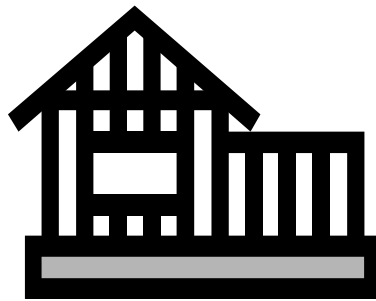


16 Ways

to Avoid Remodeling, Repair and Construction Problems



Tips from the
Oregon Construction Contractors Board

- How do I find and select a contractor?
- How can I avoid problems during the project?
- What should I know about contracts?
- How can I avoid home repair scams?



CCB
PO Box 14140
Salem OR 97309-5052
700 Summer St. NE, Salem
503-378-4621

www.ccb.state.or.us

How do I avoid remodeling, repair and construction problems?

Most home construction projects are completed without difficulties. Some projects involve minor disputes. A few result in major disputes. The Oregon Construction Contractors Board (CCB) has found that many of these problems can be prevented. Here are some suggestions to make your construction experience a pleasant one.

How do I find and choose a contractor?

Develop a list of potential contractors. Ask friends, neighbors, relatives and co-workers who they have used. Find out if their experiences were good or bad. Ask if they would use this contractor again.

Ask for references. Check with previous customers. Were they satisfied with the work? Was the work finished? Did the contractor keep to the agreed-upon schedule? Did the contractor return phone calls? If the person had problems with the contractor, ask how the contractor responded to complaints.



You can check the business out with the Dept. of Justice Consumer Information Hotline (503-378-4320 or 229-5576) or the Better Business Bureau (503-226-3981). For a bigger project, check with the contractor's bank and suppliers and ask about financial stability.

Ask what trade associations the contractor belongs to.

Home building and remodeling is professional work. Membership in a professional association is one sign that a contractor recognizes the responsibilities of being a professional.

Get two or three specific written bids for bigger jobs.

Make sure you understand any wide variations in bids. Be careful of "special deals," "demonstration projects," or "great deals from a friend of a friend."

Don't automatically accept the lowest bid.

The old saying "you get what you pay for" applies here. A higher bid may be worth the price in better materials, workmanship and reliability.

If you get a very low bid, the contractor may have made a mistake or forgotten to bid everything you wanted. Or they may have deliberately low-bid the job in order to get it, knowing they can't give you what you want. If they have bid too low to make a profit, they may use

Five ways to guarantee problems with your project:

1. Don't check out your contractor beforehand. Pick the first one who returns your call or the one with the biggest ad in the phone book.
2. Don't worry whether a contractor is licensed or has an extensive claims history. The business' past should be of no concern to you.
3. Always, no matter what, take the lowest bid. Don't question a substantially lower bid—just assume it will all work out.
4. Don't use a written contract or written change orders. If you do, make sure they're vague and no one pays any attention to them.
5. Give the contractor 100 percent of the payment up front. Paying in installments is too much of a hassle.

cheaper materials, take shortcuts or walk off the job and move on to another project, having spent the money you've given them.

A large number of CCB claims filed against contractors are the result of homeowners taking the lowest bid and then being unhappy with the low quality of work.

Be careful about hiring a contractor on an hourly, "time and materials," or "cost-plus" basis. (Cost-plus means you will not know the final cost beforehand. You and the contractor will decide how the contractor will document costs.) Although the

price may seem high at first, a fixed-price bid may give you the best protection and price.

Make sure your contractor is licensed with the Construction Contractors Board. A license is not an endorsement of the quality of work. It provides some financial protection for you, the customer.

Licensing ensures that the contractor has a surety bond and liability and property damage insurance. Both offer some financial protection if problems develop later.

A license is required for any business or individual that advertises, offers, bids, arranges for, or actually does any construction, alteration, home improvement, remodeling or repair work.



