



WHAT YOU SHOULD KNOW

BEFORE YOU HIRE A CONTRACTOR



JUNE 2004

License

Payment Schedule

Work

Insurance

Qualifications

Contract

Estimate

Bond

Experience



ABOUT THIS BOOKLET

This publication is meant to be instructional — to assist the consumer in dealing with building contractors and the California Contractors State License Board. The information in this publication is believed to be accurate at the time of its production. The Contractors State License Board, the Department of Consumer Affairs and the State of California assume no responsibility for any damage that arises from any action based on information found in this publication. As indicated in this publication, questions regarding civil law and the civil courts system should be addressed to an attorney.

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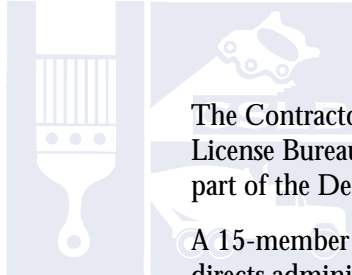
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California*

Since 1929

THE CONTRACTORS STATE LICENSE BOARD



The Contractors State License Board (CSLB) was established in 1929 as the Contractors License Bureau under the Department of Professional and Vocational Standards. Today it is part of the Department of Consumer Affairs.

A 15-member board appoints the CSLB's executive officer, or Registrar of Contractors, and directs administrative policy for the agency's operations. This board includes nine public members (eight noncontractors and one local building official), five contractors and one labor representative. Appointments are made by the Governor and the Legislature.

The CSLB licenses and regulates contractors in 43 classifications that constitute the construction industry. Currently there are approximately 280,000 licensed contractors in the state. The CSLB also registers home improvement salespersons.

The Registrar oversees approximately 380 employees, who are distributed among the headquarters office in Sacramento and field offices throughout the state.

The CSLB's functions include licensing, enforcing license law, and educating consumers about dealing with contractors. CSLB staff processes applications for licensure, requests for changes to licenses, and renewals. CSLB also investigates complaints against both licensed and unlicensed contractors, which may result in disciplinary or administrative action, such as citations or the suspension or revocation of licenses. The Board's Statewide Investigative Fraud Team (SWIFT) works to eliminate the underground economy by taking legal action against unlicensed contractors and by conducting undercover stings. Educational activities, including outreach to the media, participation at home and garden shows, a speakers' bureau, and the production of publications, are an ongoing function of the Board.



BEFORE YOU BEGIN

DO YOUR HOME IMPROVEMENT HOMEWORK

Californians spend more than \$39 billion on residential construction 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, so 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.

The Contractors State License Board is an excellent source of information for the consumer who wants to make sure the job is done right.

This booklet provides advice for consumers on steps to:

- Select a licensed and qualified contractor;
- Negotiate a clear contract;
- Prevent disputes with the contractor; and
- Resolve disputes with the contractor if they arise.

This booklet is a brief summary of some of the things you as a homeowner can do to avoid costly mistakes and misunderstandings in dealing with your contractor.

CAVEAT EMPTOR

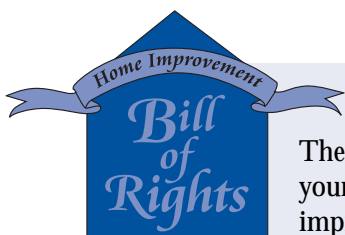
LET THE BUYER BEWARE

Most licensed contractors are competent, honest, hardworking and financially responsible. However, home improvement is a top source of consumer complaints nationwide. Most of the problems CSLB sees could be prevented if homeowners knew their home improvement rights and took responsibility for their project. A responsible and informed consumer can work more effectively with reputable contractors, and can avoid being victimized by unscrupulous or unlicensed operators.

The “buyer beware” principle can help prevent frustration and disappointment when preparing to make a major decision. By carefully considering what you want done to your property, what it will realistically take to do the job, and taking the time to research and check the license of the professional you hire to do the job, you may avoid many of the headaches often associated with remodeling.

Almost everyone knows someone who has a nightmare story to tell about their remodeling job: the length of time it took; the inconvenience of the noise, dust, and absence of such essentials as plumbing, electricity, heat, and air conditioning; lack of privacy during the job; or the cost overruns associated with homeowners who had to live through what they described as “the trauma” of even the smallest remodeling job.

Protect yourself—and your pocketbook—by doing your home improvement homework and planning responsibly for your project.



The Contractors State License Board reminds you to exercise your rights and responsibilities when making home improvements. As a California consumer, you have the following rights when working with contractors:

- The right to hire only licensed contractors;
- The right to make a down payment of no more than 10 percent of the project price or \$1,000, whichever is less;
- The right to a written contract that is clear and includes a payment schedule and completion date.
- You also have the responsibility to properly plan and manage your project.

PLANNING YOUR PROJECT

In order to minimize the chances that you will have a problem with your project or contractor, you should understand that planning is the first step in the process. Before you do anything else, ask the question:

WHAT DO I WANT DONE?

A silly question? Not at all. Carefully plan exactly what you want done, what you want it to look like when finished, and how much you have to spend. Thoughtful, carefully prepared plans will be helpful in getting accurate bids from contractors. You may wish to seek the advice of an architect or draftsman. Remember that, in general, if something you want is not shown on the plans, you won't get it.

When planning your project, be sure to consider energy efficiency. An energy-efficient home or building costs less to heat or cool, is quieter and more comfortable, and will sell faster and at a higher price.

California law requires new and remodeled buildings to meet or exceed certain energy efficiency standards. Aiming for optimal energy efficiency can have significant financial benefits, such as:

- Rebates or low-interest loans from utility companies;
- Rebates from the manufacturers of energy-efficient products and appliances;
- Energy-efficient mortgages and other advantageous financing incentives from lending institutions.

