

Crooked contractors

Crooked contractors are one of the leading causes of consumer complaints nationwide. Unlicensed contractors are the worst, but even licensed contractors can cause headaches and heartache. I've seen contractors build sinks so close to showers that there's not enough room to bend over and wash your face. I've heard about a carpenter who dropped a toolbox on his own foot and then sued the homeowner for medical expenses. And I've gotten call after call about contractors who take big bucks up front then never return to do the work.

Hiring a contractor to repair or renovate your home is one of the more expensive things you'll ever do. Make sure you do it right.

How to Get Started

Develop a short list of contractors by asking friends and family for referrals. If your neighbors have a handsome new home addition, stop by and ask about their contractor. Ask contractors for references, and don't just listen to the references. Look at their homes!

Another idea: Ask contractors for the names of three clients they're currently working for. Call those clients to see how it's going. Chances are, if their projects are behind schedule, yours will start late and drag along too.

Thirty-six states require home improvement contractors to be licensed or registered. Nearly all states license plumbers and electricians. Make sure the contractors you're considering are properly licensed. This is utterly crucial -- and often more complicated than it seems.

For starters, don't take the contractor's word for it, even if he shows you a license card. Ask him for the full name of the company, the owner's name and the license number. Call your state and verify the license by company name, owner name and license number. Find out whether your county has its own licensing requirements on top of the state requirements. If so, check with the county too.

Do not accept a contractor's license from a state or county other than the one in which you live. Local law will only protect you if the contractor is licensed to do business in your jurisdiction.

Some counties and states do have reciprocity agreements with their neighboring governments. That means that if the contractor is licensed in state A, state B considers him qualified to be a

contractor too. But it's not automatic. Make sure your state has certified, in writing, that your contractor is allowed to work there.

You also need to know the difference between a contractor's license and a business license. A contractor's license is a specialty license obtained through testing or apprenticeships. By contrast, business licenses are non-specialized. Business owners have to have a license regardless of whether they're opening a flower shop or a shoe store or an accountant's office. It's possible that your contractor needs a contractor's license and a business license. Just remember that the latter is not proof of competence.

There's also something called an "occupancy license" or "certificate of occupancy." Many local governments require businesses to pay for one of these any time they move to a new location. It's simply a mechanism for local governments to collect more fees for the treasury and keep track of which companies are doing business in the area. For you, it's useless.

After the License, Check the Background

Next, it's time to do a background check. The same state or county office that keeps track of licenses should also be able to tell you if the contractor has a complaint record. Check with the Better Business Bureau and your county and state consumer protection offices too. You should inquire about complaints listed under the company's name and also under the owner's name. This is important, because crummy contractors often change company names to erase their pasts.

If your state issues contractor's licenses to individuals rather than to companies, ask whether the individual who holds the license will be directly involved in your project. This is important because shady contractors have been known to "borrow" licenses from other people, which is illegal.

Find out how long the contractor has been in business. If it's an expensive project, you want to be doubly sure that you're dealing with a well-established company. Ask the contractor how many projects like yours he's done in his career. You want to establish that he has experience doing the kind of work you need.

Make sure the contractor has insurance: personal liability, worker's compensation and property damage coverage. Ask to see certificates of insurance and make sure they're current. If you do business with an uninsured contractor and something goes wrong, you could end up paying for it.

If you're spending a ton of money and you want to be the ultimate savvy consumer, go to the courthouse and find out if the contractor has ever been sued. If so, is the lawsuit cause for

concern? While you're there, see if he's ever filed for bankruptcy. This could be a sign of an unstable company.

Crunching the Numbers

Phew! Once You've checked the licenses and done the background checks, at last it's time to get some estimates. Keep in mind, many contractors charge a fee for providing an estimate. Ask, so you'll know what to expect. Even if you have to pay, be sure to get at least two quotes. The more extensive your project, the more contractors you may want to interview.

