



## Home Repair and Construction: What You Should Know

If you are like most Illinoisans, your home is your most valuable financial asset. Performing upgrades on your home in the form of a new roof, new kitchen, or addition can increase its value, but home improvements can also be needlessly expensive and frustrating if you pay for work that is not performed, work that does not meet the building codes in your town, or work that is of poor quality. For these reasons, it's important to take extra care when you hire someone to work on your home. Of the more than 20 thousand complaints received each year by the Office of the Illinois Attorney General, approximately 20 percent involve disputes between homeowners and home repair contractors. Homeowners can protect themselves by following some important rules and asking the right questions.

### Common Home Repair Scams

Complaints received by the Office of the Illinois Attorney General demonstrate that unscrupulous home repair contractors use some common techniques to gain the confidence of homeowners. Unscrupulous contractors might tell you they have "leftovers" from a larger job and can do the repair work for you at a discount. They might attempt to frighten you by claiming that your house contains health hazards or code violations that must be fixed right away. They might claim to be a representative of your insurance company in an attempt to get you to agree to work they say your insurance policy will pay for. You might be offered a "free furnace cleaning" by a heating and cooling company as an excuse to sell you a new furnace you do not need. **In general, consumers should beware when a home repair contractor:**

- contacts you or comes to your home uninvited;
- tells you that you need to make repairs immediately or your safety may be in danger;
- pressures you to sign papers today or talks too quickly, attempting to confuse you;
- tells you that he or she is doing work in your neighborhood and claims to have "extra materials" left over from another job;
- quotes a price that's out of line with other estimates;
- offers to drive you to your bank to withdraw funds to pay for his or her work;
- can be reached only by leaving messages with an answering service;
- drives an unmarked vehicle or has out-of-state license plates; or
- asks you to pay for the entire job up front.

### Before You Start Your Project

You should always complete **two basic steps** before contracting for any home repair or home improvement project: 1) determine the **scope of work** to be done and 2) set **specifications** for the job. Before you start your project, make sure to define the scope of the work that you are going to undertake. To define the scope of work, write down exactly what you want done in your home, so that when you talk to a contractor, you will be able to focus on what you actually need—and not be sold additional or unnecessary work. You should also write down the **specifications** for the job. The specifications should include such factors as the time frame in which you want the work done, the type of materials you want the contractor to use, how you intend to pay for the job, and the payment schedule for the contractor, subcontractors, and suppliers. Your list of specifications can include anything about the project that is important to you and can serve as a reference for you when you interview contractors. If you think

through the scope and specifications of the project ahead of time and put your expectations in writing, you can show a contractor what you need clearly and quickly.

### **Finding a Contractor**

You should find out as much as you can about a contractor before hiring him or her. You can do this by calling the Illinois Attorney General and the Better Business Bureau. Contact your local village hall or township to find out if there is a license requirement and if there have been any complaints made about the companies you might use. Ask for recommendations from friends, neighbors, or coworkers who have had home improvement work done. Don't assume that all contractors who advertise as home improvement experts have a valid license or that they're reputable. Get written estimates from several firms—but don't automatically choose the lowest bidder. There are other factors besides cost to consider.

The following is a list of the basic steps for choosing a contractor or home repair company:

- Check contractor complaint records with the Illinois Attorney General and the Better Business Bureau.
- Get recommendations and references. Talk to friends, family, and other people for whom the contractor has done similar work.
- Get at least three written estimates from contractors who have come to your home to evaluate what needs to be done. Be sure the estimates are based on the same work so that you can make meaningful comparisons.
- Make sure the contractor meets licensing and registration requirements by contacting the appropriate governmental authority.
- Get the names of suppliers and ask if the contractor makes timely payments.
- Contact your local building inspection department to check for permit and inspection requirements.
- Be sure your contractor has the required personal liability, property damage, and worker's compensation insurance for his or her workers and subcontractors. Get copies of the contractor's proof of insurance. Also check with your insurance company to find out if you are covered for any injury or damage that may occur.
- Be wary of businesses that operate out of post office boxes, private mailboxes, and suites instead of local business addresses.
- Insist on a complete written contract. Know exactly what work will be done, the quality of the materials that will be used, warranties, timetables, the total price of the job, and the schedule of payments.
- Ask the contractor if subcontractors will be used on the project. If yes, ask to meet them, and make sure they have current insurance coverage and licenses. Also ask them if this contractor has paid them on time in the past. A "mechanic's lien" could be placed on your home if your contractor fails to pay the subcontractors and suppliers who worked on or provided materials for your project, **even if you have fully paid the contractor**. This means the subcontractors and suppliers could go to court to force you to sell your home to satisfy their unpaid bills from your project. (See the section below on *Mechanic's Liens and Lien Waivers*.)