Additional information on California's energy efficiency standards is available from the Energy Standards Hotline for the California Energy Commission, (800) 772-3300 or (916) 654-5106 in the Sacramento area. Information is available on the Internet at www.energy.ca.gov/title24. For printed information, call (916) 654-5200.





PAYING FOR YOUR PROJECT

YOUR HOME IS YOUR BIGGEST INVESTMENT

When remodeling your home, you may wish to obtain financing for the project through a personal loan, a home-equity loan, a credit union, an insurance policy, a bank, or a savings and loan. It is important for you to investigate different sources of funding to compare the amount, interest rate, terms, and tax considerations.

If you cannot pay for a project without a loan, it is a good idea to add a clause to your contract stating that it is valid only if you obtain financing at a particular rate.

If your project is the result of damages covered by your insurance, check with your insurance company to determine the extent of coverage before signing a contract.

When deciding among the various loan sources, you should ask about possible prepayment penalties. In some home-improvement loans, this penalty can be very high and should be a consideration.



SELECTING A LICENSED CONTRACTOR

WHAT KIND DO YOU NEED?

There are 43 different types of contractor licenses, including general and specialty contractors. General building contractors usually oversee projects and coordinate the specific subcontractors for a job. Specialty or subcontractors usually are hired to perform a single job. For example, if you want only roofing or plumbing work, you may want to hire a contractor licensed in that particular specialty.

A general building contractor may also contract for specialty work, but must hold a specialty license for that work or actually have a specialty contractor do the work. If the job requires more than two types of work on a building, then it is appropriate for a licensed general building contractor to contract for and oversee the entire project. For example, if your kitchen remodeling will involve the performance of plumbing, electrical and carpentry work under one contract, a licensed general building contractor should be hired. Under those circumstances, a general building contractor may perform all of the work on a building, or have specialty subcontractors do all or part of the scope of work for which the specialists are licensed.

DO YOUR HOME IMPROVEMENT HOMEWORK: CHECK THE LICENSE

Before you sign anything, check the CSLB Web site, www.cslb.ca.gov, or call the Contractors State License Board at (800) 321-CSLB, to make sure the contractor is properly licensed in the class for the work to be performed, and the license is in good standing.

CHECK THE CONTRACTOR'S LICENSE

Is the contractor properly licensed? In California, anyone who contracts to perform work that is valued at \$500 or more for materials and labor must hold a current, valid license from the Contractors State License Board in the specialty for which he or she is contracting.

Unlicensed contractors pose a risk to your financial security because they expose you to significant financial harm in the event of injury or property damage. Few unlicensed contractors have bonding or workers' compensation insurance.

If you contract with someone who does not have a license, the Contractors Board may not be able to assist you with a resolution to a complaint, and a remedy against an unlicensed contractor may be available only in civil court. This is one more good reason to work only with licensed contractors! Another consideration is that unlicensed contractors may not have the expertise and qualifications to do the job right the first time. You could end up having to hire a licensed, reputable contractor to correct the work—and paying for the job twice.

Ask to see the contractor's pocket license and some additional form of identification. The name on the pocket license should be the same as the name of the contractor or business name the contractor is working under.

It is illegal for one contractor to use another contractor's license, just as it is illegal for someone to use another person's driver's license.

When you establish that the contractor's or company's name matches what appears on the pocket license issued by the Contractors State License Board, and before you sign anything, check the CSLB Web site, www.cslb.ca.gov, or call (800) 321-CSLB, to find out if the license is valid. The contractor's license status page will also help you verify the contractor's business address, describe the kind of work that the contractor can perform, if any legal action has been taken against the contractor's license, and if the contractor is properly bonded and insured.

Legal action history information is available on the Web site or from the CSLB Northern or Southern Regional Legal Action Disclosure telephone numbers. The Northern California number is (916) 255-4041. Southern Region can be reached at (562) 345-7656.

Complaint information about a licensee is disclosed after the complaint has been fully investigated and has been referred for legal action. Complaints involving probable violations that will likely result in legal action referral are also disclosed. (See page 25 for a flow chart describing the CSLB's complaint handling process.)

CHECK THE CONTRACTOR'S REFERENCES

One of the best ways to select a licensed contractor is to seek out personal recommendations from friends or relatives who recently had similar projects completed and were satisfied with the job.

Ask the contractor for local references, and call them to see if they were satisfied with the contractor's work. Skilled contractors will be proud to take credit for their work. If possible, go out and look at finished projects. Some consumers even try to find jobs in progress to see how the contractor works and to speak with the homeowner about work habits, inconveniences, and the sensitivity of the contractor to the living needs of the homeowner. Remember, the person you hire to work in your home will be in and around your home until the job is completed.

When speaking to the contractor's customers, ask such questions as:

- Did the contractor keep to the schedule and the contract terms?
- Were you pleased with the work and the way it was done?
- Did the contractor listen to you when you had a problem, and seem concerned about resolving it?
- Did the contractor willingly make any necessary corrections?

In addition to talking with customer references, obtain references from material suppliers, subcontractors, and financial institutions, if possible, to determine whether the contractor is financially responsible.

You may also wish to check the contractor out with your local building department, trade association or union, local consumer protection agency, consumer fraud unit in your city or district attorney's office, and the Better Business Bureau. Call these organizations to see if they have information about the contractor you are considering. Ask how long the company has been in business, and find out if there are any complaints about the firm or other relevant file information.

Ask the contractor for the address of his or her business location and business telephone number, and verify them. A contractor who operates a business out of the back of a pickup truck with a cellular telephone may be difficult to find to complete a job or fix something that has gone wrong after the last bill is paid.

