

Hiring a Reputable Contractor

Guide to Home Improvement Contracts

WHAT IS A CONTRACT?

When it comes to hiring a contractor, a written agreement is one of the most important tools for both the contractor and consumer. It insures there are no misunderstandings about what a job will include. A thorough contract lists how the work will be done, when it will be done, what materials will be used, and how much it will cost.

A home improvement contract and any changes made to that contract must be in writing, be legible, be easy to understand, and inform the consumer of their rights to cancel or rescind the contract. If you are promised something orally make sure you also get it in writing. Otherwise there is no guarantee the work will be done.

Disagreements over home improvement projects can cost time and money. Besides producing bad feelings, they can also lead to lawsuits or other legal action. A well-written contract can prevent this from happening.

WHAT GOES IN THE CONTRACT

A contract should contain everything agreed upon, including:

- Contractor information
- A description of the work to be done, including materials
- When the job will be finished
- How much will it cost
- When payments will be made
- Who gets the necessary permits
- Proof of license and insurance

A good contract also has warnings and notices about the right to cancel, a lien waiver and permissible delays. Don't sign anything until you understand the contract and agree to the terms.

1. CONTACT INFORMATION

- Contractor's name
- Physical address (beware of PO Boxes)
- Phone number
- Insurance company and account
- License numbers

If there is a dispute, you need to know where the company is located, the company owner, the name of the insurance and bonding carriers and the way by which you can reach all involved parties.

2. SCOPE OF WORK

Require a complete description of the work to be done. This includes the overall scope of the work as well as individual aspects of the project: electrical, plumbing, finish carpentry, masonry, etc. The type and quality of all materials should be spelled out. Make allowances for fixtures, floor coverings, etc. that are sufficient to provide the level of quality you require.

Describing the job:

The contract should be as specific as possible regarding all materials to be used, such as the quality, quantity, weight, color, size, or brand name as it may apply.

The Right Way

Install kitchen cabinets manufactured by Company XYZ, model ABC, per plan
Paint indoor entry (per plan) using brand X paint, color ABC, two coats, with preparation described in next paragraph.

Brand X kitchen faucet in style ABC and color BCS.

The Wrong Way

Install some cabinets

Paint the entry

Replace kitchen fixtures

Make sure the contract includes everything that is agreed upon, including complete cleanup and removal of debris and materials and any special requests like saving lumber for firewood or saving certain materials or appliances.

In addition, indicate all large equipment that will remain on site for extended periods, such as scaffolding or cement mixers. If you have architectural plans, include them in this section as well.

If you decide to change the scope of the work during the job by either adding or subtracting items, you should make sure there is a written change order with project cost and timing changes signed off on by both the contractor and homeowner.

3. PROJECT SCHEDULE

Define the project's start date, and secure from your contractor the approximate length of time it will take to complete. Ask what potential conflicts might arise due to other projects with which your contractor is concurrently involved. You might find that a contractor is reluctant to sign a contract that includes late penalty clauses, but it still may be an item that you might want to pursue. Finally, specify the time that workers will arrive and depart each day and mention the days, if any, that they are not to work.

4. PAYMENT SCHEDULE

A home improvement contract should include a payment schedule that shows the amount of each payment and explains what work, materials or services are to be performed for that payment.

Some contractors ask for a down payment. The down payment should never be more than 10% of the contract price or \$1,000, whichever is less.

5. BUILDING PLANS & PERMITS

Be sure the contractor states in writing that he/she will submit any building plans needed to the city code compliance department, obtain all necessary permits and arrange for all inspections required. If the work does not pass inspection, the contractor must agree to take responsibility for making repairs.

6. LICENSING & INSURANCE

Contractors must be licensed with the State if:

- An entirely NEW residential home is being built
- The home improvement/remodeling job is over \$7500
- The contractor is submitting bids for commercial work valued at more than \$50,000
- The job involves hazardous materials or mold remediation

Have the contractor include a copy of his/her license in the contract. Verify the license with The [State of Michigan](#) and mandate in your contract that the contractor provide proof of all required insurance. This should include, but may not be limited to, general liability and worker's compensation for his or her employees.

NOTE: It is imperative that you hire a licensed insured contractor to protect your home investment. Should anything go wrong with the job, the only way authorities can pursue legal and financial compensation for you is through the contractor's insurance company. To hire an uninsured contractor puts the homeowner at great risk for losses should fraud or faulty rebuilding occur.

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