

16 Ways

to Avoid Remodeling, Repair and Construction Problems

BEFORE A PROJECT

- Planning a project
- Finding and selecting a contractor
- Negotiating a contract

DURING AND AFTER A PROJECT

- Project files
- Avoiding scams and fraud
- Resolving problems



**CONSTRUCTION
CONTRACTORS
BOARD**



Need a Landscaper?

All landscaping businesses must be licensed with the Landscape Contractors Board. Most landscaping projects will go smoothly if you follow the tips in this booklet. For more information or to verify a landscaper's license visit www.lcb.state.or.us or call 503-986-6561.

According to the CCB, most construction projects can go smoothly if consumers do their homework in checking out their contractor, set realistic expectations and make wise decisions during the project.

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

2 Ask for references. Check with previous customers. Were they satisfied with the work? Was the work finished within a reasonable time frame? Did the contractor return phone calls? If the person had problems with the contractor, ask how the contractor responded to complaints. Look at examples of the contractor's work.

You can also check the business out with the Better Business Bureau (503-226-3981). For a bigger project, check with the contractor's bank and suppliers and ask about financial stability.

3 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.

4 Get two or three specific written bids for bigger jobs. Make sure you understand any wide variations in bids.

5 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. Or, they may have deliberately low-bid the job in order to get it. If they have bid too low to make a profit, they may use cheaper materials or take shortcuts.

A large number of CCB claims filed against contractors are the result of homeowners taking the lowest bid and then being unhappy with the poor 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.) A fixed-price bid may give you the best protection and price.

6 Make sure your contractor is licensed with the CCB. 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, windows, insulation, land development, concrete, inspection services, heating and air conditioning, and most other construction and 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 hoping you won't check up on them..

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. Any licensed construction business, no matter how good, may have a claim filed against it. What is 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 to \$15,000 and have a general liability insurance policy of \$100,000 to \$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 project is injured, his/her employer's workers' compensation insurance will cover the costs and prevent you as the owner of the property from having to pay for the injury.

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.

7 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.

An active license means -

- *The contractor can legally work in Oregon*
- *The contractor has a surety bond and liability insurance - both offer some financial protection if problems develop later*
- *You have access to the CCB's low cost dispute resolution services.*



Beware of repair scams!

Stay away from repair businesses that -

- *Market door-to-door with 'special' deals.*
- *Offer to use leftover, cheap materials from another job which, they claim, means a great price for you.*
- *Want 100 percent of the payment up front, in cash.*
- *Use high-pressure sales tactics including intimidation.*

Questions to Ask a Contractor

- What experience, expertise and/or certifications do you have? Do you specialize?
- Who will be doing the actual work—you, subcontractors 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?
- What written warranties do you offer?
- Who can I call with questions once the project starts? How can I contact you if there are problems?
- 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 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?
- 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?

Finding and Selecting a Home Inspector

- 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.
- 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.
- An inspection report is not a warranty. It does not guarantee that the house is sound or that you will never encounter problems with the home.



Approve the completed plans before work begins.

8 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.

9 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.

What should be in a contract?

- A list of materials to be used including 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 fixtures, 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 an incentive clause if the work is completed on or ahead of schedule.
- The total price, payment schedule and any cancellation penalties. 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 by warranties.
- The contractor's name as it appears in CCB license records.
- Everything else you feel is important such as specific products, cleanup and removal of debris, workday restrictions, smoking in the living area, special requests, etc.

What's the biggest cause of homeowner-contractor disputes?

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



Don't hire unlicensed contractors.

If you use an unlicensed contractor...

- *You lose the protection of a licensed contractor's general liability insurance, and you assume liability for accidents on the job site. Most unlicensed contractors are not insured.*
- *You lose access to the CCB's dispute resolution services.*

Make sure to get all warranties in writing as part of your contract. Make sure you understand what is and is not covered.

Construction law offers no warranties or guarantees on residential construction.

10 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. 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.

11 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.

12 Obtain building permits.

Construction of new homes and most remodeling projects require 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 proper permits are obtained. Make sure a final inspection is done when the work is completed. For more information, visit www.permitsprotect.info.

13 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.

Make payments in stages as the work is completed and has passed inspections. For bigger projects, you can establish an escrow account at a bank.

Don't pay in cash. Unfortunately, a few scam businesses have no intention of starting or completing the work. Make checks out to the contractor as the contractor's name appears in the contract.

14 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*. It's a two-page brochure that explains



about liens and how to protect yourself. Read it carefully and follow its advice.

15 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.

16 Get help resolving disputes. If problems or disagreements occur, try to work them out with your contractor. If problems persist, call the CCB for information about its dispute resolution services.

Thousands of claims against contractors are filed with the CCB each year. Most claims filed by homeowners are settled with an investigation/mediation meeting at the job site 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, a hearing and appeal process is offered. If the contractor refuses to cooperate or pay an amount ordered, payment is made from the contractor's bond to the limits provided by law.

Homeowners can file a claim with the CCB if they believe the contractor has done poor or negligent work, breached the contract, al-

lowed 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. Before filing a claim, you must notify the contractor in writing of your intent to file a claim. Send the notice to the contractor 30 days before filing a claim.

Generally, the deadline for filing claims is one year from when the work was substantially completed. 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 CCB claim. If the CCB processes your claim, you will be asked to pay a \$50 processing fee. You may get the \$50 back as part of the damage award.

Claims filed against unlicensed businesses are sent to the CCB's Enforcement Section. They assess civil penalties for violations and work to get contractors to comply with the law to protect future customers.

If you choose to file a lawsuit or pursue other court action against a contractor you should know that Oregon law contains important requirements you must follow before starting a court action against any contractor, subcontractor or supplier (materials or equipment) for construction defects. Contact an attorney for more information.

CCB claim forms and consumer information are available online.

Go to www.ccb.state.or.us and click on Dispute Resolution Services for claim forms and instructions. Click on Consumer Information for other helpful tips and information. You can also order forms and brochures by phone, 503-378-4621.

Oregon Construction Contractors Board
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ABOUT THE CONSTRUCTION CONTRACTORS BOARD



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The Construction Contractors Board (CCB) is the state agency that licenses and regulates all construction businesses in Oregon. The CCB promotes a competitive business environment and offers consumer protection through education, dispute resolution and law enforcement.

CCB activities are funded from contractors' fees and penalties. The agency does not draw on Oregon tax dollars or general fund. The CCB keeps 20 percent of the funds collected in penalties assessed against contractors for violations and 80 percent goes to the state's general fund.

All contractors must maintain an active license while doing construction work. Anyone who is paid to repair, improve or build a home must be licensed by the CCB.

The agency licenses more than 40,000 contractors.

Contact the CCB for -

- Contractor license verification.
- Dispute resolution services.
- Free consumer information and publications.

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