



Dear Property Owner,

Building North Central Washington is a non-profit trade association whose mission—in part—is to assist in providing consumers with helpful information as they prepare to have their existing home remodeled, or a new home built.

While this can be a very exciting and rewarding time, it can also prove to be a very demanding and stressful time—full of many, many decisions that will need to be made. Perhaps the most important decision you will make is in selecting the professionals who will help to complete your project, including your general contractor.

In order to help ensure that your project goes well, and that you avoid becoming the target of fraudulent, unscrupulous “contractors”, it is vitally important that you complete your due-diligence before making any hiring or contract decisions.

It is our hope that, the information contained in this packet will be helpful to you in that effort. The time that you spend familiarizing yourself with this information will help you to avoid expensive headaches and heartaches down the road!

We invite you to contact Building North Central Washington, at (509) 293-5840, if we can be of further service to you. You may also visit us online at, www.BuildingNCW.org for more information, as well as contact information for our member professionals.

BNCW wishes you the very best as you move forward with the remodeling, construction or rebuilding of your home!

Kind Regards,

A handwritten signature in black ink, appearing to read "MS", with a long horizontal line extending to the right.

Marc S. Straub, CEO
Building North Central Washington

www.BuildingNCW.org

2201 North Wenatchee Avenue | P.O. Box 3556 | Wenatchee, Washington 98807 | Office (509) 293-5840 | Fax (509) 665-6669

Be an Informed Consumer

What is required by law?

In Washington, all contractors who perform work or who advertise or submit bids in this state must be registered with the Department of Labor & Industries (L&I), post a bond and carry general liability insurance coverage.

12 Tips to Remember:

1. Make sure your contractor is properly registered on L&I website. Contact BNCW, as we can assist you in checking registrations status.
2. The consumer does not have to pay sales tax on the building permit if they purchase it.
3. Plan your project carefully, including detailed plans, if necessary.
4. Try to get at least three written bids on each job. As this is time-consuming for the contractor, please let each contractor know up front that you are shopping and, if necessary, be willing to pay for their time to estimate the project.
5. Ask contractors for references.
6. Ask the contractor about what inconveniences they might foresee arising with your project.
7. Obtain a written contract.
8. Make sure you understand the terms before you sign anything.
9. Be cautious about paying for work not yet completed. Most contractors will expect a down payment and draws as work progresses. Most the time you have paid for the work before it is actually completed. Consumers should not pay for more than the scope of work that was agreed to by both parties.
10. Put all change orders in writing.
11. Make frequent inspections and schedule times with the contractor to go over progress and ask questions. Often, sending an email to the contractor, describing your understanding of the conversation, is good for both parties.
12. Avoid making final payment until you have received a lien release from suppliers and subcontractors.

Checklist for Finding and Hiring a Builder

Doing your homework will help you have a more successful experience.

Use this checklist to help you select a homebuilder to build your home:

- Refer to Building North Central Washington for the names of trusted member builders. You can also ask family, friends, or coworkers for recommendations.
- Make sure the builder has a good reputation with local banks and suppliers.
- Find out how long they have been in the building business. It usually takes three to five years to establish a financially sound business. You want to make sure they will be around after the construction is complete to service any warranties.
- Check out the company's rating and if there have been any complaints filed with organizations like our local Better Business Bureau: www.bbb.org.
- Make sure the builder has sufficient workers compensation and general liability insurance. www.lni.wa.gov/verify
- Ask the builder to provide you with names of previous customers and if it is okay to contact those customers. If they will not, beware. If they do, ask the customers if they would hire the builder again.
- Ask if you can see the builder's work, both completed and in progress if available. Check for quality of workmanship and materials.
- Do you feel you can easily communicate with the builder? Remember, you will be in close contact with them throughout the construction process and afterward as you live in your new home.
- Make sure the builder provides you with a complete and clearly written contract. The contract will benefit both of you. If you are having a new home built, get and review a copy of the home warranty and homeowner manual as well.
- Be cautious of unusually low-priced bids. If the builder is unable to pay for the materials and labor as the project proceeds, this may indicate a potential problem. Keep in mind that less expensive does not necessarily mean better!

