



The **Consumer's Guide to Hiring a Residential Building Contractor** 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 their homework before hiring a building contractor after a storm ... or anytime.

There are many companies in Minnesota that specialize in repairing roofs, siding and windows as a result of storm damage. Most of these contractors are reputable and licensed companies, however, some unscrupulous operators may attempt to take advantage of storm victims.

After neighborhoods experience a wind or hail storm, homeowners may find salespeople for these companies going door-to-door soliciting repair work.

Contractors may not pay insurance deductibles

In many cases, the contractor's salespeople explain they will work with the homeowners' insurance carrier to get a good settlement so the homeowner will not have to pay any more than the amount of their deductible. They may even offer to pay their deductible for the repairs. However, contractors may **not** offer to pay the homeowners deductible. State law prohibits contractors from paying deductibles or offering any compensation as an incentive to hire them to perform storm repair services.

'Authorization forms' are contracts

A salesperson may ask a homeowner to sign an "authorization form" to allow the salesperson to contact the homeowners' insurance company or to conduct an inspection of the home to look for storm damage. In reality, this document is actually a formal contract that when signed, obligates the homeowner to allow the contractor to perform any repair work that your insurance company agrees to cover, for a price that the contractor and the insurance company agree on.

Homeowners should **not sign anything** until they have read it carefully and understand the document. In almost every case, the document a contractor asks the homeowner to sign is a legally binding contract, regardless of what the salesperson says.

The problem with signing these documents is that if a homeowners decides not to use that contractor, the contract probably contains small print (usually on the back of the document) that says that if a homeowner cancels the contract after three business days, they will owe the contractor a percentage (usually from 15 to 50 percent) of the total claim settlement. This is why it is so important to do the homework and check the contractor thoroughly before a decision is made to sign a contract.

Three day right-to-cancel

In 2012, DLI successfully sought changes to the state's home solicitation laws to require home improvement contractors to provide a three day right to cancel a contract in cases where the contractor makes the first contact with the homeowner. If a contractor that a homeowner did not contact first provides the homeowner with a contract to perform repair work, the contract must include language that explains the right to cancel the contract within three business days of signing it. Similarly, any contract for roof repairs that are expected to be covered by an insurance policy must include a provision that allows the contract to be cancelled if the insurance company denies the claim.

Check contractor's license and history

Before a homeowner signs a contract, call the Department of Labor and Industry at (651) 284-5069 or use their online [DLI's Licensing/Certificate search](#) to verify the contractor is licensed and to learn if there is a history of disciplinary action with that contractor. Homeowners should also check with the [Better Business Bureau](#) and [check for lawsuits or judgments](#) involving the company or its owners.

Do not to sign *anything* presented by a contractor unless the homeowner has read the document very carefully and has made a firm decision to hire that contractor.

Among many categories of specialized contractors, DLI also licenses residential builders, remodelers and roofers. To work in Minnesota, these professionals must be licensed. If a homeowner hires an unlicensed contractor, they will not have access to the [Contractor Recovery Fund](#), which is available to compensate consumers who have suffered a financial loss and obtained a civil judgment against a licensed contractor due to the contractor's defective work, failure to perform work, or fraudulent, deceptive or dishonest practices.

Quick tips

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) 284-5069 or 1-800-342-5354 to verify the builder is currently licensed and to find out if they have a disciplinary history. The status of a contractor's license can also be verified by using [DLI's Licensing/Certificate search](#).

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.

check the contractor's litigation history on the state court system's website at <http://pa.courts.state.mn.us/default.aspx>.

Avoid contractors that:

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;

offer to pay your deductible or offer you discounts or other compensation for hiring them;

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.

Regulation is in place to protect homeowners entering into contracts with roofers. With certain restrictions, homeowners are allowed to cancel a roofing contract if their insurance company denies the claim. [View more information.](#)

What is the Contractor Recovery Fund?

The purpose of the [Contractor 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) 284-5069 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.

[A top](#)

Planning to build a new home or remodel your present home?

Your first concern should be to make sure the contractor is licensed to work in Minnesota. If you hire an unlicensed contractor, you will not have access to the Contractor Recovery Fund. This is a fund that all licensed contractors pay into and it is used to compensate consumers who suffer a loss due to the contractor's actions.

The Department of Labor and Industry licenses residential builders, remodelers, roofers and manufactured home installers. Before hiring a contractor, the department recommends you ask for the contractor's license number and contact the Department of Labor and Industry to verify the builder is licensed. You can also find out if he or she has been the subject of any disciplinary action.

The department also advises consumers to ask the contractor for references and check with former customers to see if they were satisfied with the quality of work performed. Ask how long the contractor has been in business and where, and ask for a Minnesota business address other than a post office box. Also ask for a local phone number where the contractor can be reached during normal business hours.

When shopping for a contractor, avoid hiring any contractor who:

- arrives in an unmarked truck or van;
- appears to be willing to do the job at an unusually low price;
- requires full or substantial payment before work begins;
- refuses to provide you with a written estimate or contract;
- refuses to provide you with a license number issued by the state of Minnesota;
- refuses to provide you with references;
- shows up at your door unsolicited; or
- uses high-pressure sales tactics.

Before signing a contract, make sure it includes a 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 these deadlines.

Consider a performance bond

Consumers are also advised to be aware that although the Contractors Recovery Fund helps consumers recover losses from licensed contractors, the total amount that can be paid out against any one licensed contractor is \$75,000. If multiple claims are made against the same contractor, they are prorated; therefore, an individual consumer may not recover the full loss. To provide additional protection, you may request that your contractor obtain a performance bond, which would provide a specific level of protection for your project.

If you have a problem or complaint with a residential building contractor, you should call the Department of Labor and Industry Residential Building Contractor unit at (651) 284-5069 or toll-free at 1-800-342-5354. A department representative will discuss the situation with you and give you information about how to resolve the problem. You may also submit a written complaint for formal investigation.

 [top](#)

Home warranty dispute resolution process

In its 2010 session, the Minnesota legislature enacted legislation (view Session Laws Chapter 343) created a home warranty dispute resolution process homeowners and builders or home improvement contractors are required to employ before a homeowner warranty dispute may proceed to litigation pursuant to Minn. Stat. Ch. 327A (unless the parties agree to use an alternative dispute resolution mechanism). The goal of this legislation is to encourage and facilitate settlement of these disputes and limit the costs to all parties by providing an unbiased and nonbinding evaluation of the relative merits of the parties' positions. The dispute resolution process is administered by DLI, and applies to home warranty claims in which the builder was given notice of a claim on or after Jan. 1, 2011. [Read more about the dispute resolution process ...](#)

 [top](#)

Contractors Recovery Fund

The Contractors Recovery Fund compensates owners or renters of residential property in Minnesota who have lost money due to a licensed contractor's fraudulent, deceptive or dishonest practices, conversion of funds or failure of performance. This packet contains everything needed to **apply to the fund**.