If you want an arbitration clause in your contract, make sure the contractor you are considering will agree to arbitrate any disputes that arise out of the contract. (See page 21 for additional discussion of arbitration.)

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.

MAKE SURE THE CONTRACTOR HAS WORKERS' COMPENSATION AND LIABILITY INSURANCE COVERAGE

Ask the contractor and verify on CSLB's Web site if the company is insured against claims covering workers' compensation, property damage, and personal liability in case of accidents. Ask to see a copy of the certificate of insurance, or ask for the name of the contractor's insurance carrier and agency to verify that the contractor has the insurance.

Licensed contractors are not required to carry general liability insurance; however, they must include in the written contract a form about liability insurance. The form includes five questions about general liability insurance you should ask your contractor and the answers you should get.

Home improvement contractors must tell you whether or not they carry general liability insurance and that it will protect against third-party bodily injury and property damage. If uninsured, they should be able to explain how they would cover losses that would ordinarily be covered by insurance.

If your contractor damages your property and doesn't carry general liability insurance, you or your insurance policy could end up paying for damages.

In California, if a contractor has employees, workers' compensation insurance coverage is required by law. This is important for you as a homeowner. If a worker is injured working on your property and the contractor doesn't have insurance, you could be asked to pay for injuries and rehabilitation through your homeowner's insurance policy. Don't let your insurance become your contractor's workers' compensation insurance coverage. Verify your contractor's workers' comp coverage on CSLB's Web site.



BONDS

Some bonds are designed to protect you against substandard work that does not comply with local building codes. Bonds do not assure the financial or professional integrity or competency of a contractor.

Institutional lenders such as savings and loans, insurance companies or commercial banks generally require contractors to secure bonds for large jobs.

Bonds may be classified as:

Contractor's License Bonds — All contractors are required to have a contractor's license bond of \$10,000. This bond is not a guarantee of performance or competence, or of the contractor's financial

responsibility. In fact, this bond is often not enough to cover the multiple complaints that could be made against it.

Contract Bonds — A contract bond guarantees both job completion and payment of all labor and materials. In general, the bonding company will not have to pay more than the face amount of the bond.

Bonding requirements may keep a new contractor or a contractor with a poor track record from bidding on desired jobs. Bonding companies will not take a risk without verifying the technical and resource capabilities of the contractor. For a contracting business to qualify for bonding, it must practice sound business techniques.



BIDS

A bid is an offer to do work. It is advisable to get at least three written bids using identical plans and specifications so you can compare prices and contractors.

GET COMPETITIVE BIDS FOR THE PROJECT

Solicit at least three bids for the work you need; do not automatically accept the lowest.

If you are like most homeowners, you may not be familiar with the current price of building materials and labor costs. The three-bids rule helps you decide if the bids are reasonable or not.

Make sure all bids are based on the same set of specifications, materials, and scope of work. Discuss the bids in detail with each contractor, and make sure you understand the reasons for any variations in price. Sometimes a higher price may be worth it, if the materials to be used are of higher quality or the work is more extensive. For example, if you are having your kitchen remodeled, and one bid is based on installing prefabricated cabinets in standard sizes while another is based on installing custom-made cabinets, the prices will not be comparable.

Please note: A license number on a bid or contract does not necessarily mean the license is valid. Although an unlicensed contractor may give you a low bid, the risks of possible financial and legal consequences you may face outweigh any benefits a lower bid may seem to offer.

Beware of any bid substantially lower than the others. It probably indicates that the contractor has made a mistake or is not including all the work quoted by his or her competitors. You may be headed for a dispute with your contractor if you accept an abnormally low bid.

Don't forget the old adage,

“If the offer sounds too good to be true, it probably is!”

THE CONTRACT

DON'T SIGN ANYTHING—UNTIL YOU UNDERSTAND & AGREE

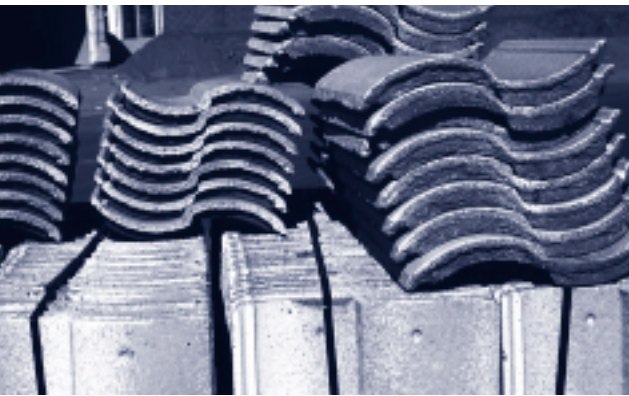
Although you might assume that a “contract” should look like a contract, anything you sign could be used by a contractor as authorization to go forward with your project. This means that any bid you sign may become the contract. Do not sign anything until you completely understand what you are signing, and agree to all the terms.

Be sure to ask questions until you fully understand the contract and what the work will look like. Before signing anything, you may wish to discuss the proposed contract, plans and specifications with an attorney.

GET IT IN WRITING

One of the best ways to stop problems before the job begins is with your contract. The contract binds you and the contractor to the project. Since a written contract protects both you and the contractor, all agreements should be put in writing. It should include everything you have agreed upon and the extent of work to be done. Get all oral promises in writing, and spell out exactly what the contractor will and will not do. If you intend to do some of the work yourself or hire another contractor to do it, this also should be written into the contract. Be as specific as possible.

Your contract must include a Checklist for Homeowners that specifies how to check out your contractor and how to check out the contract.



