

## **Investigation and Self-Protection Prudent when Hiring Contractors**

Recently, there was an article in The Sun in which some Naperville residents claimed that the contractor ripped them off (October 19, 2005). What could these homeowners have done to protect themselves from a potentially unscrupulous contractor?

First, the homeowners should have done some investigation about the contractor to determine whether there were prior claims against the contractor in court, the Better Business Bureau or the Illinois Attorney General's office.

Second, the homeowners should have shopped the job by getting estimates from a number of contractors, not just one.

Third, the homeowners should have spent the money to have an attorney draft up a contract with provisions that will protect the homeowner. The contractor normally prepares an estimate which has some fine print provisions on the form all written in favor of the contractor. If the homeowners sign this form, it becomes the written contract and the provisions in this contract are binding against the homeowners.

Fourth, the homeowners should have considered using an escrow with a bank or title company. This will cost the homeowners money to do, but the escrow company will require that subcontractors put in a waiver of liens as they get paid and the escrow company may even inspect the property as work is being done.

If the use of an escrow is too costly for the size of the job, consider dividing up the total cost of the project into smaller segments and pay for just that segment as it is completed. For instance, the homeowners could give a 20% deposit, which will allow the contractor funds to purchase the materials to start the job; 20% when the floors are in; 20% when the cabinets go in, etc. The homeowners should also require waivers of lien prior to payment of any subcontractor's work and get a total waiver of lien from the general contractor for his or her portion of the work.

Using these techniques will allow a homeowner to lessen the risk of dealing with a contractor. Of course, a lower risk means you sleep better at night in that new room addition.

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