This includes painting, roofing, carpentry, siding, plumbing, electrical, floor covering, concrete, window, siding, insulation, manufactured dwelling installation, land development, concrete, inspection services, heating and air conditioning, tree service, and most other construction, and

Questions to ask potential contractors and yourself before starting a project

- What experience, expertise and/or certifications do you have? Do you specialize?
- Who will be doing the actual work—you, subs or employees? (You may like the owner of the business but that person may not be the one doing or supervising the work.)
- If you get the job and permits are required, will you get them?
- How many other jobs will you be working on at the same time as mine? (If there are several, yours may not get the attention you want. On the other hand, the business may be large and easily able to handle several jobs.)
- What written warranties do you offer?
- Who can I call with questions once the project starts? How/When can you be contacted if there are problems? If we need to meet at the jobsite, when are you available? (The CCB receives many complaints about contractors not returning their phone calls if problems develop.)
- Does hiring this contractor feel right? (Use your intuition—if you don't feel comfortable, find someone else.)
- Do I have rapport with this contractor? Am I confident in his/her expertise and ideas? Does the contractor care about my concerns? Will the contractor be reliable, keep appointments and return my calls?
- Can I communicate with this contractor? Does he/she seem honest and forthright? (A contractor may be a skilled craftsman, but if you can't communicate and the final job isn't what you wanted, you won't be happy.)
- Can I work with this person? (If you're having major remodeling done, this person may be in your home for weeks.)
- Can I be reasonable and let my contractor work without calling all the time? Do I realize he/she can't return my calls within minutes because of other jobs and a personal life?
- Am I willing to be reasonable about unexpected costs that arise and let my contractor make a profit?
- Am I prepared for the unexpected (digging into solid rock, finding asbestos or dry rot, etc.)? Can I be flexible if the job takes longer than expected?
- Are my expectations so high that I will never be satisfied with the project?

repair services.

Ask for a current CCB license number or get it from their business card or advertisement. Illegal contractors will lie and say they're licensed or will show you a business card with a phony license number.

How to check on a contractor:

- Online at www.ccb.state.or.us.
- CCB staff (8 a.m. to 5 p.m. Monday through Friday, closed during lunch hour) at 503-378-4621.

Check with the CCB to make sure the contractor's license is currently active, how long the business has been licensed and the business' claims history.

An "Inquiry" refers to a recently received claim that the CCB has not investigated yet. A "Pending claim" is one that the CCB is investigating. A "Final order for damages" claim refers to claims closed within the last three years where the contractor was ordered to pay damages.

Don't be concerned if a high-volume business has some claims. What's more important is how the business resolves its disputes.

You can also check the size of the contractor's bond and insurance. Licensed contractors have a surety bond for \$5,000, \$10,000 or \$15,000 and have a general liability and property damage insurance policy of \$100,000, \$300,000 or \$500,000.

Check if the license allows employees. A license allowing employees (nonexempt) means the contractor has workers' compensation insurance. This is important because if a worker on your job is insured, workers' comp prevents a workers' comp claim from being filed against you as the owner of the property.

If your contractor is licensed with the CCB, you can get help resolving construction-related disputes within a year from the time the work was substantially completed or the work was stopped.

This protection is only available if the contractor is licensed with the CCB.

If you're having landscaping work done on your property . . .

Most landscaping problems can be avoided if you follow the tips in this booklet—get several bids, ask for references, check out the business' license, etc. All landscaping businesses must be licensed with the Landscape Contractors Board (LCB). Maintenance work (lawn mowing, raking leaves, thatching, and other work done on existing landscapes that is done for general maintenance purposes) requires no license with the LCB.

You may check out a landscaper's license at www.lcb.state.or.us, 503-986-6561.

Home inspections

- Call the CCB to make sure the business can legally do home inspections. CCB-certified inspectors have passed a test and must follow standards of practice and behavior. Ask your inspector about his/her experience and credentials.
- If you're thinking of buying a home, purchase your own inspection. If you're not satisfied, you can usually file a CCB claim if you signed the contract with the inspection service.
- Consider finding your own inspection service rather than relying on the recommendation of a real estate agent.
- Read your contract for disclaimers.
- You are purchasing an educated opinion. Reports by seller's and buyer's inspectors sometimes differ.



How can I avoid problems during the project?

Plan your project carefully.

