

# Avoiding Home Improvement Scams

Your home is likely to be your most valuable financial asset. So be extra careful when you hire someone to work on it.

## **Tips for Hiring a Contractor**

- Deal **only** with licensed contractors who meet state requirements for minimum competency.
- **Verify** license status and check for any past disciplinary actions using [License Lookup](#).
- Educate yourself about the type of contractor you need for the job. Read [What You Should Know Before You Hire a Contractor](#).
- Ask friends and neighbors for referrals. A paid advertisement isn't necessarily a good indication of the quality of a contractor's work, and not all online reviews are unbiased or truthful.
- **Get written estimates** from at least three contractors. Don't automatically choose the lowest bidder! Ask for explanations on price variations among proposals.
- Insist on detailed contract, including agreed-upon start and finish dates. Licensed contractors are required by law to provide a written contract for residential work, signed by both parties.
- Don't rely on verbal agreements. Get all guarantees, warranties, and promises in writing.
- **Limit your down payment or deposit.** A reputable contractor should be able to front the costs of most supplies without a large sum of money from you.
- A good rule of thumb is an initial deposit of no more than **10% down or \$1,000**, whichever is less.
- Unless the job requires custom-made items or special orders, in which case an initial down payment should be no more than 30% of the total value of the contract.
- Consider making payments during the project contingent upon completion of certain tasks--that way, if the contractor is behind schedule, your payments are delayed.

- Don't pay 100% of the bill until the work is 100% complete.

### **Tip-Offs to Potential Rip-Offs**

Not all contractors operate within the law or regulations.

### **Here are some warning signs. Watch out for scams or an unlicensed contractor who:**

- Solicits door-to-door (you have a three-day right to cancel a contract negotiated in your home!)
- "Just happens" to have materials left over from a previous job
- Pressures you into making an immediate decision
- Asks you to pay for the entire job up-front
- Only accepts cash payments
- Asks you to obtain required building permits

If you are victimized by a *licensed* contractor who engaged in improper or dishonest conduct, and unable to recover on a court judgment, you *may* be eligible for monetary relief from the [Contractor Transaction Recovery Fund](#).

For more information about contractor licensing, visit the [Board for Contractors](#) website.

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