

CONSTRUCTION & HOME IMPROVEMENT

Adding a room, renovating an existing room, replacing floor coverings, landscaping your yard, or doing some much-needed repairs? Finding a good contractor is important — a home improvement project gone wrong can cost you. A good ad isn't proof a contractor does quality work. Find out for yourself. Check with friends, neighbors, or co-workers who've had improvement work done, and check out a contractor's reputation on online ratings sites you trust. Get written estimates from several firms, keeping in mind the lowest bidder may not be the best choice. Also important: know the signs of a scam.

DO YOUR RESEARCH

- Check with friends, neighbors, or co-workers who've used a contractor.
- If you can, take a look at the work done and ask about their experience.
- Look at sites you trust that post ratings and reviews.
- Do people seem to have similar experiences, good or bad? You also can check out a contractor's online reputation by searching for the company's name with words like "scam," "rip-off," or "complaint."
- Find out how long they've been in business.
- Look for an established company whose record and reputation you can check out.
- Check for qualifications, like licensing.

BEFORE YOU HIRE A CONTRACTOR

- Get Estimates.
- Once you've narrowed your options, get written estimates from several firms. Don't automatically choose the lowest bidder. Ask for an explanation to see if there's a reason for the difference in price.

ASK QUESTIONS

- How many projects like mine have you completed in the last year?
- Ask for a list so you can see how familiar the contractor is with your type of project.
- Will my project require a permit?
- A competent contractor will get all the necessary permits before starting work on your project. You may want to choose a contractor familiar with the permitting process in your county, city, or town.

SOUTH DAKOTA OFFICE OF ATTORNEY GENERAL

**CONSUMER
PROTECTION**

1302 E Hwy 14 Ste 3 • Pierre SD 57501   consumerhelp@state.sd.us

1-800-300-1986

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- May I have a list of references?
- A contractor should be able to give you names, addresses, and phone numbers of at least three clients with projects like yours. Ask each client how long ago the project was and whether it was completed on time. Was the client satisfied? Were there any unexpected costs? Did workers show up on time and clean up after finishing the job? You also could tell the contractor that you'd like to visit jobs in progress.

WHAT TYPE OF INSURANCE DO YOU CARRY?

Contractors should have:

- Personal liability.
- Worker's compensation.
- Property damage coverage.
- Ask for copies of insurance certificates, and make sure they're current, or you could be held liable for any injuries -and damages that occur during the project.

WILL YOU BE USING SUBCONTRACTORS ON THIS PROJECT?

- If so, make sure the subcontractors have current insurance coverage and licenses, too, if required.
- To find detailed information about a builder, service provider, or remodeler in your area, you may want to consider contacting your local home builders association.

UNDERSTAND YOUR PAYMENT OPTIONS.

- Don't pay cash.
- For smaller projects, you can pay by check or credit card. Many people arrange financing for larger projects.
- Try to limit your down payment.
- Call the Division of Consumer Protection for laws regarding this area. 1-800-300-1986
- Try to make payments during the project contingent upon completion of defined amounts of work.
- This way, if the work isn't going according to schedule, the payments to your contractor also are delayed.
- Request Lien Wavers every time a payment is made.

GET A WRITTEN CONTRACT.

It should be clear and concise and include the who, what, where, when, and cost of your project. Before you sign a contract, make sure it includes:

- The contractor's name, address, phone, and license number (if required).
- An estimated start and completion date
- The payment schedule for the contractor, subcontractors, and suppliers.
- The contractor's obligation to get all necessary permits,
- How change orders are handled. A change order is a written authorization to the contractor to make a change or addition to the work described in the original contract, and could affect the project's cost and schedule.
- A detailed list of all materials including each product's color, model, size, and brand. If some materials will be chosen later, the contract should say who's responsible for choosing each item and how much money is budgeted for it (this is also known as the "allowance").
- Information about warranties covering materials and workmanship, with names and address-

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es of who is honoring them — the contractor, distributor, or manufacturer. The length of the warranty period and any limitations also should be spelled out.

- What the contractor will and won't do. For example, is site clean-up and trash hauling included in the price? Ask for a "broom clause" that makes the contractor responsible for all clean-up work, including spills and stains.
- Any promises made during conversations or calls. If they don't remember, you may be out of luck — or charged extra.
- A written statement of your right to cancel the contract within three business days if you signed it in your home or at a location other than the seller's permanent place of business.

AFTER YOU HIRE A CONTRACTOR, KEEP RECORDS.

Keep all paperwork related to your project in one place. This includes:

- Copies of the contract.
- Change orders.
- Any correspondence with your home improvement professionals.
- A record of all payments. You may need receipts for tax purposes.
- Keep a log or journal of all phone calls, conversations, and activities. You also might want to take photographs as the job progresses. These records are especially important if you have problems with your project — during or after construction.
- Pay Wisely.
- ***Don't make the final payment or sign an affidavit of final release until you're satisfied.***
- ***Besides being satisfied with the work, you also need to know that subcontractors and suppliers have been paid.***
- Know the limit for the final bill.
- Know when you can withhold payment.
- If you have a problem with merchandise or services charged to a credit card, and you've made a good faith effort to work out the problem with the seller, you have the right to contact your credit card company and withhold payment from the card issuer for the merchandise or services. You can withhold payment up to the amount of credit outstanding for the purchase, plus any finance or related charges.
- Use a Sign-Off Checklist.

BEFORE YOU SIGN OFF AND MAKE THE FINAL PAYMENT, CHECK THAT:

- All work meets the standards spelled out in the contract.
- You have written warranties for materials and workmanship.
- You have proof that all subcontractors and suppliers have been paid.
- The job site has been cleaned up and cleared of excess materials, tools, and equipment.
- You have inspected and approved the completed work.

SIGNS OF A HOME IMPROVEMENT SCAM

How can you tell if a contractor might not be reputable? You may not want to do business with someone who:

- Knocks on your door for business or offers you discounts for finding other customers.
- Just happens to have materials left over from a previous job.
- Pressures you for an immediate decision.
- Only accepts cash, asks you to pay everything up-front, or suggests you borrow money from a lender the contractor knows.
- Asks you to get the required building permits.
- Tells you your job will be a "demonstration" or offers a lifetime warranty or long-term guarantee.
- Doesn't list a business number in the local telephone directory.

THE HOME IMPROVEMENT LOAN SCAM

Here's how the scam works: A contractor calls or comes to your door and offers a deal to make repairs or remodel your home. He says he can arrange financing through a lender he knows. After he starts, he asks you to sign papers; they may be blank — or he might hustle you along and not give you time to read through them. Later you find out you've agreed to a home equity loan with a high interest rate, points, and fees. What's worse, the work on your home isn't done right or isn't completed, and the contractor — who may already have been paid by the lender — has lost interest.

TO AVOID LOAN SCAMS, DON'T':

- Agree to a home equity loan if you don't have the money to make the payments.
- Sign a document you haven't read or that has blank spaces to be filled in after you sign.
- Let anyone pressure you into signing any document.
- Deed your property to anyone. Consult an attorney, a knowledgeable family member, or someone else you trust if you're asked to.
- Agree to financing through your contractor without shopping around and comparing loan terms.
- Report a problem.
- If you have a problem with a home improvement project, first try to resolve it with the contractor. Many disputes can be resolved at this level. Follow any phone conversations with a letter you send by certified mail. Request a return receipt. That's your proof that the company received your letter. Keep a copy for your files.