

Quick Tips: How to Avoid Contractor Fraud

June 6, 2013 - Community Associations Institute MINUTES

By following a few basic common-sense rules when it's time to find a contractor, you can ensure your association is protected from disreputable vendors.

Heed the following to protect your association's funds and property whenever your association needs a plumber, carpenter, electrician or other type of contractor:

Ask contractors for copies of licenses or permits. Never work with a contractor who tells you it's your responsibility to get building permits or other necessary approvals.

Always get an estimate in writing that covers labor and materials. Never pay more than 50 percent of the estimate up front, and never pay in cash. If a contractor only accepts cash, hire someone else. Read the fine print, and have the association attorney review the contract before signing.

Be wary of contractors who offer incentives or too-good-to-be-true guarantees or "bargains." Ask yourself a few practical questions: Why does the contractor need incentives to get business? Can the guarantees be honored under reasonable circumstances? What are the hidden costs of the bargain?

Don't hire contractors who recommend that you borrow to pay for the job, especially if the contractor has a particular lender ready to help you.

Never let a contractor pressure you to make repairs by claiming that prices are skyrocketing, serious damage is imminent or supply orders must be placed immediately. Get a second opinion.

Be wary of contractors who offer discounts if they can use your association as a reference or showplace for their work. Satisfied customers readily give references with no strings attached. If a contractor proposes to buy a good reference with a discount, that's a red flag. If the association is unhappy, it's stuck with a commitment to give a good reference.

Never hire a contractor who solicits work by knocking on your door or who isn't listed in the Yellow Pages or a reputable online listing. Legitimate and experienced contractors don't operate this way.

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