

1 Real Estate Advisor

Do's and don'ts for choosing the right contractor

Americans spend billions of dollars on construction and home remodeling each year. Many homeowners have discovered that improving their present residence with an updated kitchen, an additional bathroom, new windows, or a new roof can be a more prudent investment than purchasing a new residence. However, adding a room or updating a kitchen can cost more than a new car, and consumers should take some time and care in planning a costly home improvement project. Unfortunately, most consumers spend less time choosing a contractor than they do choosing a car.

Here is a checklist of important things to consider before starting any major construction project:

THE DO'S

- Plan your project carefully.
- Shop around before hiring a contractor.
- Get at least three written bids on your project.
- Provide all contractors with accurate plans or drawings that will enable them to determine the scope and cost of work when requesting bids.
- Check with the Contractors State License Board to make sure the contractor is properly licensed, and to check the status and disciplinary history of the license.
- Check out contractors with your local building department, trade associations or unions, consumer protection agency, and the Better Business Bureau.
- Look at work the contractor has completed.
- Ask your contractor to furnish a completion or contract bond.
- Consult with more than one lending institution regarding the type of loan to obtain.
- Ask your lender to recommend a funding-control company.
- Make sure your contract provides for "retention," a percentage of each payment or of the total job (ordinarily 10%), which you retain until the job is completed.
- Make sure everything you and your contractor have agreed to is included in your contract, and don't sign anything until you understand and agree with all terms.
- Ask your contractor about inconveniences that may occur, and plan accordingly.
- Keep a job file.
- Do make sure you receive unconditional lien releases from subcontractors and material suppliers.
- Make frequent inspections of the work, including a final walk-through.
- Consult an attorney if a mechanics' lien is filed against your property.
- Negotiate with the contractor first if problems or disagreements occur.



THE DON'TS

- Don't hire an unlicensed contractor.
- Don't hire a contractor without first shopping around.
- Don't be fooled or pressured by a smooth-talking salesperson. Take the time and effort to make sure that the person or business doing your home improvement is going to perform in a professional manner.
- Don't act as an owner/builder, unless you are very experienced in construction.
- Don't sign anything until you completely understand it and agree to the terms.
- Don't make agreements with subcontractors or workers without consulting the prime contractor.
- Don't pay cash without a proper receipt.
- Don't make a down payment that exceeds the legal limit (usually 10%).
- Don't let your payments get ahead of the contractor's completed work.
- Don't hesitate to ask questions of the contractor.
- Don't make final payment until you are satisfied with the job.



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