

# Don't get cheated when you repair or remodel your house



The person you hire to do home-improvement work is called a **contractor**. You could hire a contractor who has one or more special skills -- a carpenter, plumber, electrician, etc. If you have a big job, you might want a **general contractor**. A general contractor usually hires other contractors (plumbers, electricians, etc.) to do different parts of the job.

## What should I look for when hiring a contractor?

**1. Don't hire the first contractor you meet.** Talk to at least 3 contractors. Ask each one how they would do the job. This can help you find out if the job will be harder (or easier) than you think. Make sure the contractor will not charge you to talk about the job.

**2. Get written estimates.** Ask each contractor for an estimate in writing. An **estimate** tells you how much the contractor will charge to do the job. Make sure the estimate includes

- a list of the materials needed (lumber, paint, etc.),
- how many hours the job will take and what the contractor charges per hour, and
- when the estimate expires.

You also need a written contract, and **an estimate is not a contract.**

**3. Find out if the contractor has any complaints.** The state of Tennessee has lists of some contractors who have a lot of complaints. To find out if a contractor is on one of these lists,

- Call **(615) 741-4737** for the Tennessee Consumer Affairs Division,
- Call **1-800-544-7693** for the Tennessee Board of Licensing Contractors,
- Go to **<http://tn.gov/commerce/boards/archive.shtml>** on the internet, or
- Go to **<http://tn.gov/consumer/probcontractor.shtml>** on the internet.

You may also call your local Better Business Bureau. Some dishonest contractors have never been put on a complaint list. If your contractor is not listed, you still need to follow the rest of these steps to protect yourself.

**4. Remember these warning signs of a scam.** Be extra careful about a contractor in these situations:

- You didn't call the contractor. The contractor came to you first. Beware of contractors who go door-to-door to get business.
- The contractor has an out-of-state license plate, only a toll-free phone number, or only a post office box for an address. You should only do business with a local company that will be around to fix anything that goes wrong.
- The contractor's truck does not have a company name on it.
- The contractor can give you a good deal because he or she has materials left over from another job. A good contractor knows how much material to buy and will not have enough left over to do a job for someone else.
- The contractor says you must hire them on the spot to get a discount.
- The contractor uses high-pressure or scare tactics.
- The contractor does not want to give you a written contract.
- The contractor does not want to give you written information, such as an estimate or proof of insurance.
- The contractor demands payment in cash.
- The contractor wants you to pay for the entire job before work is finished.

**3. Your contractor should have a license.** Don't assume that a contractor is licensed just because he or she gives you a license number. To find out if the contractor is licensed, call **1-800-544-7693** for the Tennessee Department of Commerce and Insurance Board for Licensing Contractors. You can also check on the internet at **<http://verify.tn.gov/>**. There are several things to look for:

- Is the license up-to-date?

- Does the contractor have the right kind of license? The contractor needs a
  - **"Contractor's" license** if the job will cost \$25,000 or more. This includes material and labor.
  - **"Home Improvement" license** if
    - The job will cost between \$3,000 and \$24,999 (including material and labor) . . .
    - **AND** you live in one of these counties:
      - Bradley
      - Davidson
      - Hamilton
      - Haywood
      - Knox
      - Marion
      - Robertson
      - Rutherford
      - Shelby

If you live in another county, call the local permit or codes office.

Ask what the rules are for home improvement contractors.

- **"Plumbing" license** to do any plumbing work. But the type of plumbing license depends on how much the job will cost and if your city or county has a local licensing agency. To find out, call **1-800-544-7693** or on the internet at **<http://verify.tn.gov/>**.

**4. Ask the contractor for proof of insurance.** The state requires some contractors to have insurance or a bond. You can find out if the state requires insurance or a bond for your contractor by calling **1-800-544-7693** or on the internet at **<http://verify.tn.gov/>**. If the state does not require insurance or a bond for your contractor, call local licensing agency in your city or county. If there is no local licensing agency in your area, it is even more important to get proof of insurance directly from your contractor. You also need to be sure the insurance or bond is up-to-date. The only way to be sure is to get proof of insurance in writing from the contractor. This proof must come from the contractor's insurance agent.

**5. Check references.** The contractor should give you the name and phone number for other people he or she did work for. Of course, the contractor will not tell you about unhappy customers, but even talking to a happy customer may help you know if the contractor will at least finish the work or come back if anything goes wrong.

