



What you should know... before you Hire a Contractor





Before You Begin

Most licensed contractors are competent, honest, hardworking, and financially responsible. And yet almost everyone knows someone who has a nightmare story to tell about a remodeling job: the length of time it took; the inconvenience of the noise and dust; or the cost overruns associated with even the smallest project. Adding a room or updating a kitchen can cost more than a new car, and consumers should take time and care in planning a home improvement project. Unfortunately, most consumers spend less time choosing a contractor than they do choosing a car. This publication is a brief summary of some of the things you as a consumer can do to avoid costly mistakes and misunderstandings in dealing with your contractor.

Planning Your Project

In order to minimize the chances that you will be the one with such complaints, you should understand that planning is the first step in the process.

Before you do anything else, ask the question:

What do I want done?

A silly question? Not at all. Carefully plan exactly what you want done, what you want it to look like when finished, and how much you have to spend. Thoughtful, carefully prepared plans will be helpful in getting accurate bids from contractors. By carefully considering what you want done to your property, what it will realistically take to do the job, and what kind of professional should be brought in to do the job, you may avoid many of the headaches often associated with remodeling.



Selecting A Contractor

If the work you are considering is valued at \$1,000 or more, a valid Virginia Contractor's License is required for the license category in which the contractor is to work. Licensed contractors are subject to laws designed to protect the consumer. By hiring a licensed contractor, you become eligible to receive monetary compensation from the Contractor Transaction Recovery Fund in case of improper or dishonest conduct. Licensed contractors possess the necessary education and experience to perform competently.

Unlicensed contracting is against the law. If you contract with someone who does not hold a license, the Board for Contractors may not be able to help you resolve a complaint, leaving you with little recourse against the unlicensed contractor.

What Kind Do You Need?

There are more than 40 different types of contractor licenses, including general and specialty contractors. General building contractors usually oversee projects and coordinate the specific subcontractors for a job. A general building contractor may also contract for specialty work, but must hold a specialty license for that work or actually have a specialty contractor do the work. Specialty or subcontractors usually are hired to perform a single job.

For example, if you want only roofing or plumbing work, you may want to hire a contractor licensed in that particular specialty. If your kitchen remodeling will involve the performance of plumbing, electrical, and carpentry work under one contract, a licensed general building contractor should be hired.

One of the best ways to select a licensed contractor is to seek out personal recommendations from friends or relatives who recently had work of the type you want completed.

Check the Contractor's License

Is the contractor properly licensed? A license number in an advertisement or on a business card does not necessarily mean the contractor's license is valid.

Contact the Board for Contractors at (804) 367-8511, or check our website at www.dpor.virginia.gov, to make sure the contractor is properly licensed to perform the work you want. Information on past complaints and disciplinary actions is also available from the Contractors Board.



Check the Contractor's References

Ask the contractor for local references, and call them to see if they were satisfied with the contractor's work. Skilled contractors will be proud to take credit for their work. If possible, go out and look at finished projects. Some consumers even try to find jobs in progress to see how the contractor works and to speak with the homeowner about work habits or inconveniences. Remember, the person you hire to work on your home will be a part of your home and your life until the job is completed.

When speaking to the contractor's customers, ask such questions as:

- ◆ Did the contractor keep to the schedule and the contract terms?
- ◆ Were you pleased with the work and the way it was done?
- ◆ Did the contractor listen to you when you had a problem, and seem concerned about resolving it?
- ◆ Did the contractor willingly make any necessary corrections?

In addition to customer references, you may want to talk with references from material suppliers, subcontractors, or financial institutions to determine whether the contractor is financially responsible.

Ask the contractor for the address of his or her business location and business telephone number, and verify them with the Board for Contractors. A contractor who operates a business out of the back of a truck with a cellular telephone may be difficult to find to complete a job or fix something that has gone wrong after the bill is paid.

Don't be fooled or pressured by a smooth-talking salesperson. Take the time and effort to make sure that the person or business doing your home improvement is going to perform in a professional manner.



