



# HOW TO CHOOSE A CONTRACTOR FOR YOUR DREAM PROJECT SO IT DOESN'T BECOME A NIGHTMARE

## GET CONTRACTORS' NAMES FROM:

Friends or neighbors who have had satisfactory work done.

People at home improvement centers, builders' shows or open houses.

The local Yellow Pages list of licensed builders who do business in your community.

The local homebuilders association. If the association is affiliated with the National Association of Home Builders, all members must be licensed by the state in order to be included on their roster.

## LOOK FOR THE LICENSE

A Residential Builder's license allows a contractor to build a complete structure and also do maintenance or alteration (remodeling) work. If the contractor cannot show you a license, call the Department of Consumer and Industry Services License Verification Unit at (517) 241-9254.

All contractors offering to do work which totals \$600 or more for labor and materials must have a state license.

## GET REFERENCES



Get current references from the contractors you are considering.

Ask for names and addresses of previous customers. Check with those people who have had work done and ask if it was satisfactory.

Be sure the contractor has a permanent business location and telephone number.

Check the contractor's credit reputation with local banks or suppliers.

Ask your local building inspection department for a work history.

## GET ESTIMATES

Get estimates from different contractors to compare prices. Remember, the cost of materials and quality will affect the bid. **A low bid based on inferior materials may not be any bargain, so consider more than the price alone.**

Be sure the estimate specifies the total price, the terms of payment, the kind of materials to be used and the expected time it will take to complete the job.

**Be wary of special prices because of leftover materials, other jobs in the neighborhood or discounts if you agree to get customers. They are often gimmicks used to get you to buy.**

## GET IT IN WRITING



When you have selected a contractor, get all agreements

in writing. A written agreement will ensure there are no misunderstandings about the work or the terms of the contract. Make sure that you read all documents carefully. While it is not required, it is

often a good idea to have an attorney review the contract and any other forms before you sign them, especially if a large sum of money is involved.

**Don't be afraid to ask questions about anything you do not understand. Ask for any changes or modifications before you sign the contract.**

## **GET A CONTRACT**

**The written contract should include:**



The company name, address, phone number, and the full name and license number of the builder/contractor and the salesperson.

Detailed job specifications which include a description (brand names, colors, grades, styles and model numbers) of materials, a list of all costs spelled out clearly, and any architect's or engineer's drawings which are required. Often selections are made after contracts are written. Make sure you know the dollar allowances for these.

***Note: If the scope of work increases after the original contract is signed, be sure you and the contractor are in agreement as to the cost and schedule for completion of extra work.***

Start and completion dates. These should allow for any reasonable delays but may include a clause allowing you to withhold a payment if work slows down for no apparent reason.

**A statement that all required building permits and variances will be obtained by the contractor before work is begun. The Building Permit is for your protection: An inspector will make sure the finished job meets all codes and safety standards, and the permit makes the contractor responsible for corrections.**

Obtain a certificate of insurance to validate that the contractor carries liability insurance and has Workers' Compensation coverage in case of accidents on the job.

A statement of warranty on the work. Be sure it tells if labor and materials are guaranteed and for how long. A statement that cleanup and disposal will be done by the contractor should be included (unless the homeowner wishes to do it). State of Michigan licensees are committed to a one-year minimum warranty.

A provision for credits if there are large amounts of materials left over. You should also be prepared to pay for extra materials if there are hidden problems or concealed conditions. Your builder should provide you with a written description of these extra costs, so that there are no surprises on your final bill.

The terms of payment should be clearly stated in the contract.

**A "right to cancel" clause. If you are solicited and sign the contract in your home, you have three (3) days in which to cancel the contract if you change your mind. You must send the contractor a registered letter stating you wish to cancel.**

If everything in the agreement is satisfactory, both the contractor and the homeowner must sign and date the contract. Any later changes or revisions must be dated and initialed by both parties and should be accompanied with a written change order describing work to be performed and associated costs. Be sure that the contractor gives you a copy of the contract, with any changes noted.

## **PAYING THE CONTRACTOR**

Never pay for the entire job in advance.



Make a deposit when work begins to cover materials and startup costs. Pay by check to the company

name and always get a receipt.

Make scheduled payments as work progresses. Refer to the Construction Lien Recovery Fund Consumer Guide for more information. A copy may be found at [www.cis.state.mi.us/bcs/builders/home.htm](http://www.cis.state.mi.us/bcs/builders/home.htm).

Be sure that any work which requires a permit-plumbing, electrical, heating, or structural-has been inspected and approved by the applicable local inspector.

## RESOLVING PROBLEMS

If you have problems, try to resolve them with the contractor before making the final payment. You may



contact the local building inspector for assistance in resolving workmanship and code violations

Your contractor may offer arbitration. Contact the Homebuilders Association for further information.

If your efforts to resolve the matter fail or if you feel you have been the victim of fraud or deceit, contact the Department of Consumer & Industry Services, Commercial Enforcement Division, to file a complaint (517) 241-9241.