Never sign a blank or partially blank contract. Get a copy of the contract as soon as you sign it, and keep it for your records. Both you and the contractor are bound by everything set down in the contract, so read it carefully before you sign. If you have any questions or don't understand something, ask before you sign. See page 30 for information on how to get CSLB's free publication, *Home Improvement Contracts: Putting the pieces together*.

Be sure the financial terms of the contract are clear. The contract should include the total price, when payments will be made and whether there is a cancellation penalty. On any home improvement job, you should expect to make a down payment.

REMEMBER . . .

California law requires that the amount of the down payment for any home improvement contract (except for swimming pools) may not exceed \$1,000 or 10 percent of the contract price (excluding finance charges), whichever is less. The down payment for a swimming pool shall not exceed \$200 or two percent of the contract price (excluding finance charges), whichever is less.

MAKE SURE EVERYTHING YOU ARE PAYING FOR IS IN THE CONTRACT

The contract should specify all materials to be used, such as the quality, quantity, weight, color, size, or brand name as it may apply. For example, the contract should say “Install oak kitchen cabinets, manufactured by Company XYZ, model 0318A, as per the plan,” not just “Install kitchen cabinets as discussed.”

Make sure your contract includes everything you feel is important to the job, including complete cleanup and removal of debris and materials, and special requests like saving lumber for firewood or saving certain materials and appliances. Also give instructions regarding pets, children or areas where materials may not be stored.

After you have a signed contract, and even after work has already begun, your contractor may offer suggestions that will change your original ideas for the work. The contract should clearly state your final agreement and accurately reflect everything involved in the work being done by your contractor. If you have added work, substituted materials or equipment, or changed the completion date, make sure that clearly worded and signed “change orders” reflect this. (See page 28 for the items your home improvement contract should contain.)

DESCRIBING THE JOB— THE GOOD, THE BAD AND THE UGLY

THE GOOD	THE BAD	THE UGLY
Install kitchen cabinets manufactured by Company XYZ, model ABC, per plan.	Install oak country-style kitchen cabinets.	Install some cabinets.
Paint indoor entry (per plan) using brand X paint, color ABC, two coats, with preparation described in next paragraph.	Prep and paint entryway with blue paint.	Paint the entry.
Brand X kitchen faucet in style ABC and color BCS.	Kitchen faucet replaced if necessary.	Kitchen fixtures

THREE-DAY CANCELLATION PERIOD

The law requires a contractor to give you written notice of your right to cancel a contract within three business days of signing it, provided that it was solicited at someplace other than the contractor's place of business (your home, for instance). Use those three days to review your contract again. If something bothers you, don't be afraid to cancel the contract. If you do cancel, by all means call the contractor; but **make sure** your cancellation is in writing and mailed before midnight of the third day. Sending the cancellation to the contractor by registered mail will give you a record of its mailing date and of its receipt by the contractor. Thereafter, you can work out the problem with your contractor and sign a new contract, or you can get a different contractor, if you prefer.

If you have any concerns, see an attorney right away. Make sure all the contract terms are in writing and that you understand and agree to everything in the contract.

WARRANTIES

Be sure to get any warranty offered by the contractor for labor and materials in writing. It should specify which parts of the work are covered and the duration of the warranty. You should also request any written warranties offered by the manufacturers of materials or appliances installed by the contractor. For patent or readily observable defects, California law limits the period during which a complaint may be filed against a contractor to four years from the date when the act or omission occurred. This statute of limitations may be extended if there is an express, written warranty issued by the contractor. If such a warranty has been breached by the contractor, the CSLB has authority to act on a complaint during the entire duration of the warranty. However, the CSLB has no authority to enforce a warranty given by a manufacturer or material supplier. A ten-year statute of limitations exists for certain latent structural defects in the construction.

SCHEDULING THE WORK

Your contract should specify an approximate starting date and completion date for your project. For example, the contract should read "Begin approximately April 20 and end approximately April 30," not "Complete the job in 10 days." This eliminates the possibility that the contractor will take 10 days to finish the job but spread them out over the span of a year. However, external factors such as the weather or the availability of supplies might cause delays.

SCHEDULING THE PAYMENTS

Make sure the payment schedule is based on the contractor's performance. Never let your payments get ahead of the contractor's work, and make sure the contract provides for a "retention" — a percentage of each payment or of the total job, ordinarily 10 percent, which you retain until the job is completed.

Never sign a completion certificate until all the work called for in the contract has been properly completed. Lenders usually require a signed completion certificate before they will release the last payment.

INCONVENIENCES

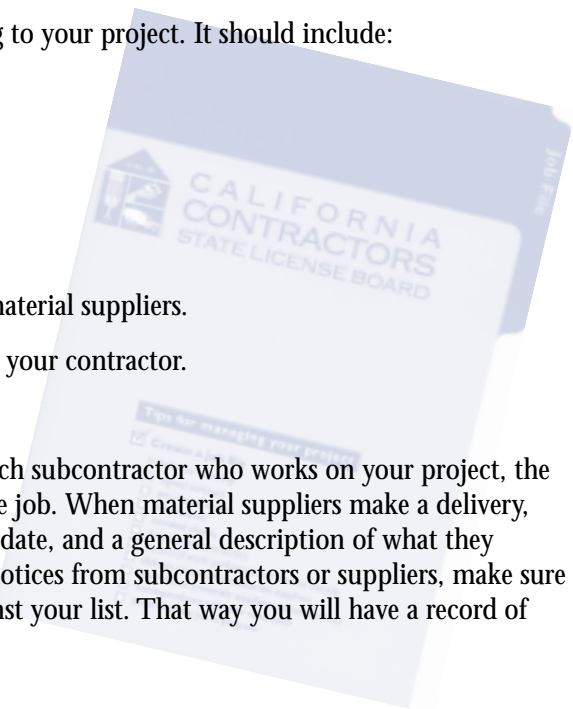
In most cases you will be living in your home while work is being done on it. You should be aware of the many inconveniences that may occur. Exterior walls may be taken down, water and/or power shut off, or bathroom and kitchen facilities temporarily disconnected. Dust and debris might also damage your furniture or other personal possessions. Before work begins, ask your contractor what inconveniences will occur, then plan for them. That way, both you and your contractor can avoid conflicts when inconveniences do occur.

