



# 10 Contractor Scams and Warning Signs

Here are a few things to watch for when you first come in  
contact with contractors

# Spotting Contracting Scams



While your own planning and knowledge is very important when it comes to the real estate buying-and-selling process, no one does it alone. This is particularly true when it comes to remodels, renovations and new builds. Bringing contractors into the mix complicates things on an exponential level. And while the vast majority of contractors are on the up-and-up, it's worth your while to be on the lookout for potential scams. There's a lot of money to be made, and lost, on sub-par work. And worst-case scenario, you're left with a home or project that is not only low-quality, but potentially dangerous to your family.



The Motley Fool, always one of our favorite websites for its no-nonsense language and jaunty tone, has a list of 10 super practical warning signs that can give you a heads up on a shady contractor (see below) before the job starts. Demanding up-front payments and pressure tactics are more obvious signs of someone you may not want to do business with, but beware the worker who was just "in the neighborhood" and offers to do work for an upfront fee (these types of scams are common for yard or tree work, and often targeted at older home owners).



"I've just resurfaced your neighbor's driveway and I've got materials left over to do yours. Looks like it needs work soon. I'll give you a really good deal." This and other "we're in the neighborhood" lines are a warning. First, a legitimate contractor does not overbuy materials for a job and expect to unload them on the job site's neighbor. Second, a legitimate contractor will not take on a job from the perspective of getting rid of excess materials. He or she will assess each job based upon its individual needs.



It may be legitimate for the contractor to contact you "since we're in the neighborhood." If that is the case, then you'll want to speak to your neighbors to find out the quality of the work. You'll likely not want to plunge in at that very moment, in any event.



None other than the National Association of Home Builders has a good list of things to look for on the contractor front as well. Among the better bits here include a contractor not being able to produce a list of referrals, asking you to do the legwork on permits or licenses, not carrying sufficient licensing and insurance.



Also: Underbidding. They may have the best price, but that doesn't guarantee the best work. Such contractors may cut costs on quality, which can end up costing you more when you have to have the substandard work redone.



Finally, HouseLogic.com offers a list of common scams specifically related to remodels



It's worth a read if you have a big project, or live in an older, revitalizing neighborhood where remodels are common.

Article by *Matt Lemon*

## 10 Contractor-Scam Warning Signs

Here are a few things to watch for when you first come in contact with contractors.



## Warning Sign 1: Scare tactics

"Well, your chimney looks about ready to fall over . If that lands on someone's head -- they're a goner. And you could have one dandy lawsuit." If a contractor tries to literally "scare up" your business, avoid him. Even if the repair is of an urgent nature, an honest operator will not use gloom and doom to get your business. At most, he or she might simply point out the possible outcome of a neglected repair. For example: "Your roof could develop some leaks within thenext year" is a realistic professional judgment. However , "Your roof is about to cave in any minute" is a flagrant scare tactic.



## Warning Sign 3: No identification

"Sorry. I forgot my business cards. You can always look us up at our post office box address." Legitimate contractors present themselves in a professional manner. They have business cards and an established street address -- not a post of fice box -- where they conduct their business. In an industry of many small independents, that street address might also be their home. That's OK. Self- employed people often work from a home office. What's important is that you know where to locate them if anything goes wrong. Be cautious of anyone who cannot produce identification. They could betransient operators -- people who work over an area, then disappear .



## Warning Sign 4: Refusal to provide referrals

"We don't give out customer names. We respect their privacy. You understand, don't you? I'm sure you wouldn't want me to give out your name to strangers." Avoid contractors who refuse to provide referrals. Legitimate contractors are happy to name satisfied customers. Typically, it is with the customer's permission that his or her name can be used to recommend work to others.



## Warning Sign 5: Pressure tactics

"You'll have to sign up now. The manufacturer says the prices are going up right away." Pressure tactics for an immediate decision are intended to prevent you from shopping around or finding out that the deal is bad before it's too late. Be very cautious about a price that is

"so good that it can only be offered today." Legitimate contractors offer quotes that are valid for a specific time period - usually 30 days. They will not insist on an immediate decision. They understand that a large expense requires some decision-making on your part.



## Warning Sign 6: In the neighborhood

"I've just resurfaced your neighbor's driveway and I've got materials left over to do yours. Looks like it needs work soon. I'll give you a really good deal." This and other "we're in the neighborhood" lines

are a warning. First, a legitimate contractor does not overbuy materials for a job and expect to unload them on the job site's neighbor. Second, a legitimate contractor will not take on a job from the perspective of getting rid of excess materials. He or she will assess each job based upon its individual needs. It may be

legitimate for the contractor to contact you "since we're in the neighborhood." If that is the case, then you'll want to speak to your neighbors to find out the quality of the work. You'll likely not want to plunge in at that very moment, in any event.



## Warning Sign 7: Up-front payment

"That's gonna involve a lot of materials. I'll have to ask you to pay me now." Requests for up-front payment before work begins should trigger a warning bell. Many people pay up front for work and then never see the contractor again. You should pay in advance of work only when it is a large job, you have already properly screened the contractor (checked references, etc.), and

you have a proper contract. Upon signing the contract you might pay a percentage of the total amount -- usually around 30%.



## Warning Sign 8: Refusal to provide a written guarantee

"If anything goes wrong, just call me. You have my word." No matter how sincere the assurance might sound, never accept a verbal guarantee. If anything really goes wrong, you'll quickly find out how worthless words can be. Legitimate contractors provide written guarantees that specify what is covered and for how long.



## Warning Sign 9: Under the table deals

"I can give you a good deal for cash." Under the table cash deals usually mean that the contractor is not paying taxes, and therefore can cut his or her price. The catch is that you will have no paper record of the work -- no receipt and no written guarantee. If a problem occurs, you'll have no recourse. Legitimate contractors do not indulge in this kind of practice.



## Warning Sign 10: Referral selling

"There's a big rebate for you if you refer customers to us." Or: "You'll get a special discounted price if we can use your home as a model to show off our work. We'll just put a sign on the front yard." If a contractor or "company representative" offers to give you a discount or rebate to refer customers or become a "model" home, be cautious. At best, this is a marketing gimmick. At its worst, it's an outright scam. If you shop around and compare prices for the same work, you can find that the discounted price is the same as -- or even higher than -- regularly priced work.

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Finally, here's an eleventh tip, for free: Use your common sense to detect warning signs. Trust your instincts!

Information provided by: **Motley Fool**

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\*\*Every referral helps children fight cancer! With every referral we donate a large amount of our commission to Children's Hospital Cancer Research so every child has a fighting chance at life. What's even better is there is a cure for the most common childhood cancer in which we help sponsor through Callie's Coffee. Who do you know that is looking to buy or sell a home that would love to receive award winning customer service and help children fight cancer at the same time?



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