



HOW TO CHOOSE A HOMEBUILDER OR REMODELER

Building a new home, or remodeling your present home is a major investment. As you begin planning to build or improve your home there are important steps you should take to ensure that your investment is a wise one and that you are protected from loss or disappointment.

The information provided in this pamphlet is not meant to be a substitute for legal advice.

This publication is issued by the Bureau of Commercial Services, Residential Builders and Maintenance & Alterations Contractors Unit for your information under the authority of PA 299 of 1980, as amended.

LARA is an equal opportunity employer/program. Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

CHOOSING A BUILDER

Get the names of contractors from:

- ◆ Friends or neighbors who have had satisfactory work done.
- ◆ People at local home improvement centers, builder shows or open houses.
- ◆ Local Yellow Pages list licensed builders who do business in your community.
- ◆ Local homebuilders association. If the association is affiliated with the National Association of Home Builders, all members must be licensed by the state in order to be included on their roster.

You should be aware that all contractors offering to do work which totals \$600 or more in labor and materials must be licensed by the Department of Licensing and Regulatory Affairs. A Residential Builders license allows a contractor to build a complete structure and do maintenance or alteration (remodeling) work. A Maintenance & Alteration license indicates that the holder has met requirements for one or more of the following trades: basement waterproofing, carpentry, concrete, excavation, house wrecking, insulation, masonry, painting and decorating, roofing, screen and storm sash, gutters, siding, swimming pools or tile and marble. The trades in which a contractor is qualified to practice are listed on the license.

LOOK FOR THE LICENSE

The state license must be displayed in the place of business and all contractors and their salespeople must carry a pocket license card, which you should ask to see. If they cannot show you a license, call the Department of Licensing and Regulatory Affairs, Builder's Unit at (517) 373-8376 or visit our website at www.michigan.gov/builders (select "Check a License" on the right-hand side of the page), to confirm that an individual or company has a license.

Working with an unlicensed builder, or contractor is done at your own risk!

GET REFERENCES

- ✓ Get references from the contractors you are considering.
- ✓ Ask for the name and address of previous customers. Check with those people who have had work done and ask if it was satisfactory.
- ✓ Be sure the contractor has a permanent business location and telephone number.
- ✓ Check the contractors credit reputation with local banks or suppliers.

GET ESTIMATES

- ✓ Get estimates from different contractors to compare prices. Remember the cost of materials and quality of materials will affect the bid. A low bid based on inferior materials may not be any bargain, so consider more than the price alone.
- ✓ Be sure the estimate specifies the total price, the terms of payment, the kind of materials to be used and the expected time it will take to complete the job.
- ✓ Be aware of special prices because of left over materials, other jobs in the neighborhood or discounts if you agree to get the other customer. They are often gimmicks used to get you to buy.

GET IT IN WRITING

- ✓ When you have selected a contractor, get all agreements in writing. A written agreement will make sure that there are no misunderstandings about the work or the terms of the contract.
- ✓ Make sure that you read all documents carefully. While it is not required, it is often a good idea to have an attorney review the contract and any other forms before you sign them, especially if a large sum of money is involved.
- ✓ Don't be afraid to ask questions about anything you do not understand. Ask for any changes or modifications before you sign the contract.

GET A CONTRACT THAT INCLUDES:

- ✍ The company name, address, phone number and the full name and license number of the builder/contractor and the salesperson.
- ✍ Detailed job specification, which include a description (brand names, colors, grades, styles and model numbers) of materials, a list of all costs spelled out clearly, and any architects or engineers drawings, which are required.
- ✍ Start and completion dates. These should allow for any reasonable delays, but should include a clause allowing you to withhold payment if work slows down for no apparent reason.
- ✍ A statement that all required building permits and variances will be obtained by the contractor before work is begun. The building permit is for your protection. An inspector will make sure the finished job meets all codes and safety standards and make the contractor responsible for corrections.
- ✍ A guarantee that the contractor carries liability insurance and has Workers Compensation coverage, in case of accidents on the job.
- ✍ A statement of warranty on the work. Be sure it tells if labor and materials are guaranteed, and for how long. A statement that cleanup will be done by the contractor should be allowed.
- ✍ A provision for credits if there are large amounts of materials left over. On the other hand, you should be prepared to pay for extra materials if the project takes more than anticipated. Your builder should provide you with a description of these extra costs in writing, so that there are no surprises on your final bill.
- ✍ The terms of payment should be clearly stated in the contract.
- ✍ A **right to cancel** clause. If you are solicited and have signed the contract in your home, you have three days to cancel the contract if you change your mind. You must send the contractor a registered letter stating you wish to cancel.

- ✍ If everything in the agreement is satisfactory, both the contractor and the homeowner must sign and date the contract. Any changes or revisions must be dated and initialed by both parties.
- ✍ Be sure that the contractor gives you a copy of the contract, with any changes noted.

PAYING THE CONTRACTOR

- ✗ Never pay for the entire job in advance.
- ✗ Make a deposit when work begins to cover materials and startup cost. Pay by check to the company name and ALWAYS get a receipt.
- ✗ Make scheduled payments as work progresses.
- ✗ According to the Michigan Construction Lien Act, 1980 PA 487, as amended, property owners should receive and make payments according to a “sworn statement”. Contractors are required to provide sworn statements upon request for payments (MCL570.1110). You may review the Construction Lien Act at www.michiganlegislature.org or consult your legal counsel for assistance.

RESOLVING PROBLEMS

- (If you have problems you should first try to resolve them with the contractor before making the final payment. You may contact the local building inspector for assistance in resolving workmanship and code violations.
- (Small Claims Court is another alternative if the dispute involves a sum within their jurisdiction.
- (If your efforts to resolve the matter fail, or if you feel you have been the victim of fraud or deceit, you should contact or Commercial Enforcement Division to file a complaint.

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SOME USEFUL CONTACT INFORMATION

- ☎ Builders Division (517) 373-8376
- ☎ Enforcement Division (517) 241-9202

OR

- 🖨 Visit our website at: www.michigan.gov/builders