Some companies charge by the day, others by the job. I prefer to be quoted a price for the job, so there are no expensive surprises if the project takes longer than expected. Get estimates in writing and make sure they're detailed. I've seen contractors scrawl a price on the back of a business card. That's not acceptable.

Once you've chosen your contractor, that detailed estimate needs to be converted into an even more elaborate contract. The contract should include the work to be done, the precise materials to be used, labor costs, subcontractors' names, a construction schedule, a payment schedule, completion date, lien releases and warranties.

Make sure the contract includes clean-up labor. Contractors are notorious for leaving junk lying around in your yard.

Also, beware of clauses that allow the contractor to jack up the price without your permission. Instead, "change orders" should be approved by you, in writing. Don't accept any oral promises. Have them added to the written contract.

When you're satisfied, you should sign the contract and so should the contractor. If the contract is signed at your home, then you have three days to cancel it under the federal "cooling off rule."

Making the Payments

Possibly the most important part of your contract is the payment schedule. Personally, I prefer not to pay any money up front. Unfortunately many contractors will not agree to that. At the very least, don't pay your first installment until the end of the first day the contractor's crew begins the project.

You're trying to guard against situations in which you pay, but the contractor never shows up to do the work. Some states prohibit contractors from taking more than a third of the estimated price up front. I think that's way too much. One fair way to structure the payment schedule is to set it up so that it closely follows the construction schedule. Don't allow your

payments to get ahead of the contractor's progress. If the contractor were to suddenly go bankrupt, he'd have your money and you wouldn't have the cash to complete the renovation.

Avoid paying cash for a remodeling project. Using a credit card is a better choice. If you are paying for your project with a construction loan, make sure the bank makes the check out to you, not the contractor. Be leery of contractors who try to persuade you to get your loan from a friend of theirs. If your home has been damaged and your insurance company is providing the money for repairs, also get the check written out directly to you.

Before you make your final payment, live with the renovations a few days to make sure you're satisfied. Even though you have a warranty, it's a lot easier to get the contractor to make fixes when he's still trying to earn his fee. Look at the work in all different types of light. Test every button, switch, handle and appliance. When you're comfortable with the work and sure the contractor has paid his subcontractors, then you can sign a certificate of completion and make your final payment.

To Be a Savvy Consumer, Know the Signs:

1. Contractors who go door to door looking for business are often unsavory.
2. Same goes for contractors who claim they'll give you a good deal because they "just finished a project down the street."
3. If a contractor offers to give you a discount without saying what the actual price is, that's a bad sign.
4. Avoid contractors who want you to contact them only through P.O. boxes, pagers, and answering services. A reputable contractor should be happy to give you his permanent information.
5. Hard sell contractors often claim they'll give you a deep discount if you agree to let your house be used as a "demonstrator model." It's a sales ploy. You're getting the same price as everybody else.
6. Contractors have been known to use scare tactics to make a sale. "If you don't replace that furnace, you're gonna have a fire in here." Don't succumb. Quickly arrange for a second opinion.
7. Contractors who show up in unmarked vehicles may be suspect. Some states require contractors to list their license numbers on their vehicles, on their estimates and in their advertising.

Do Your Homework:

1. Find contractors through referrals from friends and neighbors.
2. Check with your state and county to see if the contractor is properly licensed.
3. Remember, licenses in other states plus business licenses and occupancy licenses do not count.
4. Check contractors' reputations with the licensing agency plus government consumer protection offices and the BBB.
5. Get multiple written estimates.
6. Insist on a detailed contract. Make sure everything covered in this chapter is included.
7. Don't pay much -- if any -- up front. Let the payment schedule follow the construction schedule.
8. Don't make the final payment until you are satisfied.

How to Complain

The most effective way to complain about a contractor is to hit him where it hurts: go after his license, if your state requires one. File a formal, written complaint with whatever agency licenses contractors in your state. It could be the home improvement commission, the board of contractors or the department of licensing and regulation.

Also, file complaints with the BBB and your county and state consumer protection offices.

If there's a lot of money at stake, you may have to go to court.