



## Hiring A Contractor

(from the MN Dept. of Labor & Industry)

The [Hiring a residential building contractor](#) guide offers useful information, including: how to select a contractor, how to solicit bids, what to include in a contract, how to understand a mechanic's lien and how to file a complaint against a contractor.

### Do your homework before work begins on your home

The Minnesota Department of Labor and Industry reminds homeowners to do some homework before hiring a building contractor. The department licenses residential builders, remodelers, roofers and manufactured home installers. To work in Minnesota, these professionals must be licensed. If you hire an unlicensed contractor, you will not have access to the Contractor's Recovery Fund (*see below*), which is available to compensate consumers who have suffered losses due to a contractor's fraudulent, deceptive or dishonest practices.

### Before you hire a contractor, the Department of Labor and Industry suggests the following.

- Ask for the contractor's license number and contact the Department of Labor and Industry at (651) 284-5065 or 1-800-342-5354 or visit the website at [www.doli.state.mn.us](http://www.doli.state.mn.us) to verify the builder is currently licensed and to find out if they have a disciplinary history.
- Ask the contractor how long and where they have been in business.
- Ask for references and check with former customers to see if they were satisfied with the work.
- Ask for a Minnesota business address other than a post office box.
- Ask for a local phone number where the contractor can be reached during normal business hours.

### Avoid contractors who:

- arrive in an unmarked truck or van;
- ask you to sign an estimate or authorization before you have decided to actually hire them;
- appear to be willing to do the job at an unusually low price;
- only provide a post office box for their business address;
- require full or substantial payment before work begins;
- refuse to provide you with a written estimate or contract;
- refuse to provide you with a license number issued by the state of Minnesota;
- refuse to provide you with references;
- show up at your door unsolicited; or
- use high-pressure sales tactics.

### Before you sign a contract, make sure it includes:

- a detailed summary of the work to be done;
- a description of materials;
- the total contract price or how the price will be calculated; and
- specific timelines and provisions that address what will happen if the contractor fails to meet the contractual deadlines.
- the necessary building permits obtained by your contractor so that they are responsible for meeting all building codes; *if you obtain the permits, you will be responsible.*
- schedule of payments; A down payment is customary, but it should not be more than a modest percentage of the total job. Since many contractors are small businesses and need some influx of cash to buy material and pay wages, a payment schedule might be set up based on the amount of work done to date.
- holdback clause; This allows you to withhold payment until sometime after the job is completed, giving you time to inspect the job.
- a cleanup agreement, especially if the project is likely to create debris.

**What is the Contractor's Recovery Fund?**

The purpose of the Contractor's Recovery Fund is to compensate consumers who have suffered losses due to a licensed contractor's fraudulent, deceptive or dishonest practices, conversion of funds or failure to perform. All licensed contractors are required to pay a fee to the fund.

The total amount that can be paid out against any one licensed contractor is \$75,000. If multiple claims are filed against the same contractor, they are prorated. In these situations, you may not be able to recover your entire loss. To better protect yourself, you may wish to request your contractor obtain a performance bond for your specific project, in case the contractor does not perform. A performance bond would provide a specific level of protection for your specific project.

**If you have a problem or complaint with a residential building contractor:**

- call the Department of Labor and Industry Residential Building Contractors unit at (651) 296-2488 or 1-800-342-5354. You will be able to discuss your situation with an investigator who may offer suggestions about how to resolve the dispute. If you cannot resolve the dispute, you may submit a written request for a formal investigation.

**Call the Otsego Department of Building Safety if you have any further questions: (763) 441-2593**