KEEP A JOB FILE

You should keep a file of all papers relating to your project. It should include:

1. The contract and any change orders.
2. Plans and specifications.
3. Bills and invoices.
4. Canceled checks.
5. Lien releases from subcontractors and material suppliers.
6. Letters, notes, and correspondence with your contractor.
7. Pictures of the job in progress.

It is also a good idea to keep a record of each subcontractor who works on your project, the work performed, and length of time on the job. When material suppliers make a delivery, write down the name of the company, the date, and a general description of what they delivered. When you receive preliminary notices from subcontractors or suppliers, make sure you receive lien releases. Check them against your list. That way you will have a record of who has and has not been paid.



DURING CONSTRUCTION

PERMITS, PLANS AND SPECIFICATIONS

Your contract should call for the work to be performed in accordance with all applicable building codes. Keep in mind that building codes only set minimum safety standards for construction; they do not protect you against poor quality work.

As a general rule, a building permit is required whenever structural work is involved or when the basic living area of a home is to be changed. For example, if you have a home with an unfinished basement, and would like to finish off a portion of it for a family room, you would need a building permit in most jurisdictions because you have changed the basic amount of living space in your house by converting storage space to “livable” space. In some cases, separate permits for electrical, heating and plumbing may be required.

The contractor should obtain the necessary building permits. This should be spelled out in your contract; otherwise you may be held legally responsible for failure to obtain the required permits.

Zoning regulations differ from place to place, so if you are planning any alterations or additions to your home, your contractor should check with the zoning authorities to determine what permits or permission you need to proceed with your project.

Make sure that you have copies of the signed contract and of the plans and specifications for your project. Resist the temptation to verbally make any changes to the contract or to the plans and specifications. Make sure all changes are in writing and are signed by you and your contractor.

The permit for your job, along with the project plans and specifications, must be posted on the job before the work begins. Check to make sure that they are.



INSPECTIONS

Make sure your contractor gets all necessary building permits from your local building department. Homeowners are not required to sign building permits unless they are performing their own work personally. A frequent practice of unlicensed contractors is to have the homeowner secure an "owner-builder" building permit, erroneously implying that the property owner is providing his or her own labor and materials personally.

The building department will inspect the work when it has reached a certain stage and again when it is completed to make sure it complies with various codes and regulations. The contractor is responsible for arranging for these inspections. The main reason for building permits and inspections is to ensure the health and safety of the occupants of buildings. They are not made to determine the quality of work.

You should, if at all possible, be present when inspections are made, ask questions, and make frequent inspections yourself.

When a project is completed, the building department will make a final inspection, so don't make the final payment to the contractor until the building department inspector has signed off on the job. You may also make a final inspection, or "walk-through," with your contractor, to be certain there is nothing you or the contractor have overlooked.

A WORD OF WARNING

Anyone who talks you into being your own general contractor, or "owner/builder," may be doing you no favor. "Owner/builder" describes a situation in which the homeowner becomes the general contractor. As an owner/builder, you (not the person you hire) assume responsibility for the overall job, which may include such things as state and federal taxes, workers' compensation, building permits and other legal liabilities. Unless you are very experienced in construction, it is best to leave these matters to your licensed contractor.

LEGAL CONSIDERATIONS . . . LIENS



For a large remodeling job that involves many subcontractors and a substantial financial commitment, you should protect yourself from liens against your home in the event the contractor does not pay subcontractors or suppliers. Depending on local laws, you may be able to add a release-of-lien clause to your contract, requiring the contractor or subcontractors and suppliers to furnish a certificate of a waiver of lien. Another solution is to pay your contractor by joint checks. When the contractor presents you with a bill for materials or labor, make the check to both the contractor and the supplier or subcontractor.

If you are financing your project, the bank or lending institution may require that the contractor, subcontractors and suppliers verify that they have been paid, before releasing funds for subsequent phases of the project.

PRELIMINARY LIEN NOTICES

Shortly after your job commences, you will probably receive preliminary lien notices from subcontractors and material suppliers. Don't panic! This does not mean that a lien has been filed against your property. The law requires you to be furnished with these notices to alert you that those persons have worked on or have supplied materials for your job and expect to be paid. These persons may have what are called mechanic's lien rights.

MECHANIC'S LIENS

The law provides that those who furnish labor or materials to your home can record a "Claim of Lien" or "Mechanic's Lien" against your home if they are not paid. Even if you have paid your general contractor in accordance with the contract, if he or she fails to pay any subcontractor or materials supplier who performed work or supplied materials in connection with your project, you still run the risk of having a mechanic's lien filed against your home. You could be required to pay a bill twice to keep from losing your home in a foreclosure proceeding.

You can protect yourself from unwarranted liens by identifying subcontractors and materials suppliers in your written contract and getting signed conditional lien releases from the subcontractors and suppliers. After you've made a payment for work or materials, get signed unconditional lien releases.

Another preventive step is to file a Notice of Completion with the County Recorder's office after work on your project is completed. This notice reduces the amount of time a contractor, subcontractor or materials supplier can file a mechanic's lien against your home.

For more information on mechanic's liens, go to CSLB's Web site at www.cslb.ca.gov and review the brochure, "A Homeowner's Guide to Preventing Mechanic's Liens."