Bids

A bid is an offer to do work. It is advisable to get at least three written bids or estimates using identical plans and specifications so you can compare prices and contractors. If your contractor does not prepare plans and specifications, hire someone to perform this important step. Most problems stem from a lack of proper planning.

Get Competitive Bids for the Project

Solicit at least three bids for the work you need. Do not automatically accept the lowest. This step can only be effective if you have a detailed set of plans and specifications.

Make sure all bids are based on the same set of specifications. Discuss bids in detail with each contractor, and be sure you understand the reasons for any variations in price. Sometimes a higher price may be worth it, if the materials to be used are of higher quality or the work is more extensive. For example, if you are having your kitchen remodeled, and one bid is based on installing prefabricated cabinets in standard sizes while another is based on installing custom-made cabinets, the prices will not be comparable.

Beware of any bid substantially lower than the others. It probably indicates that the contractor has made a mistake or is not including all the work quoted by his or her competitors. You may be headed for a dispute with your contractor if you accept an abnormally low bid. Don't forget the old adage:

"If the offer sounds too good to be true, it probably is!"





The Contract

Although you might assume that a “contract” should look like a contract, anything you sign could be used by a contractor as authorization to go forward with your project. This means that any bid or estimate you sign may become the contract. Do not sign anything until you completely understand what you are signing, and agree to all the terms.

Assume Nothing!

Be sure to ask questions until you fully understand the contract and what the work will look like. Before signing anything, you may wish to discuss the proposed contract, plans, and specifications with an attorney.

Have It In Writing

One of the best ways to stop problems before the job begins is with your contract. Virginia law requires all licensed contractors to provide a written contract for residential work.

The contract binds you and the contractor to the project. Since a written contract protects you and the contractor, all agreements should be put in writing. It should include everything you have agreed upon and the extent of work to be done. Get all oral promises and guarantees in writing, include start and finish dates, and spell out exactly what the contractor will and will not do. If you intend to do some of the work yourself or hire another contractor to do it, this also should be written into the contract. Be as specific as possible.

Be sure the financial terms of the contract are clear. The contract should include the total price, when payments will be made, and whether there is a cancellation penalty. On any home improvement job, you should expect to make a down payment, but try to limit your deposit to no more than 30% of the total price.

Never sign a blank or partially blank contract. Get a copy of the contract as soon as you sign it, and keep it for your records. Both you and the contractor are bound by everything set down in the contract, so read it carefully. If you have any questions or do not understand something, ask before you sign.



Make Sure Everything Is In The Contract

The contract should specify all materials to be used, such as the quality, quantity, weight, color, size, or brand name as it may apply. Be as specific as possible.

Make sure your contract includes everything you feel is important to the job, including complete cleanup and removal of debris and materials, and special requests such as saving lumber for firewood. Also give instructions regarding pets, children, or areas where materials may not be stored.

After you have read and signed the contract, and even after work has already begun, your contractor may offer suggestions that could change your original ideas for the project. If you choose to add work to the contract, substitute materials or equipment, or delay the completion date, make sure that clearly worded and signed “change orders” reflect all changes to the original signed final contract.

Describing the Job The Good, The Bad and The Ugly!

The Good	The Bad	The Ugly
Install Oak kitchen cabinets manufactured by Company XYZ, model ABC, as per the plan	Install country-style kitchen cabinets	Install some cabinets
Paint indoor entry (per plan) using brand X paint, color ABC, two coats, with preparation described in next paragraph	Prep and paint entryway with blue paint	Paint the entry
Brand X kitchen faucet in style 123 and color ABC	Kitchen faucet replaced if necessary	Kitchen fixtures



Scheduling The Work

Your contract should specify start and finish dates for your project. However, external factors such as the weather or the availability of supplies might cause delays.

Scheduling The Payments

Some contractors may ask you to make periodic payments during the course of the project – such payments are usually called a “draw” and how often you make them is called a “draw schedule.” If your contractor wants you to make payments according to a draw schedule, be sure that the specifics of that schedule are listed in detail in the contract. A draw schedule should be based on progress made toward project completion and never on a date.