**6. Get a contract in writing.** A **contract** is an agreement that says what work the contractor will do and how much you will pay for labor and materials. The contract should include

- Identification of the contractor including the contractor's license number, name, street address, and phone number.
- A complete list of what work the contractor will do. Include as much detail as you can. This does not mean that you do not trust the contractor. It just means that you want to be sure that you and the contractor have the same understanding about what will be done.
- The kind of materials to be used. (**Example:** the type of paint to be used)
- When, where, and how you will make choices. (**Example:** You will pick out light fixtures. When do you have to make the decision? Where can you get them?)
- How much you will pay. There are two ways to pay:
  - With a **Fixed-Price Contract** you pay the contractor the amount the contract says. The contractor pays for labor and materials. It does not matter how much the contractor pays for labor or materials.
  - With a **Cost-Plus Contract** you will pay for the labor and materials plus the contractor's fee. The fee can be a certain amount of money (such as \$250 or \$5,000, depending on the job) or a percentage of the cost of labor and materials. In a cost-plus contract, the contract can say that the contractor guarantees that the cost of labor and/or materials will not be more than a certain amount; and if the cost is more than that amount, the contractor must pay for it.
- How and when you will pay for the work. (**Example:** The final job will cost \$12,000. You will pay \$4,000 after the contractor gets a building permit. You will pay another \$4,000 when half of the work is done. You pay the last \$4,000 after all of the work is done and the contractor has cleaned up the job site.)
- The date the contractor will start work.
- The date the contractor will finish work and have the job site cleaned up.
- If there is a warranty, how long will it last? What does it cover?
- How can you make changes to the contract? It is very common for something unexpected to happen after the contractor starts work. Your contract might say that you want to paint the walls red and you later decide to paint them blue. Your contract should allow changes that do not affect the cost of the job. The contract should say that you can make a "**change order**" and that all change orders must be in writing and signed by you and the contractor.

**7. Don't sign a contract if you don't understand it.** You do not have to sign the contract as soon as the contractor gives it to you. You can take it home overnight to think about it. You can also let a lawyer or someone else read it. After you have had time to read it, ask the contractor to explain anything that is unclear. If you do not understand the answer, take more time to think about it or change the contract to make it clear. Get a copy of the contract after it is signed by you and the contractor.

**8. Don't sign a contract that has blank spaces on it.** If there are blanks in the contract, write "Not Applicable" on the line before you sign.

**9. NEVER PAY CASH to the contractor. NEVER sign over an insurance check or any other check to your contractor.** You need to have a record of the payments you make to your contractor. Always pay with a check, cashier's check, or a credit or debit card. This gives you a record of your payment. Require the contractor to give you a receipt for your payment. You can bring a receipt for the contractor to sign when you make the payment so the contractor cannot say he or she doesn't have a receipt to give you.

**10. NEVER pay more than one-third of the total as a down payment to the contractor.** You should hold back at least two-thirds of the total price so you can make sure the contractor does the work. In addition, it is illegal for a contractor who does work under a "home improvement" license to charge more than one-third down. You can report this contractor to the Board for Licensing Contractors on the internet at <http://tn.gov/commerce/boards/contractors/>.

**11. Make sure the contractor gets a building permit.** If you are not sure if a permit is required, call your city or county building inspector. Find out if the building inspector will automatically review the contractor's work at several stages in the job. (**Example:** The inspector might come after footings for a foundation are poured and come later to inspect the wiring, etc.) Find out how the inspector will know to make the inspection. You need to know what inspections will be made and how to make sure the contractor's work has passed the inspection.

**12. NEVER have the building permit in your name.** The contractor should get the permit and have it in the contractor's name. This lets the codes enforcement office help you make sure the contractor is licensed, insured or bonded, **AND** that the contractor is following the building code.

**13. Don't pay the final payment to the contractor until:**

- The work is completely finished,
- You have checked the work and are happy with it, and
- Any problems are fixed.

**14. What if there are problems the contractor won't fix?**

Then you will need to get help. Call:

- Your local Better Business Bureau. You can find the phone number in your phone book or on-line
- Tennessee Consumer Affairs Division **1-800-342-8385** – It's a free call.
- Tennessee Contractors Licensing Board **1-800-544-7693** – It's a free call.

Need a lawyer to help you but can't afford one? Then call your local Legal Aid office. We take as many cases as we can. We are sorry we don't have enough lawyers for everyone. What if we can't take your case? We still may be able to give you one-time legal advice. Or tell you where else you can get help.

#### **OFFICE HOURS AND LOCATIONS**

Legal Aid of East Tennessee offices are open from 8:30 A.M. to 5:00 P.M. Monday through Friday.

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This pamphlet is intended for general information only. The circumstances of every case are different and need to be dealt with on a case-by-case basis. This is not a substitute for the advice of a lawyer. Also, the law may change and may be different from county to county.

