or how the price will be calculated; and
- specific timelines and provisions that address what will happen if the contractor fails to meet the contractual deadlines.

What is the Contractor's Recovery Fund?

The purpose of the Contractor's Recovery Fund is to compensate consumers who have suffered losses due to a licensed contractor's fraudulent, deceptive or dishonest practices, conversion of funds or failure to perform. All licensed contractors are required to pay a fee to the fund.

The total amount that can be paid out against any one licensed contractor is \$75,000. If multiple claims are filed against the same contractor, they are prorated. In these situations, you may not be able to recover your entire loss. To better protect yourself, you

may wish to request your contractor obtain a performance bond for your specific project, in case the contractor does not perform. A performance bond would provide a specific level of protection for your specific project.

If you have a problem or complaint with a residential building contractor:

- Call the Department of Labor and Industry Residential Building Contractors unit at (651) 284-5065 or 1-800-342-5354. You will be able to discuss your situation with an investigator who may offer suggestions about how to resolve the dispute. If you cannot resolve the dispute, you may submit a written request for a formal investigation.

Planning to build a new home or remodel your present home?

Your first concern should be to make sure the contractor is licensed to work in Minnesota. If you hire an unlicensed contractor, you will not have access to the Contractor's Recovery Fund. This is a fund that all licensed contractors pay into and it is used to compensate consumers who suffer a loss due to the contractor's actions.

The Department of Labor and Industry licenses residential builders, remodelers, roofers and manufactured home installers. Before hiring a contractor, the department recommends you ask for the contractor's license number and contact the Department of Labor and Industry to verify the builder is licensed. You can also find out if he or she has been the subject of any disciplinary action.

The department also advises consumers to ask the contractor for references and check with former customers to see if they were satisfied with the quality of work performed. Ask how long the contractor has been in business and where, and ask for a Minnesota business address other than a post office box. Also ask for a local phone number where the contractor can be reached during normal business hours.

When shopping for a contractor, avoid hiring any contractor who:

- arrives in an unmarked truck or van;
- appears to be willing to do the job at an unusually low price;
- requires full or substantial payment before work begins;
- refuses to provide you with a written estimate or contract;
- refuses to provide you with a license number issued by the state of Minnesota;
- refuses to provide you with references;
- shows up at your door unsolicited; or
- uses high-pressure sales tactics.

Before signing a contract, make sure it includes a summary of the work to be done, a description of materials, the total contract price or how the price will be calculated, and specific timelines and provisions that address what will happen if the contractor fails to meet these deadlines.

Consider a performance bond

Consumers are also advised to be aware that although the Contractor's Recovery Fund helps consumers recover losses from licensed contractors, the total amount that can be paid out against any one licensed contractor is \$75,000. If multiple claims are made against the same contractor, they are prorated; therefore, an individual consumer may not recover the full loss. To provide additional protection, you may request that your contractor obtain a performance bond, which would provide a specific level of protection for your project.

If you have a problem or complaint with a residential building contractor, you should call the Department of Labor and Industry Residential Building Contractor unit at (651) 284-5065 or toll-free at 1-800-342-5354. A department representative will discuss the situation with you and give you information about how to resolve the problem. You may also submit a written complaint for formal investigation.

Contractor's Recovery Fund

The Contractor's Recovery Fund compensates owners or renters of residential property in Minnesota who have lost money due to a licensed contractor's fraudulent, deceptive or dishonest practices, conversion of funds or failure of performance. This packet contains everything needed to apply to the fund.