### **Checking References**

By talking with some of a prospective contractor's former customers, you can find out important information about the business you are considering hiring. When speaking with these references, you want to ask:

- May I visit your home to see the completed job?
- Were you satisfied with the project? Was it completed on time?

- Did the contractor keep you informed about the status of the project and any problems along the way?
- Were there unexpected costs?
- Did workers show up on time?
- Did they clean up after finishing the job?
- Would you use the contractor again?

### **Contracts for Home Repair in Illinois**

Before signing any home repair or remodeling contract over \$1,000, a person engaging in the business of home repair and remodeling is required in Illinois to provide the customer with a copy of the "Home Repair: Know Your Consumer Rights" pamphlet.

A contract spells out the who, what, where, when, and cost of your project. The agreement should be clear, concise, and complete. In Illinois, a written contract with all costs enumerated is required for home repair or remodeling work over \$1,000. This written contract or work order is required by law to state total cost, including parts and materials and any charge for the estimate. In addition, the contract is required to give the name and address of the person engaged in the business of home repair or remodeling. If the contractor uses a post office box, mail service, or agent to receive business correspondence, the agreement must state the contractor's home address.

Before you sign a contract, make sure it contains:

- the contractor's full name, address, and telephone number;
- a description of the work to be performed;
- a detailed list of all materials, including product, color, model, size, and brand name;
- the total cost for work performed, including charges for estimates and additional labor;
- all oral promises made by the contractor in writing;
- a description of how change orders will be handled;
- starting and estimated completion dates;
- a schedule and method of payment, including down payment, subsequent payments, and final payment;
- written guarantees if the contractor warrants his or her work and product.

### **If the company won't put its promises in writing, look for a company that will.**

Do not sign the contract until you read it carefully. If the salesperson pressures you to sign before you've had a chance to read and understand all of the contract, DO NOT SIGN IT. Never rely on the salesperson to read or explain the contract to you. If you do not understand the contract, ask a trusted friend or lawyer to help you. Never sign a contract that has blank spaces. Finally, be sure to get a copy of everything you sign when you sign it.

**Remember, you have three business days to cancel any contract, if the sale is made and signed at your home. The contractor CANNOT take this right away from you by initiating work, selling your contract to a lender, or any other tactic.** (See the Illinois Attorney General fact sheet, *Three Day Right to Cancel Home Repair Contracts*.)

### **Paying for Home Repair Projects**

Beware of contractors who ask you to pay for the entire job up front. Negotiate a payment schedule that is based on completion of specific stages of the job. Your down payment should be as little as you can negotiate with the contractor. You and the contractor may agree to deposit the contract money with an

independent escrow agent, such as a bank or title company. By doing this, payments can be made as the work progresses and only if you are satisfied that the work is performed to your expectations and that subcontractors have been fully paid.

If you need to borrow money to pay for your home repairs, shop around first. The financing offered by a contractor may be expensive, so check with your local banks or your credit union to see if you can find better rates. Be extremely cautious about using your home as security for a home improvement loan. If you fail to repay the loan as agreed, you could lose your home. If you choose to take out a loan to pay for your home repairs, you should have a private attorney review the loan documents before you sign an agreement. (See the Illinois Attorney General fact sheet, *Things You Should Know About...Financing Home Repairs.*)

### **Mechanic's Liens and Lien Waivers**

A mechanic's lien protects a subcontractor in the event that the general contractor fails to pay for the subcontractor's services or supplies. In that event, the subcontractor can ask a court to put a lien, or hold, on your property until the debt is paid. As the property owner, you are responsible for the debt, and you will not be able to sell or finance your property until all liens are paid or lifted.

