

## Beware of Unlicensed Contractors!

If you are planning a home improvement project such as a room addition, a deck, a new bathroom, a garage, or converting an existing garage or carport to habitable spaces, you will probably need to hire a building contractor, and it's not an easy task.

There is no shortage of building contractor horror stories. Almost everyone has heard tales of damage, scams, shoddy workmanship, and builders who disappear in the middle of a project. In fact, except for auto repair shops and car dealerships, no other industry has generated as many complaints, according to the Council of Better Business Bureaus. It would seem that finding a reliable and qualified contractor is not an easy task. You can put the odds on your side, by making sure you hire only licensed contractors.

While licensing isn't necessarily a measure of competence, it does imply a certain level of professionalism and suggests that the contractor is committed to his or her job. More significantly, licensing can protect you from a number of potential problems, such as the following:

### Unlicensed usually means uninsured

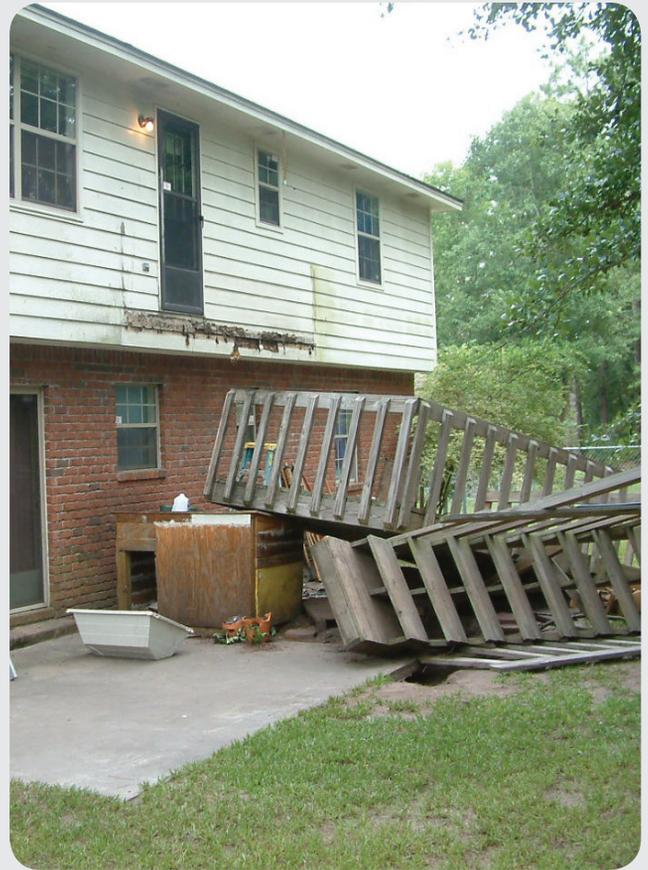
If you use a contractor who is uninsured, it means the contractor has no way of reimbursing you for any property damage he or she causes. This means you end up paying the price. Likewise, if contractor carelessness leads to injury or damage to someone else's property, the problem is likely to become yours.

### No coverage under homeowner's policy

Some homeowners believe it is safe to use an uninsured contractor, assuming that any damages incurred would be covered under their own insurance policies. However, this isn't the case. Most homeowner policies require that any work to the property be done by licensed contractors; coverage is often specifically excluded for damages caused by "bootleg" contractors.

### Noncompliance with building codes

Most building projects, even minor ones, usually require permits and inspections. Unlicensed contractors are often unfamiliar with the applicable building codes and are unable to obtain permits. If your project isn't permitted or doesn't comply with building and zoning codes, you may and probably



will be ordered to remove or repair the job. Even if a building inspector doesn't "catch" your code violation right away.

### Poor quality of work

Not all unlicensed contractors do poor quality work. And not all poor quality work is done by unlicensed contractors. However, as a rule, if there's shoddy work to be done, it's usually done by unlicensed contractors. Because unlicensed contractors aren't subject to meeting specific standards, they are often untrained, less experienced, and unqualified to do certain types of work. Sloppy work by an unlicensed contractor could have serious ramifications. If it's not structurally sound, if it's not wired properly, obviously you could face major consequences at some point.

### Con artists

Con artists posing as qualified contractors, often targeting the elderly, have made national news. Even so, unwary homeowners continue to be taken in by these pseudo contractors, who often promise low prices or use scare tactics to close the deal. The homeowner typically ends up with either an incomplete or a low-quality improvement project – and – several hundred or even thousands of dollars less.



## 13 Steps to Hiring a Contractor

1. Seek a referral from someone you know who is happy with his or her contractor's work.
2. Solicit bids from at least 3 contractors.
3. Be wary of proposals that are much lower than any other proposals.
4. Contact the Better Business Bureau to check out any contractors that submit bids.
5. Insist on a written contract that outlines your entire agreement, including starting & completion dates.
6. Have an attorney review any documents before you sign them, including contracts, warranties and plans.
7. Make sure there are no blank spaces on anything you sign.
8. Insist upon a written warranty on all materials and work.
9. Insure that contractor gets all building permits and variances before starting the project, and identify the contractor on the applications.
10. Inspect all work before signing a completion certificate.
11. Withhold final payment until the entire project is finished and inspected.
12. Get a contractor's affidavit that all subcontractors and material suppliers have been paid before making final payment.
13. Report any misrepresentations, shoddy work, failure to honor contracts, unlicensed contractors, or other problems to the appropriate licensing board.

## Warning signs

Even when a license is required, there is no guarantee that every contractor you encounter will actually have a license. It is essentially up to you to protect yourself. You should be diligent in your screening process. There are a number of "red flags" you should watch for:

- Unsolicited phone calls or visits
- High-pressure sales pitches or scare tactics
- Large down payments
- No verifiable address and phone number
- Unwillingness to give you a price
- Unwillingness to sign a written contract
- Insurance or licensing information you cannot verify
- Don't rely on a handshake