For example: avoid a draw schedule that requires you to pay 10% down; 25% one week after construction starts; 25% two weeks after construction starts and the remainder upon completion of the project. An example of a reasonable draw schedule would be: 10% down; 25% upon passing inspection by the Building Official of the completed foundation and framing; 25% upon passing inspection by the Building Official of the roofing and all rough-in work; and the remainder upon completion of the project and final satisfactory inspection by the Building Official.

Make sure the payment schedule in your contract is based on the contractor’s performance. Never let your payments get ahead of the contractor’s work. Try to make payments during the project contingent upon the completion of certain tasks. That way, if the contractor is behind schedule your payments are delayed. Be sure the contract provides for “retention” – a percentage of the total job, ordinarily 5-10 percent, which you retain until the job is completed.

Do not pay 100% of the total bill until the work is 100% complete. Never sign a completion certificate until all the work called for in the contract has been properly completed.

Changes After the Contract Is Signed

The Board for Contractors requires **all** changes to a contract be made in writing and signed by both the contractor and consumer **before** such changes are implemented. Be sure that the written change orders to the contract are detailed and seek legal advice if you have any questions about the changes.



Keep A Job File

You should keep a file of all papers relating to your project. The job file should include:

- ◆ A copy of the signed contract and any change orders.
- ◆ Plans and specifications.
- ◆ Bills and invoices.
- ◆ Canceled checks.
- ◆ Lien releases from subcontractors and material suppliers.
- ◆ Letters, notes, and correspondence with your contractor.
- ◆ Pictures of the job in progress.

It is also a good idea to keep a record of all the products used on your project, as well as a record of all your final inspections. Be sure to record the date your contractor completed the project.

During Construction

Permits, Plans and Specifications

Your contract should call for the work to be performed in accordance with all applicable building codes. Keep in mind that building codes only set minimum safety standards for construction – they do not protect you against poor quality work.

Building officials in each locality are responsible for administering the Uniform Statewide Building Code in Virginia. If you have any questions about Building Code requirements, contact the Department of Housing and Community development at (804) 371-7000 or visit www.dhcd.virginia.gov.





Permits, Plans and Specifications (continued)

The contractor should obtain any necessary building permits. This should be spelled out in your contract; otherwise, you may be held legally responsible for failure to obtain any required permits.

Make sure you keep copies of the signed contract and the plans and specifications for your project. Resist the temptation to make any changes verbally with the contractor. Be sure all changes are in writing and are signed by you and your contractor.

A WORD OF WARNING

Anyone who tries to talk you into getting your own building permit is not doing you any favors. Licensed contractors should obtain all building permits, not the consumer. The permit holder becomes the general contractor and assumes responsibility for the overall job – which may include taxes, workers' compensation, and other legal liabilities. Unless you are very experienced in construction, it is best to leave these matters to your licensed contractor – and insist the contractor obtains all necessary building permits.





Avoiding Complaints And Problems

Some warning signs of possible trouble ahead:

- ◆ You cannot verify the name, address, and telephone number or credentials of the contractor.
- ◆ The salesperson tries to pressure you into signing a contract by using scare tactics, intimidation, or threats.
- ◆ The company or salesperson says your home will be used for advertising purposes (as a model job or show-house), and that you will be given a special low price.
- ◆ The contractor tells you this is a special price available only if you sign the contract today.
- ◆ The contractor refuses to provide references, or the references have some reservations about the contractor's work.
- ◆ You cannot verify that the contractor is licensed as required by law.
- ◆ You are asked to pay for the entire job in advance, or to pay cash instead of writing a check or money order.
- ◆ Do not sign a contract for construction before the FINAL design and specifications are completed.

The best way to avoid problems is to follow the steps outlined in this publication, and to cover all details in your contract.



What If Problems Occur?

In spite of all the precautions you take, problems will sometimes occur with the work that was done on your home. If problems do arise, either during construction or afterward, contact your contractor first. Usually he or she will make corrections willingly.