### **Duties of the General Contractor and Subcontractors**

Under Illinois law, the homeowner must request—and the contractor must provide—a written list of the names and addresses of "all parties furnishing materials and labor and of the amounts due or to become due to each." This list, or affidavit, must appear either as part of the contract or in a separate printed statement, and it must contain the following language:

"THE LAW REQUIRES THAT THE CONTRACTOR SHALL SUBMIT A SWORN STATEMENT OF PERSONS FURNISHING MATERIALS AND LABOR BEFORE ANY PAYMENTS ARE REQUIRED TO BE MADE TO THE CONTRACTOR."

The law also requires every subcontractor listed in the affidavit to notify the homeowner, either personally or by certified letter, when he or she has furnished materials or performed labor on the homeowner's remodeling project. This notice preserves the subcontractor's right to put a lien on your property, and it must contain the name and address of the subcontractor or material provider, the starting date of the work performed, the type of work performed or materials provided, and the name of the general contractor who requested the work to be done. This notice is required by law to contain the following statement:

"NOTICE TO OWNER

"The subcontractor providing this notice has performed work for or delivered material to your home improvement contractor. These services or materials are being used in the improvements to your residence and entitle the subcontractor to file a lien against your residence if the services or materials are not paid for by your home improvement contractor. A lien waiver will be provided to your contractor when the subcontractor is paid, and you are urged to request this waiver from your contractor when paying for your home improvements."

### **Lien Waivers**

By giving you a signed lien waiver, a supplier of materials or services for your home repair project acknowledges that he or she has no right to file a mechanic's lien against your property. In other words, the supplier acknowledges having been paid in full for those materials or services. It is important that you get these written and signed waivers from every subcontractor who has worked on your home in the

course of the project. Do not make the final payment to the contractor until you are satisfied with the work and have obtained signed waivers showing that every subcontractor has been paid. You can find blank "waivers of lien" forms at home stores, print shops, and on the Internet.

### **Protecting Yourself During the Project**

Keep all paperwork related to your home repair project in one place. This includes copies of the contract, change orders (approving a substitution of materials or services), and correspondence with your contractors and suppliers. Keep a log of all phone calls, conversations, and activities associated with the project. You also might want to take photographs recording the work's progress. These records will prove important if problems arise with your project, during or after construction.

Before making the final payment and signing off, make sure that: the work meets the standards spelled out in the contract; the job site has been thoroughly cleaned up; you have written warranties for materials and workmanship; and you have written proof that all subcontractors and suppliers have been paid.

### **What You Can Do If You Are the Victim of a Home Repair Scam**

If you have a problem with your home improvement project, first try to resolve it with the contractor. Many disputes can be resolved at this level. Follow any phone calls with a letter summarizing the conversation. Send the letter to the contractor by certified mail, return receipt requested. The receipt will be your proof that the contractor received your letter. Keep a copy of the letter and receipt in your files.

**You can also contact the Office of the Illinois Attorney General to file a consumer complaint for cooperative mediation at any time you feel you need help.**

If you can't get satisfaction through personal negotiation or cooperative mediation, consider consulting a lawyer to explore what options you have for resolving your dispute in court. Keep in mind that there are time deadlines to cancel sales contracts and pursue legal claims. The Illinois Consumer Fraud and Deceptive Business Practices Act (815 ILCS 505/) allows you to sue if you have been damaged by unfair or deceptive acts or practices. You may be able to file a lawsuit for monetary damages and your attorney's fees.

**Finally, don't be afraid or embarrassed to call the police if you are in a situation that makes you uncomfortable.**

Much more information on home repair is available on the Web site of Illinois Attorney Kwame Raoul, including:

#### *Financing Home Repair*

<http://www.illinoisattorneygeneral.gov/consumers/finanhomerep0404.pdf>

#### *Three Day Right to Cancel Home Repair Contracts*

<http://www.illinoisattorneygeneral.gov/consumers/3dayright.pdf>

*please visit*

[www.IllinoisAttorneyGeneral.gov](http://www.IllinoisAttorneyGeneral.gov)

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