ARBITRATION

ARBITRATION CLAUSE

By agreeing to arbitrate your dispute, you are agreeing to have a dispute with your contractor decided by neutral arbitration and you are giving up your right to have the dispute litigated in a court or jury trial. Many consumers prefer arbitration to court proceedings.

CSLB ARBITRATION

The CSLB also provides two arbitration programs to help consumers and contractors resolve their differences. The mandatory program arbitrates complaints alleging present or future damages of less than \$7,500, whereas the voluntary program addresses disputes between \$7,500 and \$50,000. Participation in the voluntary program is voluntary and binding for both parties, but the mandatory program is mandatory for the contractor with the consent of the consumer. If you find yourself in a dispute with your contractor, contact CSLB. You may be eligible for CSLB arbitration.

You might have legal rights and remedies beyond those referred to in this booklet. If your remodeling job involves a substantial sum of money, or a legal problem arises, you should contact an attorney for advice.

AVOIDING COMPLAINTS AND PROBLEMS

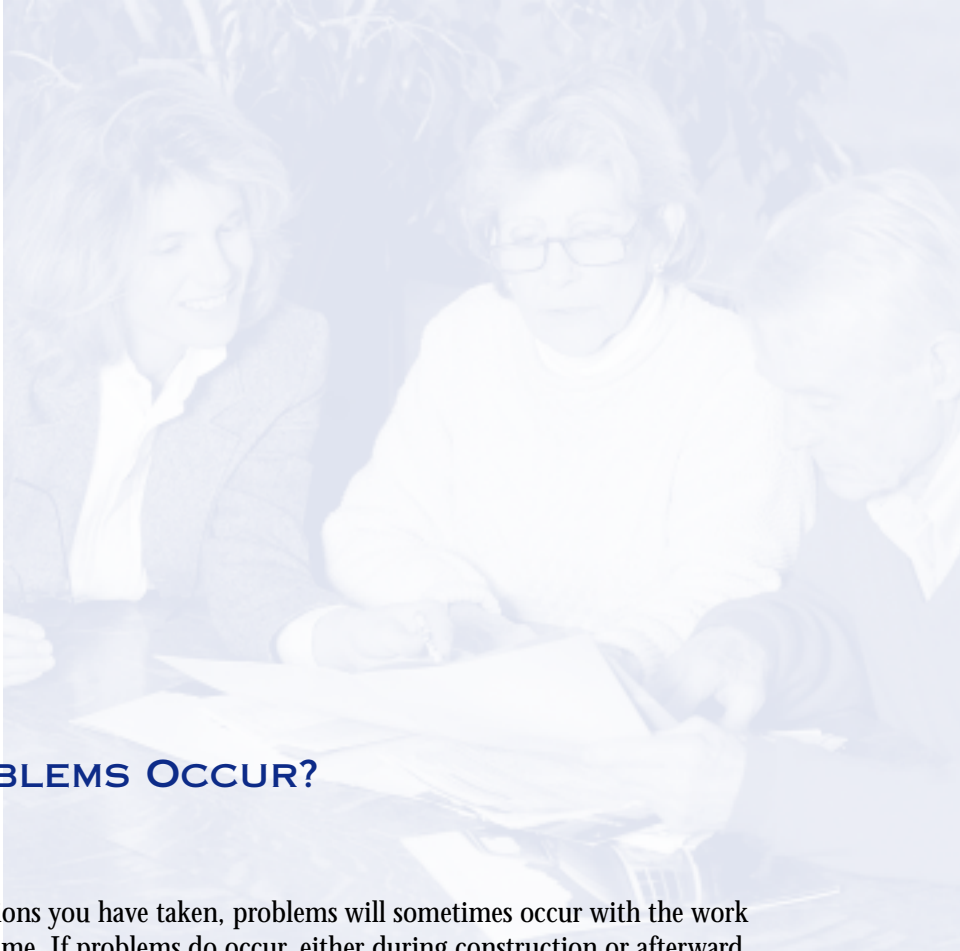
Some warning signs of possible trouble ahead are the following:

- You can't verify the name, address and telephone number or credentials of the contractor.
- The contractor gives you a toll-free phone number and a post office box as his or her address.
- The salesperson tries to pressure you into signing a contract by using scare tactics, intimidation or threats. (If you are pressured into signing, remember you usually have three days to cancel a contract.)
- The company or salesperson says your home will be used for advertising purposes (as a model job, or show-house, or by display of their sign), and that you will be given a special low price.
- The contractor tells you this is a special price available only if you sign the contract today.
- The contractor doesn't comply with your request for references, or the references have some reservations about the contractor's work.
- You are unable to verify that the contractor is licensed, insured, and/or bonded when required.
- You are asked to pay for the entire job in advance, or to pay cash to a salesperson instead of writing a check or money order to the company itself.



- You are asked to sign a completion certificate for the job by appeal, threat, or trick, before the job is properly completed.

The best way to avoid problems is to follow the steps outlined in this booklet, and to cover all details in your contract.



WHAT IF PROBLEMS OCCUR?

In spite of all the precautions you have taken, problems will sometimes occur with the work that was done on your home. If problems do occur, either during construction or afterward, contact your contractor. Usually he or she will make corrections willingly.

Be sure to address all problems or complaints directly to the contractor in writing, so that you both have a record. Should the contractor refuse to make corrections, you can file a complaint in writing with the Contractors State License Board and your local building department. If necessary, consult an attorney.

WHAT HAPPENS TO A CONSUMER COMPLAINT?

Complaints filed with the CSLB against licensed and unlicensed contractors are received by the Intake and Mediation Center where they are assigned to a staff person for handling based on the nature of the complaint as described in the complaint form.

