

**Office of the
Attorney General**

Residential Construction



APRIL 2006

LAWRENCE WASDEN
Attorney General of Idaho
Statehouse
Boise, ID 83720-0010
www.ag.idaho.gov



State of Idaho Office of Attorney General Lawrence Wasden

Dear Fellow Idahoan:

Owning a home is part of the American Dream. Buying a home is probably the biggest spending decision most people will ever make. Consequently, it is critical that prospective buyers are informed about every aspect of their decision.

When fraud occurs in purchasing, building or renovating a home, the stakes can be extremely high. As your Attorney General, I am committed to working with you to prevent fraud. I will also vigorously enforce Idaho's consumer protection laws.

This publication is designed to provide you with basic information related to residential construction. As a consumer, you can protect yourself from fraud by understanding your rights and by making informed decisions.

My office fulfills its legislatively assigned consumer education mission by producing many free consumer protection publications. They are available through the

Consumer Protection Unit and on my website at www.ag.idaho.gov.

I hope you find the information in this publication helpful. If you have been a victim of consumer fraud, I encourage you to contact my Consumer Protection Unit.

LAWRENCE G. WASDEN
Attorney General

TABLE OF CONTENTS

CONTRACTOR REGISTRATION.....	1
NOTICES	2
HOW TO CHOOSE A CONTRACTOR.....	3
WHAT YOU SHOULD KNOW ABOUT THE GENERAL CONTRACTOR.....	5
RESIDENTIAL CONSTRUCTION/HOME IMPROVEMENT CONTRACT	5
TIPS TO CONSIDER BEFORE SIGNING A CONTRACT.....	6
WHAT TO KEEP IN A JOB FILE	7
WHAT TO DO WHEN THE PROJECT IS FINISHED	8
WHAT TO DO IF YOU HAVE A COMPLAINT.....	9

RESIDENTIAL CONSTRUCTION

There are several things you should consider when selecting a general contractor for residential construction or home improvement.

Contractor Registration

Idaho law requires contractors to register with the Idaho State Contractors Board. To verify that a contractor you are considering hiring is registered, call the Bureau of Occupational Licenses at (208) 334-3233 or contact the Board at:

Idaho Contractors Board
Idaho Bureau of Occupational Licenses
1109 Main St., Suite 220
Boise, ID 83702-5642

Although contractors must register, it is still your responsibility to do sufficient research before hiring a contractor. You must decide what work is to be done, what it will take to do the job, how much you are willing to spend, and what type of professional you need.

You should also protect yourself from many of the common pitfalls of building or remodeling. The most frequent consumer complaints are about higher than expected cost, missed deadlines, and poor workmanship. Sometimes these problems are not evident when the work is completed. Instead, they can surprise you months later.

To avoid costly mistakes and misunderstandings with a contractor, consider the following information.

Notices

In Idaho, the general contractor must give the homeowner or residential real property purchaser a disclosure statement before entering into a contract with a homeowner or a residential real property purchaser, if the contract exceeds \$2,000. The disclosure statement must inform the homeowner or residential real property purchaser that the homeowner has the right to:

- require the general contractor to obtain lien waivers from any subcontractors working with the general contractor (at the expense of the general contractor);
- ask the general contractor for proof of general liability insurance and workers compensation insurance;
- purchase an extended policy of title insurance covering liens; and
- require a surety bond in an amount up to the value of the construction project.

The general contractor must provide a list of all subcontractors, material men, and rental equipment providers directly hired or working for the contractor. The list should include business names, addresses, and phone numbers. The list must be given to the homeowner before

the closing of the sales agreement or before the homeowner provides final payment to the general contractor.

How To Choose A Contractor

Select a general contractor with great care and consider the following:

1. Ask friends and family members for recommendations.
2. Ask the general contractor for the company's full business name, address and telephone number, and verify them. A post office box, with no street address, is not acceptable.
3. Check with the Better Business Bureau (BBB) in the area where the contractor's business is located, or on the web at www.bbb.org, to see if any complaints have been filed against the company. Check to see if there are any unresolved cases and how long the contracting company has been in business under its current name. Some of the less reputable companies frequently change names in order to avoid being located.
4. Check the records at the county magistrate court and district court to see if any claims have been filed against the general contractor or company.
5. Ask if the general contractor is a member of a professional or trade association that has a code of

ethics and a process to arbitrate disputes, such as the Idaho Building Contractors Association. You can write to the Idaho Building Contractors Association at 802 W. Bannock, Boise, ID 83702, or call (888) 284-4222.

