

An elderly woman recently hired a contractor to fix her sagging floor, despite the fact that she had just paid another contractor \$2,700 to fix the same problem. Upon inspecting the work, the second contractor discovered that nothing had been done except the installation of a temporary post nailed under the floor – work that probably took all of two hours. The second contractor tried to contact the first, but reached a disconnected pager. This was a classic scam: charging a bundle for shoddy work that the homeowner is unable to inspect.



Only a small percentage of contractors are bad apples – those who will hit you up for a lot of cash while providing little or inadequate work in return. Fortunately, scammers and con artists are easy to spot – *as long as your own desire to save money doesn't blind you to the telltale signs.*

Another type of contractor to watch for is the guy who is basically honest but not organized enough, solvent enough, hard-working enough, or experienced enough to keep your job on track. Although these contractors are sincere, the consequences – broken promises, bad work, and busted budgets – are often the same as when you hire someone who is truly unscrupulous.

Identifying Red Flags Before the Job Starts

Remember that **scam** rhymes with **scram**, and that is what bad contractors do! They don't stick around to finish the job because they are unwilling to make the



investment of time and money required to run a legitimate contracting business.

Shabby Equipment – The first signs that a company could be a fly-by-night outfit are poor personal appearance, shoddy tools, filthy or broken equipment, and vehicles in poor repair. Not every good construction company will have uniforms, new trucks, cell phones and laptops. Some super-dependable contractors don't even have fax machines! But how a contractor presents himself and takes care of his truck, tools and equipment is a good indication of how well he'll take care of you and your job.

The Low-Ball Offer – When you are reviewing bids, if a contractor says he will give you a “special low price” that you must keep secret, move on to the next guy.

The same is true for a bid that comes in far below all the others, such as when you get three bids and two of them are around \$5,000 and one is \$3,200. The low-bidding contractor either is clueless or he never intends to finish the work. Another scam is to bid low and then start charging you extra for materials you

thought were included in the price once the job begins.

Finally, pay attention to how carefully the contractor looks at your job before bidding. If a bidding contractor just eye-balls the job and says, “Yeah, we did a job like this and I'll charge you the same,” or if he doesn't take notes and measurements and make material and labor calculations, you may be dealing with a contractor who isn't thorough enough to do a good job.

Second-Rate Materials – If a contractor claims he's already got materials he wants to pass along to you at a discount, watch out. Usually these materials are seconds, ungraded, or below grade minimums for code, or they “fell off a truck”. Small contractors rarely buy in volumes that yield these big discounts, and contractors rarely carry large inventories of material. If they do, they severely misjudged quantities on a previous job, which doesn't speak well for their estimating skills.

High Up-Front Percentage – Some types of work require a large initial payment from the homeowner because the contractor will have to leave this as a deposit when ordering.



This applies to products like cabinets and special-order ceramic tile. It does NOT apply to commodity materials like roofing and lumber, which are bought “on account” by any legitimate contractor with at

least 30 days to pay. Be very cautious if a contractor asks for more than 20 percent of the total cost of the job upfront – some states set the limit at just 10 percent.

Payment in Cash – “I'll do the job cheaper if you pay me in cash” is another big red flag. A contractor who works on a cash-only basis is probably not paying taxes, and almost certainly not paying for insurance. The same goes for a contractor who wants to be paid each day. Drop him like a hot potato!

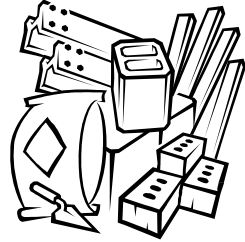


No Office – If your contractor has nothing more than a pager and a post office box, call the Better Business Bureau, your state licensing bureau, or your local consumer protection office to see if there are any complaints lodged against him. Also, check all his references and visit some recent jobs. A contractor should have an office somewhere, even if it is just a room in his home, and a reference at a local bank and accounts with local suppliers.

Red Flags Once the Job Is Underway A contractor's dirty laundry becomes more evident once the job starts. But many homeowners are reluctant to act on their concerns early, thinking “I already signed the contract” and “Maybe it will get better.” If you see some of the following

signs, act immediately – it will only get worse.

Unexpected Price Hikes – If your contractor arrives claiming that materials cost more than he thought and he'll have



to charge you more, stop him at the door. Unless the job is cost-plus, most contracts between you and your contractor are for firm labor and material process. The contractor has to eat any mistakes he makes due to under-bidding.

The only time the price should change on a fixed bid is when you initiate and then sign off on a change order that alters the scope of the work.

Contract Changes – If the contractor violates the terms of the payment schedule by claiming he is running short of money and has to move up a progress payment to an earlier date, insist on sticking to the original terms. In this situation, the contractor probably is not managing the cash flow well and needs your payment to satisfy past material bills or debts to subcontractors. It is a common error even honest contractors make, because they touch lots of money, yet relatively little of is actually theirs. But this is no way to run a construction business. Pay only as you agreed to in the contract.

Subpar Materials – If during one of your walk-through inspections you notice that a different material than is called for in the contract is being used, call the contractor right away. Scam artists will use 3/8 inch plywood where the contract calls for 3/4 inch, or a 2-inch layer of gravel instead of the specified 4-inch layer. (This “savings” on materials lines their pockets). If this happens once, it can be an honest mistake or a sloppy subcontractor. But check a few other material specifications against the contract or plans, just to make sure.

Payment – If subcontractors complain directly to you that they have not been paid, or if the contractor's material bills aren't getting paid and you are getting calls, confront your contractor. Your final payment to the contractor should be issued only when you are entirely satisfied with your punchlist and final walk-through. When you write that last check, even reputable contractors take it as a sign that the job is entirely finished. So no matter what the sob story, don't give in to the pressure to write this check until you are satisfied.

Material contained in this brochure is from an article by award-winning contractor Danny Lipford, host of the TV program “Today's Homeowner with Danny Lipford”

Document Everything!

Suspect you are being scammed? Documentation is the best protection. Keep a job journal – just a few notes each day to show progress and problems. And take pictures of the job at various stages. That way, when the walls are closed up, there is no argument about whether the insulation was added or the wiring updated.

If your contractor is clearly being dishonest, bar him from the job site and report him to the Better Business Bureau, the local building inspector, the state attorney general's office, and your local consumer protection office. Contact your lawyer to find out about enforcing the contract, punishing the contractor, and seeking redress.

The material in this brochure is for informational purposes only. It is meant to give you general information and not specific legal advice.



Provided as a public service by The Bucks County Commissioners

HOME IMPROVEMENT

Avoiding Contractor Scams



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