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## Important Questions to Ask Before You Sign a Remodeling Contract

*by Phoebe Chongchua*

Remodeling projects can cost tens of thousands to hundreds of thousands of dollars and more. With that kind of investment the best advice is to ask questions before you hire a contractor.

"Our industry has a lot of opportunity for us to take advantage of homeowners," says Jay Riordan, President of Dream Design Builders in San Diego, California.

Starting a remodeling project can fuel excitement and anxiety but if you take the time to do your homework then it's more likely the finished product will produce the expected results. Riordan says doing your homework includes asking contractors the right questions before you invite them into your home to start making major changes. He talked to me about what some of those right questions are and the dangers of not knowing the answers before construction work begins.

"Homeowners aren't experts in contract license law and they're not experts in home remodeling and they don't know what to expect—a lot of times it's the first time out for them and there are contractors out there who take advantage of that," says Riordan.

He adds, "There are also good contractors out there who maybe have bad systems so they don't have insurance or they don't get a permit and homeowners don't understand the potential consequences of that."

Riordan says contractors who operate legitimately will sometimes be perceived by homeowners as being more expensive than those who don't do things such as getting permits and having insurance.

*What happens if the Building Department requires plan changes?*

"A contractor can go about business a couple of different ways. He can spend the time and

energy to really investigate the home or he can have clauses in his agreement that protect him and don't protect the client. Then he doesn't have to work as hard to do all his proper homework," explains Riordan.

Sometimes, Riordan says, it's worse than that; contractors may actually write up a contract and get the homeowner to sign it knowing that the plans are substandard and therefore creating an opportunity for the need to change the order after the contract is signed.

"A contractor may write loopholes in an agreement that would say something like: If the building department requires additional engineering any additional costs paid for by homeowner," cautions Riordan."

Homeowners can protect themselves by making sure upfront and in writing that the contractor guarantees the price and that the project/work job will pass the permitting process.

*Are you and your company insured with workers compensation and liability insurance?*

In this case it's also important to ask and see copies of the insurance certificates to verify the coverage. If your state requires licensing and registration ask to see all pertinent documents. You can check the status of the contractor's license and expiration date through your local jurisdiction.

*What types of projects and in what areas do you work?*

The first part of this question may seem obvious. You want to hire a contractor who specializes in the work you're going to have done. You don't go to a dentist to fix your aching back. But that analogy is happening in the construction industry and homeowners may not even realize it. Riordan says, as the construction industry has slowed down a little, some contractor companies are migrating to different areas outside of their ordinary work.

"There are contractors who have specialized in commercial work only or custom homes or building tract homes and that's been their main jobs and now things are slowing down so now they'll do anything. So they're dabbling in remodeling and it's not their field of expertise. That's important to know. What do they specialize in and have they done similar projects in the past," says Riordan.

Riordan says knowing what areas contractors typically work in is equally important. "How well

can they service a project when they're spread out over say a 100 square miles?"

*What permits are required?*

"Insurance companies are looking for any reason not to pay a claim. Most homeowners' insurance companies have clauses about non-permitted work or work done by an unlicensed contractor," says Riordan.

So if a homeowner were to put in an air-conditioning system or add canned lighting without first checking to see if and which permits might be necessary in the event of an electrical fire that burned the house down, Riordan says there could be a huge problem.

"The homeowners go and file claim with their insurance company and the insurance company is looking for a loophole and finds that there is un-permitted work done. So they go to the contractor, the contractor files bankruptcy and the homeowner is left without a home," says Riordan.

He adds the only reason contractors don't get a permit is because they don't want to do the work up to standard.

*Have you ever been sued?*

In a litigious nation, being sued doesn't always mean that the company or service provider is bad. When asking this question listen to see if there is an apparent pattern of legal problems.

"If you're in business long enough you might be sued. But if you've been sued three times in the last year and two times the year before and there is a history of it or there is a history of suing other people such as suing the last five homeowners to get final payment -- that's a red flag," says Riordan.

*How will the project be organized and scheduled?*

Riordan says a lot of companies aren't very organized and will schedule projects just day by day, leaving room for a lot of down time if a necessary worker isn't available.

"A homeowner can hire a contractor and there is no written schedule, but they planned everything out and the project can go perfectly. By asking that question, it's a window into the organization of the company," says Riordan.

According to Riordan, one of the most important questions has to do with an introduction to the highest level leadership in the company.

*I'd like to meet the owner; can you set up a meeting?*

"There are a lot of companies out there with a lot of sales people and the sales people are out there making promises that aren't in writing and if there is a problem on the job you don't deal with the sales people; instead now you're dealing with the owner," says Riordan.

The problem is the homeowners may have signed the contract because they like a particular salesperson. But once a problem arises the situation can escalate all the way to the top and Riordan says that's when homeowners sometimes find out that the owner of the company is not someone they would have done business with in the first place.

If you meet the owner upfront, then you can get your questions answered and see what kind of leadership and support the company is given.

"As long as homeowners can go out there and do business with contractors who are doing business right, then life will be a little bit easier for them,"

The National Association of the Remodeling Industry (NARI) offers a free brochure to homeowners called *How to Select a Remodeling Professional* . To receive your copy call (800) 611-NARI.

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