

How to Prescreen Contractors to Build a Dream Team to Get the Job Done!

By Robyn Thompson



Many real estate investors shy away from the ugly house business because they fear hiring contractors. We have all heard the horror stories of rehabbers who loose their shirt because a contractor took them to the cleaners.

I am here to tell you that contractors can be your worst enemy or your best friend, depending if you hire a good one or a bad one. So how can the beginning novice real estate investor make the correct choice- the hard working team player that gets the job done on time, on budget and at a high standard of quality? The answer is by following all eight of the critical prescreening steps below.

1. Ask the contractor you are interviewing, how long they have been in the business? I prefer at least five years of experience in the trades. I want a contractor who has seen and repaired every strange, odd, and crazy thing that could be wrong with a house. Experienced contractors know how to estimate all tough projects and experienced professionals can give an accurate price to fix any problem.

Inexperienced contractors, on the other hand, under estimate repairs to get the business, and then they try to push their mistake on the home owner by upping the price half way through construction. The investor needs to say NO. NO is the most powerful word in the dictionary, and a rehabber needs to use this tool. If they did not have the knowledge to make a good estimate, it is there problem not yours.

2. Ask for three references from the last three major projects that the contractor has recently completed. Once you receive the reference letters, make sure you call to verify the references and the quality of the workmanship performed. The quality of work should be satisfactory to the homeowner and should have been completed in a timely manner.

If any of the references don't checkout, do not hire this contractor. If they gave you false information upfront, you know they can not be trusted. Move on to the NEXT quote.

3. Ask for a copy of the contractor's license (if required in your state) and for a copy of their workman's comp insurance. Once you receive a copy of their license, make sure to check that they are not suspended. Also check to see if any complaints have been filed against the contractor with the Better Business Bureau.

It is absolutely mandatory that a contractor prove that he or she has workman's comp for all the employees that will be working on the job site, before they start renovations. Why is this so important? Well, if one of the workers has an accident, you do not want to be sued as a potential employer.

4. Make the contractor pull all necessary permits required by your local building department. The homeowner should NEVER pull the permits. The contractor should also be responsible to pass all necessary inspections required throughout the construction process so a certificate of occupancy (CO) can be obtained when construction is complete.
5. The real estate investor should make it mandatory for all contractors to buy all necessary materials to do the renovations. The investor should never waste their valuable time buying materials. If the investor buys the materials, the workers could be viewed as the home owner's employees per the IRS guidelines. You do not want this.
6. The real estate investor should always demand a six month to one year warranty of all parts, labor, workmanship, and materials provided by the contractor. This warranty should be in writing. **WARNING:** If a contractor will not provide a warranty and stand behind the quality of his or her workmanship- DO NOT hire them!
7. Real estate investors should never agree to pay any contractor by the hour. You pay a fixed price for the complete job. Never pay the final payment in your independent contractor agreement until the project is 100% complete.
8. Ask for financial references (ex: where the contractor purchases materials). I will contact the supply houses to make sure the contractor is not behind on paying for materials because I do not want to give the contractor a check to payoff an old bill and they have no money for the materials they need to buy for my job.

The last words of advice that I can give to anyone beginning a renovation project is to make sure every agreement with a contractor is detailed in writing with an independent contractor agreement. A detailed list of materials required should be listed in comprehensive scope of work. The documents should have work completion time frames, penalty clauses for finishing late, require all permits be pulled and inspections completed before final payments are released.