Consider your budget. Find pictures of styles and products you like. Write down brand names and models. Show them to your contractor. “High quality faucets” or “ivory paint” may mean something different to you and your contractor. Walk with your builder through a finished project and explain what you like and don’t like. Get accurate plans or blueprints and make sure they show your project accurately. Approve the completed plans before work begins.

Use a written contract. A written contract protects you and the contractor. Put all agreements, including all changes to the contract, in writing! Generally, the

more detailed a contract is, the fewer problems that will come up later. A big project should have a detailed contract, not “Remodel master bedroom, \$19,450.” Make sure the name on the contract matches a name in the contractor’s CCB license record. Don’t sign the contract until you understand everything. Make sure your contract does not include a provision that says you cannot file a claim with the CCB.

Understand your warranties, if you have any. Some builders of custom-built home offer warranties—check your contract for warranty language. Contact an attorney about spec home warranties. The CCB offers no one-year warranties or guarantees.

What’s the single biggest cause of homeowner-contractor disputes?

No written contract, a poor contract, or a contract everyone ignores.

Make changes in writing.

People change their minds during a project. If changes are made at the right time, the cost and length of the job may not be affected. Delay, however, can mean costly changes. Change orders are a major source of misunderstandings and cost overruns. For new homes and remodeling projects, allow at least a 10 percent increase for changes from the contract.

If changes in the plans or contract occur during the project, put them in writing as amendments to the contract, including any differences in cost and who will pay for them. These change orders should be signed by both you and the contractor.

Communicate. Talk to your contractor during the project. Many disputes happen because people fail to communicate at every step of the project. If in doubt, talk it out. Ask lots of questions: How long will the job take? What kind of mess, noise and inconvenience should I expect? What problems may

What should be in a contract?

- A list of materials to be used (quality, quantity, weight, color, size, brand names, etc.).
- A list of “allowance items” and the budgeted amount. (An allowance is a specific amount of money to buy something that has not yet been selected. When the light fixtures, woodstove, etc. exceed the allowance, the homeowner pays the additional amount.)
- A list of permits needed and who will obtain them.
- A starting date and a completion date. You might want to add a penalty clause if the work is not completed on time.
- The total price, when payments will be made and if there is a cancellation penalty.
- A payment schedule. Be careful about paying for everything up front. Consider partial payments upon completion of portions of the work.
- A list detailing what the contractor will and won’t do.
- Warranties of workmanship, length of warranty, and what is and isn’t covered.
- The contractor’s name as it appears in CCB license records.
- Everything else you feel is important (specific products, cleanup and removal of debris, workday restrictions, smoking in the living area, special requests, etc.)

come up? How can I prevent repair problems later? Asking lots of questions before the job starts helps prevent problems later.

Obtain building permits.

Construction of new homes and many home improvements requires building permits from the local building department. Usually contractors obtain the permits because they know what permits are required. But ultimately, the owner is responsible for making sure the required permits are obtained. Make sure a final inspection is done when the work is completed.

Pay wisely. Legitimate contractors are entitled to a sizable down payment—a third to a fourth of the total cost of the contract is common. Find a balance where the contractor has enough money to buy materials and begin work, and you have enough at the finish date to ensure satisfactory completion.



Pay in installments. Don't let your payments get ahead of the completed work.

Some contractors run out of money before a job is done. The business will then bid more jobs to get more money. And unfortunately, a few scam businesses have no intention of starting or completing the work. For bigger projects, you can establish an escrow account at a bank. Make payments in stages as the work is completed and has passed inspections.

Beware of repair scams!

Stay away from home repair businesses that

- Market door-to-door with special deals.
- Use names of neighbors as phony references.
- Offer to use leftover, cheap materials from another job which, they claim, means a great price for you.
- Give free, unsolicited inspections which they claim show needed repairs.
- Want 100 percent of the payment up front. (They then leave with the payment and never return after doing little, no or poor quality work.)
- Use high pressure sales tactics including intimidation.

Don't pay in cash. Make checks to the contractor as the contractor's name appears in the contract. If you're aware that the contractor owes money to a subcontractor or material supplier, you may want to make a joint check to the contractor and the subcontractor or material supplier.

