

- You are responsible for paying state and federal taxes on employees (contractors who are unlicensed become your employees).
- You must cover employees with workers' compensation insurance. If you don't and an unlicensed contractor is injured, you may have to pay penalties and claim costs.
- Because you are responsible for the overall job, you cannot file a claim and receive payment from the contractor's bond against unlicensed contractors for poor work or breach of contract.
- You are subject to local building code requirements and must correct any failure to meet code requirements.
- You need adequate liability insurance coverage for any accidents that may occur.

(8) SHORTCUT: *Paying for the job on an hourly, time and materials, or cost-plus basis.* **RISK:** While these payment methods sound cheaper, you won't know beforehand what the final price will be. You could end up spending much more than you budgeted for.

(9) SHORTCUT: *Accepting deals that seem too good to be true.* **RISK:** While legitimate contractors sometimes solicit

door-to-door, a majority of the scams reported to the CCB are door-to-door operations. They offer special deals and take a big down payment before disappearing—doing very poor, little, or no work. You risk paying much more with scam deals than you would with a licensed professional.

(10) SHORTCUT: *Accepting free inspections.* **RISK:** While some legitimate businesses offer free inspections, many contractors use these to try to get in your house. You risk someone stealing your property or casing your house for a burglary if you grant a total stranger, who you haven't checked out, free access to your house.

CUTTING CORNERS DOESN'T PAY

It's smart to watch your budget and want to save time. But risky decisions can lead to home improvement disasters.

Protect your investment. Spend more time carefully planning your project and checking out your contractor before you start. Cutting corners won't lead to a successful project. Wise, knowledgeable choices will.

FOR MORE INFORMATION

The following information is available at the Construction Contractors Board's website (www.ccb.state.or.us) or by phone (503-378-4621):

- Contractor licensing and complaint history
- Claim forms and instructions
- Free CCB publications
 - *16 Ways to Avoid Repair, Remodeling and New Construction Problems*
 - *New Home Warranties*
 - *Looking for a Home Inspector?*
 - *How to Avoid Being a Victim of Construction Fraud*
 - *Acting as Your Own General Contractor*
 - *Manufactured Dwelling Repairs*
 - *Risky Home Improvement Shortcuts*
- CCB consumer newsletters (website only)

risks-shortcuts/jf7-03



These 10 risky shortcuts aren't worth your money, time or aggravation!

Oregon Construction Contractors Board (CCB)



www.ccb.state.or.us
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RISKY BUSINESS

Your home is probably the single biggest investment you will ever make. But homeowners put their homes in jeopardy when they attempt money-saving shortcuts during repair, remodeling and new construction projects.

Some property owners' top priority is to spend as little money as possible on their home improvement project. The Oregon Construction Contractors Board (CCB) has found that homeowners who cut corners and make risky decisions regret their choices later.

The CCB has received complaints from homeowners who:

- Handed over blank checks to contractors they hardly knew.
- Trusted the recommendation of a friend of a friend of a friend and did not verify a potential contractor's CCB license and complaint history.
- Selected their contractor for a huge project solely because he or she was the first contractor to return their call.
- Accepted the lowest bid without asking why it was 40 or 50 percent lower than the other bids.
- Saw no need for a written contract because they liked their contractor and felt that lawyers were too expensive.

But months later when these homeowners file a CCB claim, they're still paying with

- Half-finished or shoddy projects.
- Jobs that cost double the original price.
- The headache of trying to find contractors who have disappeared.

The CCB recommends spending more time planning and preparing *before* the project starts so you'll pay less—long-term—in time, aggravation and money.

UNWISE DECISIONS

Here are some common risks that homeowners take to try to save money:

(1) SHORTCUT: *Using a contractor NOT currently licensed with the Oregon Construction Contractors Board.* **RISKS:**

- You lose access to the CCB's dispute resolution services and payment from the contractor's bond for poor work or breach of contract. You must hire a lawyer or try to collect in Small Claims Court from fly-by-nighters who disappear and have no assets to collect from.
- Most unlicensed contractors can charge less because they have no insurance (all CCB licensees have general liability insurance). If a contractor causes an

accident, your property insurance may or may not cover the damage. If it does, your premiums could increase substantially.

- If an unlicensed contractor is injured, he/she could be ruled to be your employee. You may have to pay penalties and be liable for all claim costs unless you cover them with workers' compensation insurance.

(2) SHORTCUT: *Not checking a licensed contractor's references or not seeing examples of their work.* **RISKS:**

- Your contractor could turn out to be undependable, ignore your calls and consistently run behind schedule.
- If they can't do the quality of work you expect, you may end up with an unfinished, poorly done, or unsafe job that you'll need to live with, fix yourself or pay another contractor to make right.

(3) SHORTCUT: *Accepting a bid that is drastically lower than other bids without knowing why.* **RISK:** A substantially lower bid may result in poor materials and craftsmanship. It could mean they will walk off your job to get other jobs for more cash. Or maybe they forgot to bid everything you wanted. Or they may have deliberately low-bid your job just to get it, planning to jack up the price later. You're stuck with a botched job, legal issues and more checks to write.

(4) SHORTCUT: *Having a verbal agreement with the contractor instead of a written contract.* **RISK:** A verbal agreement provides no proof if there are disputes—it's your word against the contractor in a CCB claim or court of law. You may end up paying far more than the original agreed-upon price because nothing was in writing.

(5) SHORTCUT: *Making verbal change orders.* **RISK:** If changes to the original contract are not in writing, you may wind up paying for changes you assumed the contractor was paying for. And, if you ordered the changes too late in the project, costs may be far higher than expected.

(6) SHORTCUT: *Not obtaining a building permit.* **RISKS:** Contractors who fail to get permits can bid a job for less. Property owners, however, are the ones legally responsible for making sure the required permits are obtained and for resolving any failure to meet code requirements.

(7) SHORTCUT: *Using unlicensed workers if you are the owner-builder.*

RISKS:

- You may pay more for building materials since licensed contractors often get discounts.

