

City of Scandia

TIPS FOR HIRING A CONTRACTOR

VERIFY A CONTRACTOR LICENSE

The [Consumer's Guide to Hiring a Residential Building Contractor](#) explains how to select a contractor, how to solicit bids, what to include in a contract, how to understand a mechanic's lien and how to file a complaint against a contractor.

Quick tips

Before you hire a contractor, we suggest:

- ask for the contractor's license number and contact us at 651-284-5069 or 800-342-5354 to verify the builder is licensed and to find out if they have a disciplinary history. The status of a contractor's license [can also be checked online](#).
- ask for references and how long they've been in business;
- ask for a Minnesota business address other than a post office box;
- ask for a local phone number; and
- check the contractor's litigation history [on the state court system's website](#).

Avoid contractors that:

- arrive in an unmarked vehicle;
- ask you to sign an estimate or authorization before you have decided to hire them. You may unknowingly be signing a contract;
- are willing to do the job at an unusually low price;
- offer to pay your deductible or offer discounts or other rewards for hiring them;
- only provide a post office box for their business address;
- require full or substantial payment before work begins;
- refuse to provide a written estimate or contract;
- refuse to give a license number issued by the state of Minnesota;
- refuse to give references;
- show up unsolicited; or
- use high-pressure sales tactics.

Before you sign a contract, make sure it includes:

- a detailed summary of the work to be done;
- a description of materials;
- the total contract price or how the price will be calculated; and
- specific timelines and exactly what will happen if the contractor fails to meet the deadlines in the contract.
- Regulation is in place to protect homeowners entering into contracts with roofers. With certain restrictions, homeowners are allowed to cancel a roofing contract if their insurance company denies the claim.

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Need help? Contact us

Call us at 651-284-5069 or 800-342-5354 or email dli.contractor@state.mn.us.

Contractors may not pay insurance deductibles

In many cases, the contractor's salespeople explain they will work with the homeowners' insurance carrier to get a good settlement so the homeowner will not have to pay any more than the amount of their deductible. State law prohibits contractors from paying deductibles or offering any reward to hire them to perform storm repair. [View more information](#).

'Authorization forms' are contracts

A salesperson may ask a homeowner to sign an "authorization form" to allow the salesperson to contact the homeowners' insurance company or to conduct an inspection of the home to look for storm damage. This document is actually a formal contract that when signed, obligates the homeowner to allow the contractor to perform any repair work that your insurance company agrees to cover, for a price that the contractor and the insurance company agree on.

Homeowners **should not sign anything** until they have read it carefully and understand the document. In almost every case, the document a contractor asks the homeowner to sign is a legally binding contract, regardless of what the salesperson says.

The problem with signing these documents is that if a homeowners decides not to use that contractor, the contract probably contains small print (usually on the back of the document) that says that if a homeowner cancels the contract after three business days, they will owe the contractor a percentage (usually from 15 to 50 percent) of the total claim settlement. This is why it is so important to do the homework and check the contractor thoroughly before a decision is made to sign a contract.

Three day right-to-cancel

Home improvement contractors must provide a three-day right to cancel a contract in cases where the contractor makes the first contact with the homeowner. If a contractor that a homeowner did not contact first provides the homeowner with a contract to perform repair work, the contract must include language that explains the right to cancel the contract within three business days of signing it. Similarly, any contract for roof repairs that are expected to be covered by an insurance policy must include a provision that allows the contract to be cancelled if the insurance company denies the claim.

Check contractor's license and history

Before a homeowner signs a contract, call us at 651-284-5069 or use our [online license search](#) to check the contractor's license and to learn if there is a history of disciplinary action. Homeowners

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should also check with the Better Business Bureau and check for lawsuits or judgments involving the company or its owners.

Among many categories of specialized contractors, we also license residential builders, remodelers and roofers. To work in Minnesota, these professionals must be licensed. If a homeowner hires an unlicensed contractor, they will not have access to the [Contractor Recovery Fund](#), which is available to compensate consumers who have suffered a financial loss and obtained a civil judgment against a licensed contractor due to the contractor's defective work, failure to perform work, or fraudulent, deceptive or dishonest practices.

A contractor registration is not a license

Contractors who are not required to be licensed must register through a [contractor registration program](#) to be treated as an independent contractor (as opposed to an employee) by contractors who hire them. Registration numbers, which always begin with the letters "IR," are not license numbers and homeowners should not hire a contractor based on the fact that they are registered, as the registration program does not provide the same consumer protections that our licensing program does. License numbers begin with "BC" (building contractor), "CR" (remodeler) or "RR" (roofer). When [verifying a contractor's license status](#), be sure to note the difference between a registered contractor and a licensed contractor because registered contractors are not required to provide proof of insurance or bonding and they do not contribute to the Contractor Recovery Fund.

Home warranty dispute resolution process

The [home warranty dispute resolution process](#) is something homeowners and builders or home improvement contractors are required to use before a homeowner warranty dispute may proceed. The goal of the program is to encourage settlement of disputes and limit the costs by providing an unbiased and nonbinding evaluation of the complaint.