The Board's complaint investigation procedures are designed to resolve problems between contractors and their clients - including, where appropriate, legal actions against anyone in violation of the law. CSLB's intent is to achieve timely and efficient complaint resolution through early intervention and mediation to resolve disputes.

CSLB may provide help to consumers through mediation, arbitration, referral to other agencies, or providing information on other avenues for individual redress. These may include referring consumers to small claims court or referring consumers with private arbitration clauses in their contracts to the applicable arbitration process. Depending on the circumstances, the complaint may be referred to one of the Board's arbitration programs (see page 21). Where appropriate, CSLB will take legal action against a contractor for violations of the Business and Professions Code.

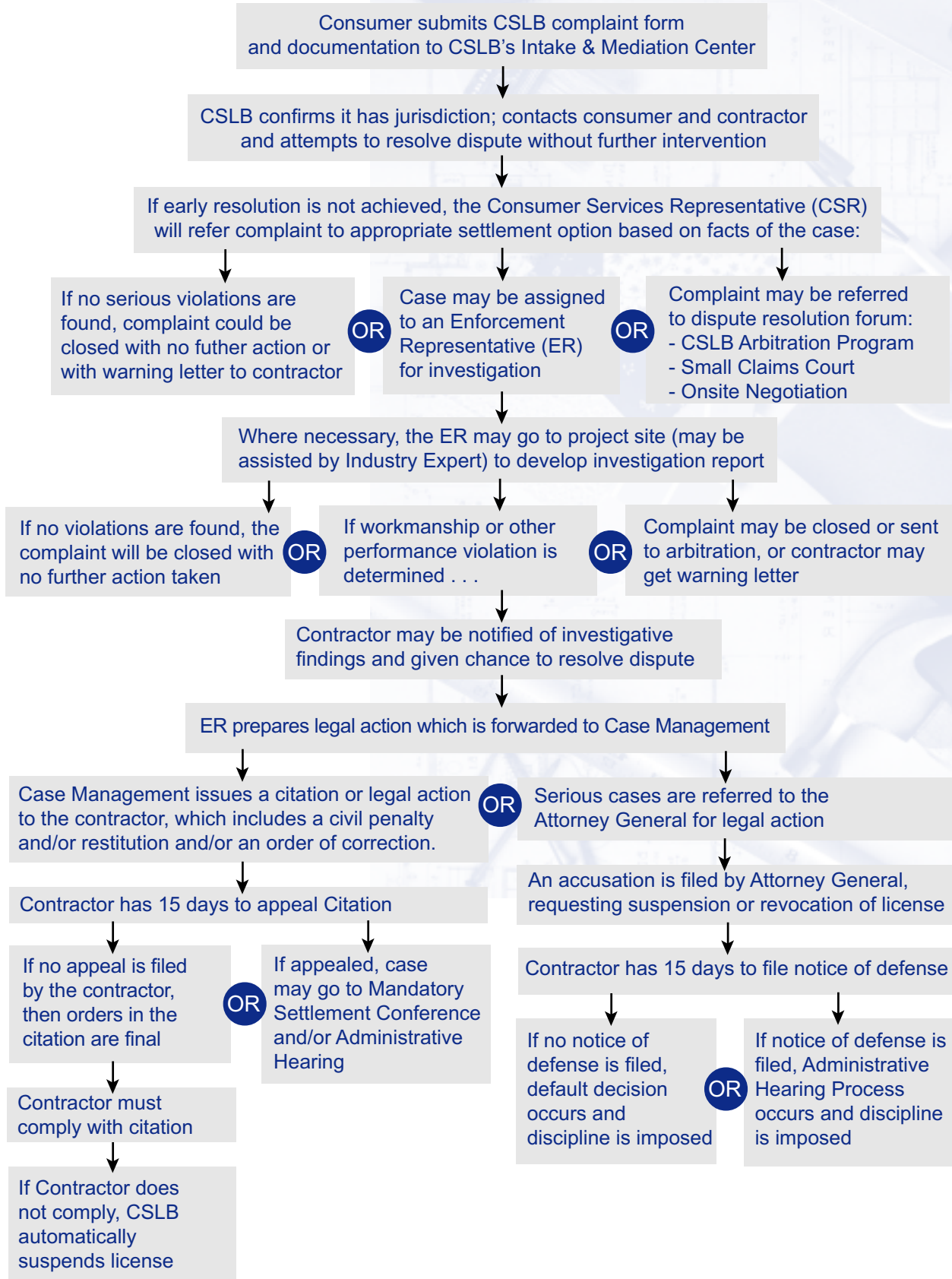
If CSLB staff is unable to arrive at a settlement, the Board may take legal action against the license, but there is no assurance that action will result in restitution. If a consumer's primary goal is to gain restitution, he or she should contact an attorney or the small claims court.

The chart on page 25 shows the Board's general complaint handling process. The process may vary depending on circumstances. Complaints within the Board's jurisdiction involve violations of Contractors License Law for up to four years from the date of an illegal act, and priority is given to complaints based on the order of receipt, the nature and seriousness of the allegations, and available CSLB resources such as budget and staffing. Violations that are mediated and/or investigated may include:

- Failure of a licensed contractor to fulfill the terms of an agreement, including poor workmanship that does not meet minimum trade standards;
- Requiring a down payment in excess of 10 percent of the contract price or \$1,000, whichever is less;
- Abandonment;
- Failure to pay subcontractors, material suppliers or employees;
- Building code violations;
- Use of false, misleading or deceptive advertising; and
- Violations of home improvement contract requirements.