Check for Warning Signs of a Scam

- Provides a credential or reference that can't be verified.
- Offers a special price only if you sign today, or use other high-pressure sales techniques.
- Only accepts cash, requires large deposits (however, 30%-50% is not uncommon), or the entire costs up front, or asks you to make the payment in their name.
- Does not provide a written contract or complete bid.
- Offers exceptionally long warranties.
- Wants to do most or all of the work on weekends and after-hours. However, please be aware that contractors do also work evenings and weekends—especially in situations like those caused by the recent wildfires.
- Gives you an offer that sounds "too good to be true."

Avoid Lien Problems

Anyone who has hired a contractor to build a new home or is buying a newly built home is subject to a lien. Before the work begins, ask your contractor for the legally required disclosure statement that advises consumers about lien releases.

If any supplier of materials, worker or subcontractor is not paid, a lien may be filed against your property to force you to pay. You could pay twice for the same work. Or worse, an unpaid lien could lead to foreclosure on your home. (For remodeling projects, liens can only be filed for the amount left unpaid to the general contractor.)

If you receive a "notice of intent" to file a lien on your property, ask your general contractor to provide you with lien release documents from the supplier or subcontractor who has sent this notice before making final payment. The contractor is required to provide you with more information about lien release documents if you request it. If you have requested lien release documents, avoid making final payment until you have received a lien release from suppliers and subcontractors.

A lien against a consumer has to be filed within 90 days of work stoppage or delivery of materials. If a lien is filed against you, the best way to protect yourself is to make a check payable to both the contractor and the lien claimant to get the lien removed from the contractor. You will know the lien amount because whoever files the lien must mail a copy of the lien to the consumer within 14 days of the time the lien is recorded.

To learn more, visit www.lni.wa.gov.

Your Contract

Provided by: NCPHIF.org

Here's a checklist of the various things that should be included in your written contract.

Your Contract Check List

1. Is the written contract typed, not hand written and signed?
2. Does the contract include:
 - Contractor's full name
 - Business address: (this is a physical address not a PO Box)
 - Business phone
 - Cell phone
 - Contractor's registration number
3. Does your contract include a guarantee or warranty on materials and workmanship?
4. Is there a procedure for written change orders and approval including details to reflect how the plans change and the costs for the changes?
5. Is there a clause that states that if you and the contractor cannot agree on anything regarding the project, that you both agree to abide by the decision of a third party "code certified" inspector?
6. Is there a start and completion date?
7. Is there a penalty clause included if the completion date, after legitimate extensions, is not met?
8. Is there an exit clause in case you need to terminate the contract or the project?
9. Does it include total costs including a breakdown of labor and supplies?
10. Is there a payment plan based on various stages of completion?
11. Does the contract include clean-up responsibilities?
12. Is there a right to cancel within 3 business days clause included?
13. Are there any blank spaces on the contract that could be filled in later? There shouldn't be!

Read and understand every word of a contract before signing it. If you don't understand something, ask for clarification. Avoid signing a contract that has not been completed fully or that you don't completely understand.

Perhaps the most important thing to know is what differentiates legitimate contractors with unscrupulous ones. Legitimate contractors are registered, insured and/or bonded. What's more, they offer written estimates for you to inspect before you sign a contract, and a written contract that will be signed by both of you before work commences.