6. Ask for a list of previous customers whom you can contact for references. Contact the references to find out if they are satisfied with the contractor, if there were problems and, if so, the nature of the problems.
7. Compare construction costs by getting written, itemized estimates or bids from several contractors. Each estimate should describe the same building specifications, materials and time frame for completion.
8. Verify prices for building materials quoted in the estimate by contacting building supply companies. You also may ask the supply company about previous dealings with a prospective contractor.
9. Avoid contractors who pressure you into quickly signing a contract.
10. Do not automatically select the lowest bidder.
11. If your construction contract will be more than \$2,000, verify that the contractor is registered with the Idaho Contractors Board. As of January 1, 2006, contractors are required to register with the Board.

Beware of:

1. Unknown or out-of-town contractors in unmarked trucks or vans.
2. Door-to-door salespeople and telephone solicitors promising quick jobs and bargain prices.
3. Organizations that offer a bargain rate because their “equipment is already in the neighborhood.”
4. Businesses that advertise “special introductory offers.”
5. Contractors who use high pressure, scare or threatening sales tactics.

What You Should Know About The General Contractor

Ask to see a copy of your general contractor’s insurance certificate or the name of the insurance carrier and agency. Verify the coverage. General contractors should have property damage insurance to protect you from lawsuits if an accident happens on your property. Do not do business with any general contractor who does not have this coverage.

Residential Construction/Home Improvement Contract

A residential construction or home improvement contract should be in writing and include:

1. The date of the contract.

2. The general contractor's full name, street address and telephone number.
3. The names of any subcontractors.
4. A complete description of all work to be done.
5. The grade and quality of all materials to be used.
6. An agreed upon starting and completion date.
7. The cost of the total project.
8. A payment schedule showing the amount and date of each payment.
9. A copy of all warranties and guarantees.
10. Documentation of any financing arrangements.

Tips To Consider Before Signing A Contract

Before signing any contract, make sure that it contains all the terms of the agreement and that you have read and understand everything in the contract. Keep a signed, readable copy of the contract in a safe place.

Make sure all verbal promises are included in the written contract.

Be sure that the materials you select are what you want. Avoid costly overruns by making your construction decisions before construction has begun.

If you need to borrow money to finance the construction work, add a clause to your contract stating that it is valid only if financing is obtained.

Don't agree to a large down payment. Payments should be made upon the progress of the work. You should include a contract provision allowing you to withhold a certain sum, such as ten percent (10%), until the work is completed satisfactorily. Be sure the contract includes everything you feel is important to the job.

Never sign a partially blank contract. Fill in or draw a line through any blank spaces. If you have any questions about the contract or do not understand any of its terms, ask for clarification before you sign it.

If you sign a home improvement contract at home and it's for more than \$25, you have three days to cancel the contract. The general contractor must tell you about your cancellation rights and provide you with all necessary cancellation forms. If you decide to cancel the contract, you must sign, date and return the Notice of Cancellation form to the general contractor by certified mail to show that the cancellation was sent on time. The general contractor is required to return all of your money within ten days after receiving your cancellation notice.

What To Keep In A Job File

You should keep a file with all papers related to the residential construction or home improvement job, including:

1. The contract and any change orders.
2. Plans and specifications.

3. Bills and invoices.
4. Canceled checks.
5. Letters, notes and correspondence with the general contractor.
6. Lien releases from subcontractors and material suppliers.
7. A record sheet on each subcontractor, listing the work performed and the length of time on the job.

What To Do When the Project is Finished

- Thoroughly inspect all work before making final payment.
- Review the entire project with the general contractor.
- Immediately point out any defects and be sure they are corrected.
- Require the general contractor to provide an affidavit of completion when the work is finished.
- Do not sign a completion certificate until the city/county building inspection department has certified that all work was performed in accordance with code standards, you have proof that all subcontractors have been paid in full and you are completely satisfied with the job.

- Withhold the percentage agreed upon in the contract until the job is completed, you are satisfied with the work that has been done and you have proof that all subcontractors and employees have been paid.

What To Do If You Have A Complaint

First, discuss the problem with the business. Try to speak to the manager or the owner about the problem, and follow up by sending a certified letter confirming all details of the conversation. Keep records of all conversations you have with the business and any letters you send to or receive from the business.

If direct contact with the business does not solve the problem, you can file a complaint with the Bureau of Occupational Licenses at:

Idaho Bureau of Occupational Licenses
1109 Main St., Suite 220
Boise, ID 83702-5642

You can also file a complaint online at www.ibol.idaho.gov or call (208) 334-3233 for more information.

Funds collected by the Attorney General's Consumer Protection Unit as the result of enforcement actions paid for this pamphlet. No tax monies were used to pay for this publication.

The Consumer Protection Unit enforces Idaho's consumer protection laws, provides information to the public on consumer issues, and offers an informal mediation process for individual consumer complaints.

If you have a consumer problem or question, please call 208-334-2424 or in-state toll-free 1-800-432-3545. TDD access and Language Line translation services are available. The Attorney General's web site is available at www.ag.idaho.gov.