

*Judge W. Mona Scott of Cleveland Municipal Housing Court presents:*

## **Tips for When You Are About To Sign a Contract**

If you are about to hire someone to do work on your home you should insist on a contract that provides you with details of what will be included in the project. In other words, do not accept a price scribbled down on the back of an envelope!! A good contract should include most of the following:

- ▷ A set of specifications (a description of work to be done, materials to be used) including drawings if they are required by the city.
- ▷ An agreement that the contractor will obtain all necessary permits and will post them on your home prior to beginning work. If the project must be approved by another city body your contract should indicate who will take care of this work.
- ▷ Date when work will begin and how long it will take to complete the project. (An outdoor project may be delayed due to weather, but it should not be delayed any longer than the period of bad weather.)
- ▷ Cost for project (you can request that costs for each section of the project be broken out.)
- ▷ Payment schedule, based on work due. Unless materials have been delivered to the site, it is generally best not to pay any money until the work has begun. It is also common practice to hold a portion of the final payment until all the work is completed, including final details. A punch list of final items to be done that is signed by both you and the contractor should be agreed upon and the final payment made upon the completion of this work.
- ▷ A plan to use change orders if you and/or the contractor decides to make some changes. A change order that outlines what the changes will be and how they will affect the cost should be signed by both you and the contractor.
- ▷ Copies of the contractor's liability insurance and any bonding he/she may have acquired. Check with the City of Cleveland to determine if the contractor is licensed and bonded with the city. If the contractor has employees, he/she should provide you with a copy of the certificate certifying that he carries Workers' Compensation Insurance.
- ▷ Description of all warranties for both the work done and the materials used and how long the warranties are good for.
- ▷ Summary of the state law which allows you three days to back out of the contract if you decide not to proceed.
- ▷ The name of the contractor, name of his company and address, and a place for both you and the contractor to sign the contract.
- ▷ The contract should be dated when you sign it.

**Whenever possible, review a contract with your lawyer before signing it.**

**A Note on Construction Liens:** People who furnish labor or materials to your home during a construction project are entitled to file a mechanic's lien against your property in the event they are not paid by you or your general contractor in a timely manner. You can ask for lien release or waiver, which is a document given to you by a supplier for your project that says he has been paid and no lien will be made against your property.

## Some Tips When Looking for a Contractor

- ▷ Avoid door-to-door work crews, who often pose as contractors from another job with leftover materials, like roofing supplies.
- ▷ Avoid a contractor that can only be reached by leaving a message on an answering machine.
- ▷ Avoid a contractor that drives an unmarked van or has out-of-state plates on his vehicles; write down license numbers.
- ▷ Avoid a contractor that pressures you for an immediate decision.
- ▷ Avoid a contractor that offers you a discount for helping find customers.
- ▷ If a contractor is also offering financing, do not sign any agreement until you have lawyer review it; beware of companies that sell financing and then give the work to contractors who do inferior work or who may not show up to do the work because they have not been paid.
- ▷ Avoid a contractor who tells you have won a prize, but in order to get the prize you have to buy a home improvement service or product.
- ▷ Avoid contractors who are offering free inspections.
- ▷ Avoid a contractor that quotes a price that may be too cheap.
- ▷ Ask for evidence that the contractor is licensed with the city; then call the city to confirm that this is true.
- ▷ Make sure the contractor carries general liability insurance, worker's compensation and performance and completion bonds.
- ▷ Contact a referral agency such as Angie's List to get the names of contractors and references; get names from fellow members you trust at church or other social organizations; check your local hardware, paint or building supply store where you regularly do business.
- ▷ Whenever possible look at previous work the contractor has done.
- ▷ Pay by check or credit card. Avoid on the spot cash payments.

### **A contractor needs to carry three kinds of insurance:**

**Liability** – for damage to your house or injury to you or anyone at your home.

**Worker's Compensation Insurance** – pays benefits related to injuries suffered by workers on your site.

**Vehicle Insurance** – protects you from liability if someone is injured while worker is coming to your house with materials for your job.

### **A contractor should also be bonded:**

**Performance bond** – this bond guarantees that the contractor will fully perform the contract and guarantees against a breach of contract. The bonding company compensates you for loss in the event of nonperformance by the contractor.

**Compliance bond** – The city requires contractors to post a bond insuring that their work will comply with local and state building codes. If a contractor is given a violation notice for code violations, the homeowner can go after this bond.

The city requires the contractor to be registered and insured to protect public property that could be damaged during work done on your property; the contractor being registered with the city does not mean your property is protected.