Contract “Do” s

1. **Written contracts** – Always insist on a written contract for the work to be performed, with all guarantees, warranties and promises spelled out, particularly the terms of any unforeseen changes that may need to be made. Do not accept a handwritten contract.
2. **Change Orders** – Before signing the contract, make sure it includes a procedure for change orders, which are mini-contracts containing a work description and a fixed price, for anything that gets added to the job in progress. The extra work, whether it’s related to unforeseen building issues or homeowner whims, can proceed only after the change order is signed by both homeowner and contractor.
3. **Inspectors** – It is always a good idea to add to your contractor’s contract that if the two of you cannot agree on anything regarding the project, you both agree to abide by the decision of a third party “code certified” inspector you both agree to before the project begins.
4. **Guarantees and Warranties** - Make sure you fully understand the contractor’s guarantee/warranty. Remember, if the company goes out of business, so does your guarantee!
5. **Start and Completion Dates** - Agree on start and completion dates and make sure they’re written into the contract.
6. **Exit Clause** - Be sure to know exactly what your exit clause is in your contract with the contractor. Push comes to shove, you need to know what your options are to terminate the contract.
7. **Payment Terms** – It is prudent to set payment terms in conjunction with completed stages of the job.
8. **Legal Review** - Depending on the size, complexity and cost of your job, it is always a good idea to have an attorney review your contract. But remember, even a perfect contract does not guarantee the quality of contractor’s work or that the contractor is honorable.

Contract “Don’t” s

1. **Don’t allow anyone to pressure you into signing any document.**
2. **Don’t let your conversation with a contractor serve as a valid or binding agreement for the service he/she is to provide.** Some of them are the best manipulators. Everything must be in writing. Oral agreements mean it’s your word against theirs!
3. **Don’t sign any document you haven’t read** or any document that has blank spaces to be filled in after you sign.
4. **Don’t leave blank sections on your contract** – Charges that are not clearly stated and understood in your contract allow for additional charges to be fraudulently added in.
5. **Never sign a contract with a service professional who makes promises that are too good to be true.** Chances are this service professional needs to create these incentives to attract customers; if that’s the case, the service professional’s record can’t speak for itself.

Resolving Problems with Your Builder

The typical house contains more than 3,000 different parts. These components must be assembled with skill to form the new product you will call home. It would be unrealistic to expect your new home to be perfect. Even the best built homes are likely needing a few corrections. Most problems are corrected routinely by the builder. However, if a non-routine problem should arise, you should follow certain procedures to correct the situation.

1. First, identify the exact nature of the problem. Then you should put it into writing and send it to the builder. Many builders require all complaints to be in writing and will respond to telephone complaints only in emergencies. Use the following guidelines when you write your letter:
 - *Include your name, address, and home and work telephone numbers.*
 - *Type your letter if possible. If not, use printing or handwriting that is easy to read.*
 - *Keep your letter brief and to the point, but include all relevant details.*
 - *State exactly what you want done and how soon you expect the problem to be resolved. Be reasonable.*
 - *Include all relevant documents regarding the problem. Send copies, not originals.*
 - *Keep a copy of the letter for your files.*
2. Before you write and send your letter, familiarize yourself with your warranty coverage. Follow the procedure for making claims as stated in the written warranty. Some builders handle the warranty repairs themselves. Other builders may have contracted with a home warranty company to handle all warranty claims. Some items, such as appliances, are usually covered by a manufacturer's warranty, and are not the responsibility of the builder. If a problem develops after the express warranty has expired, the builder is not required under the terms of the written warranty.
3. Always go directly to the builder, the home warranty company, or the manufacturer, as applicable, with your complaints. Do not send letters to lawyers, government agencies, associations or any other third parties before you have given your builder a reasonable chance to correct the problem. Interference from outsiders may impede the handling of your complaint. Also, sending angry, sarcastic or threatening letters is not likely to expedite your case. Such letters usually do more harm than good.
4. You should be aware that many states have enacted notice and opportunity to repair laws that require you to follow certain statutory procedures before you can take legal action. Typically these laws require you to provide the builder with written notice of the problem, an opportunity to inspect, and an opportunity to correct the problem within a certain period of time. These laws have been passed in an effort to efficiently resolve homeowners' problems and to avoid unnecessary lawsuits. Remember, lawsuits are expensive, time consuming, and in many cases traumatic. They should be avoided, if possible.
5. In the event of an impasse, contact Building North Central Washington. If your builder is a member, we may be able to bring both sides together to reach an agreement. However, keep in mind that BNCW does not have the legal authority to compel either side in a dispute to do anything.

Remember that most builders are seeking customer referrals and repeat buyers. They want you to be satisfied. If a problem develops, remain calm and approach your builder in a reasonable manner. By following the procedures described above, chances are that you will be able to resolve the problems.