Be sure to address all problems or complaints directly to your contractor in writing, so that you both have a record. If the contractor refuses to make corrections, you should file a written complaint with the Board for Contractors. You may also wish to consult an attorney.

What Happens to a Consumer Complaint?

The Board for Contractors complaint investigation procedures are designed to resolve problems between contractors and consumers – including, where appropriate, disciplinary or legal actions against anyone in violation of the law.

Every complaint filed with the Board for Contractors is logged and reviewed to determine whether a violation may have occurred. If the review indicates that a violation of the law or regulation may have occurred, the complaint is assigned to an investigator. You may be asked to provide additional information.

For complaints involving licensed contractors, if the investigation shows probable cause that a violation occurred, the Board for Contractors may take action to discipline the contractor. You may be asked to appear at a disciplinary proceeding to provide testimony for the case. The Board may suspend or revoke the contractor's license, fine the contractor, or fail to renew the contractor's license. The Board cannot force the contractor to refund money or correct deficiencies.

For complaints involving unlicensed contractors, if the investigation shows probable cause that a violation occurred, the Board for Contractors may pursue criminal action against the contractor. You may be asked to appear in court to provide testimony for the case. If the Board takes legal action against the contractor, there is no assurance that action will result in restitution.

If an investigation does not show probable cause that a violation occurred, the case will be closed.



Enforcement Jurisdiction

The most common areas of complaint within the Board for Contractors' jurisdiction include:

- ◆ Failure of a licensed contractor to fulfill the terms of an agreement;
- ◆ Abandonment;
- ◆ Building code violations;
- ◆ Use of false, misleading, or deceptive advertising; and
- ◆ Failure to pay subcontractors or material suppliers.

For a complete listing of violations under the regulations of the Board for Contractors, visit our website at www.dpor.virginia.gov or call (804) 367-8511.

Alternative Dispute Resolution

In some cases involving complaints against a licensed contractor, the Department of Professional and Occupational Regulation may offer Alternative Dispute Resolution (ADR) to resolve the complaint. Consumers and contractors are offered the opportunity to participate in the ADR process at no cost.

ADR is voluntary, confidential, and non-adversarial, with the objective of reaching a mutually acceptable agreement between the consumer and the contractor. Parties that resolve disputes through ADR avoid months of a formal investigation and possible civil litigation.

If the dispute cannot be resolved through the ADR process, the complaint will be assigned to an investigator and follow the traditional enforcement process.

Virginia Contractor Transaction Recovery Fund

In certain cases, consumers victimized by the improper or dishonest conduct of a licensed contractor may be eligible to receive monetary relief. The Contractor Transaction Recovery Fund may pay claims up to \$20,000 to consumers who are awarded civil court judgments against a licensed contractor. The Recovery Fund is supported entirely by assessments paid by licensed contractors, not by any tax revenues.

Consumers who want to know if they are eligible for the Fund should contact:

Contractor Transaction Recovery Fund Section
Department of Professional and Occupational Regulation
Perimeter Center, 9960 Mayland Drive, Richmond, VA 23233
(804) 367-1559



Top 10 Tips for making sure your contractor measures up.

- ◆ Hire only licensed contractors.
- ◆ Check contractor's license status at www.dpor.virginia.gov or (804) 367-8511
Remember some contractors may operate under more than one name or use multiple DBA's.
- ◆ Contact three references and review past work.
- ◆ Consider getting at least three written bids once you have developed detailed plans and specs.
- ◆ Insist on a detailed written contract – and do not sign anything until you completely understand the terms and avoid material allowances.
- ◆ Limit your down payment to 30% of the total cost.
- ◆ Do not let payments get ahead of work.
- ◆ Do not pay 100% of the bill until the job is 100% complete and you are satisfied with the work.
- ◆ Do not pay cash. Keep records of payments.
- ◆ Keep a job file of all papers relating to your project.

Information brought to you by:
BOARD OF CONTRACTORS
Department of Professional and Occupational Regulation
AND
Foster Remodeling Solutions, Inc.