CSLB'S COMPLAINT HANDLING PROCESS



SOME THINGS TO CONSIDER

Do:

1. Plan your project carefully.
2. Shop around before hiring a contractor.
3. Get at least three written bids on your project.
4. When requesting bids, provide all contractors with accurate plans or drawings that will enable them to determine the scope and cost of work.
5. Check with the Contractors State License Board to make sure the contractor is properly licensed, and check the status and disciplinary history of the license.
6. Check out contractors with your local building department, trade associations or unions, consumer protection agency, and the Better Business Bureau.
7. Get references for previous projects the contractor has done, and follow up on them. Look at work and ask if the homeowners were satisfied with the results.
8. Consult with more than one lending institution regarding the type of loan to obtain.
9. Pay only 10 percent of the project price or \$1,000 as a down payment, whichever is less, and make sure your contract provides for a "retention."
10. 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.
11. Ask your contractor about inconveniences that may occur, and plan accordingly.
12. Keep a job file.
13. Take precautions to prevent mechanic's liens from being filed against your property and ask for lien releases from subcontractors and materials suppliers.
14. Make frequent inspections of the work, including a final walk-through.
15. If problems or disagreements occur, try first to negotiate with the contractor.

DON'T:

1. Don't hire an unlicensed contractor.
2. Don't hire a contractor without first shopping around.
3. Don't act as an owner/builder, unless you are very experienced in construction.
4. Don't sign anything until you completely understand it and agree to the terms.
5. Don't make agreements with subcontractors or workers without consulting the prime contractor.
6. Don't pay cash.
7. Don't make a down payment that exceeds the legal limit (10% or \$1,000, or 2% or \$200 for swimming pools, whichever is less).
8. Don't let your payments get ahead of the contractor's completed work.
9. Don't hesitate to ask questions of the contractor.
10. Don't make final payment until all phases of construction have been completed according to the terms of the contract.

BE SURE YOUR CONTRACT INCLUDES:

- The contractor's name, address, and license number and the name and registration number of any salesperson who solicited or negotiated the contract.
- The approximate dates (not number of working days) when the work will begin and be substantially completed.
- A description of the work to be done, a description of the materials and equipment to be used or installed, and the price for the work.
- A schedule of payments showing the amount of each payment in dollars and cents.
- If the payment schedule contained in the contract provides for a down payment, it can not exceed \$1,000 or 10 percent of the contract price (excluding finance charges), whichever is less (swimming pools: two percent or \$200, whichever is less).
- A Notice to Owner regarding the state's lien laws, and the rights and responsibilities of an owner of property.
- Checklist for Homeowners and Information About Commercial General Liability Insurance.
- A description of what constitutes substantial commencement of work.
- A notice that the failure of the contractor, without lawful excuse, to substantially commence work within 20 days from the approximate date specified in the contract when work is to begin, is a violation of the Contractors License Law.

See page 30 for information on how to get a free copy of the publication *Home Improvement Contracts: Putting the Pieces Together*.

FINALLY . . .

For more information about contractors, license status, disciplinary actions against contractors, and the Contractors State License Board, check the CSLB Web site, www.cslb.ca.gov, or call the Board's toll-free, automated phone system at (800) 321-CSLB (2752).

INFORMATION RESOURCES

CSLB'S WEB SITE—WWW.CSLB.CA.GOV

An important source of information on contracting and the CSLB is the Internet. Online information includes:

- Checking a licensed contractor
- How to report unlicensed activity
- Filing a construction complaint
- Licensing and examination information
- Order forms and applications
- CSLB publications and pamphlets
- CSLB office locations
- Laws and regulations

AUTOMATED PHONE RESPONSE SYSTEM (APRS)—(800) 321-CSLB

CSLB's automated phone response system is another source for information, forms, publications and services.

THE DEPARTMENT OF CONSUMER AFFAIRS

The Department of Consumer Affairs (DCA) is here to help Californians to be careful consumers and to protect them from unscrupulous and unqualified individuals. DCA's mission is to promote and protect the interests of California consumers.

The DCA serves as the umbrella agency over nearly 40 regulatory programs, and licenses more than two million professionals in California, ranging from architects to veterinarians.

DCA also provides a wealth of information on the Internet at www.dca.ca.gov.

CSLB PUBLICATION ORDER FORM

The following publications are available free of charge from the Contractors State License Board. To order, fax this form to (916) 255-1395, or mail it to:

CSLB Publications, P.O. Box 26000, Sacramento, CA 95826

All of these publications are also available online at www.cslb.ca.gov.

QUANTITY **Booklets**

- _____ *Before You Dive into Swimming Pool Construction*
- _____ *Blueprint for Becoming a California Licensed Contractor*
- _____ *Consumer Guide to Asbestos*
- _____ *Home Improvement Contracts: Putting the Pieces Together*
- _____ *What You Should Know Before You Hire a Contractor*

Pamphlets

- _____ *Advertising Guidelines for Contractors*
- _____ *After a Disaster*
- _____ *Building Your Career as a Licensed Contractor (English, Spanish)*
- _____ *Consumer Guide to Filing Construction Complaints (English, Spanish)*
- _____ *Consumer Guide to Filing a Small Claims Court Construction Claim*
- _____ *Guide to Contractor License Bonds*
- _____ *Homeowner's Guide to Preventing Mechanic's Liens*
- _____ *Tips for Hiring a Roofing Contractor*
- _____ *What Seniors Should Know Before Hiring a Contractor*
- _____ *What You Should Know Before You Hire a Contractor (English, Spanish)*

Name: _____

Street Address: _____



**CONTRACTORS STATE
LICENSE BOARD**

**P.O. Box 26000
SACRAMENTO, CA 95826**

**1(800) 321-CSLB (2752)
WWW.CSLB.CA.GOV**

JUNE 2004