Avoid construction liens. You, the homeowner, are ultimately responsible for payments to subcontractors and suppliers even if you have paid the general contractor in full. Do not allow construction to start until your contractor gives you a copy of *Information Notice to Owner About Construction Liens*. This explains about liens and how to protect yourself. Read it carefully and follow its advice.

Think carefully before becoming an owner builder. If the work requires more than two specialty contractors, you should hire a licensed general contractor. (Remodeling a kitchen, for example, usually requires a plumber, electrician, floorlayer and carpenter.) If you decide to

be your own general contractor, you (and not the people you hire) are responsible for the overall job. This may include payment of state and federal taxes, workers' comp insurance premiums and other legal liabilities. Unless you're an experienced builder with the time and skills to do it right, you'd be wise to hire a licensed general contractor.

Keep good written records.

Keep a log of conversations and copies of all documents, correspondence, canceled checks, change orders, etc. If problems develop later or you sell your home, the project is documented.

Make a punch list. Before accepting the job as complete, walk through it with the contractor, listing any problems that need correction. Don't sign for completion until all the work in the contract has been properly completed. Make final payment when you are satisfied the project is complete. Remember, if it wasn't in the contract, the contractor isn't required to make a change you want.

Where can I get help if I have problems with a contractor?

If problems or disagreements occur, work with your licensed contractor. Get assistance from your lender, local building department, Better Business Bureau or attorney.



If problems persist, call the CCB to request a claim packet with information about the claims process and a form to file a claim.

More than 4,000 claims against contractors are filed with the CCB each year. About 75 percent of homeowner claims are settled with a Board investigation/mediation meeting at the jobsite with the homeowner and contractor.

The CCB Investigator/Mediator looks at the issues in the claim and tries to resolve the dispute. If the dispute continues, the CCB offers a hearing and appeal process. If the contractor refuses to cooperate or pay any amount ordered, payment is made from the contractor's bond to the limits provided by the law.

Homeowners can file a claim with the CCB if they believe the contractor has done poor or negligent work, breached the contract, allowed liens to be filed,

or otherwise caused damage.

You can file a claim if you have a direct contractual agreement with the licensed contracting business.

Generally, the deadline for filing claims is one year from when the work was substantially completed. This one-year deadline does not apply to filing a lawsuit.

The one-year CCB filing deadline

does not mean you are guaranteed money from the bond. It means you have one year to file the paperwork for a Construction Contractors Board claim.

Claims filed against unlicensed businesses are sent to the CCB's Enforcement Section. They assess civil penalties for violations (up to \$5,000 per jobsite) and work to get contractors to comply with the law to protect future customers.

To ask questions or order publications

For free copies of the following, use the CCB's web site (www.ccb.state.or.us) or call 503-378-4621.

- *Required Residential Consumer Notices* packet (includes a *Consumer Notification* form, both lien notices and a question and answer brochure about liens)
- *New Home Warranties*
- *Acting as Your Own General Contractor?*
- *Consumer Notification* form
- *Looking for a Home Inspector?*
- Summary of home inspector law and standards of practice (what a home inspection must and will not include)
- *How to Avoid Being the Victim of Construction Fraud*
- *Manufactured Dwelling Repairs*
- Claim packet (includes information about the CCB claims process and a form to file a claim)
- More copies of this booklet

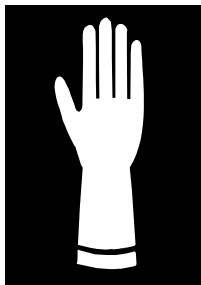
To ask questions,

- Call the CCB at 503-378-4621 to ask general licensing questions or to check a contractor's license and claims history.
- Call the same number to ask about filing a CCB claim.

Help!

If you use an unlicensed contractor . . .

- You lose the protection of a licensed contractor's property damage and general liability insurance, and you assume liability for accidents on the jobsite. Most unlicensed contractors are not insured.
- You lose access to the CCB's three free dispute resolution processes.
- You lose the right to receive payment from the licensed contractor's bond if you win your claim. You must go to court to claim damages—if your unlicensed contractor can be found and if he/she has any assets to collect.



Inquire Before You Hire!