

Contractor Red Flags

Beware of contractors who:

- Does not provide a local address or local telephone number
- Solicits door-to-door
- Just happens to have left-over materials from previous jobs
- Gives discount for recommending other customers
- Demands payment in cash or payment upfront for the job
- Tries to get contract signed before reading or one that has blank spaces
- Asks homeowner to get building permits
- Asks to use home as security for a home improvement loan or borrow money from a lender the contractor knows
- Uses high pressure sales tactics that scare and intimidate
- Claims job will be used as a “demonstration”

Before hiring a contractor, use the following recommendations:

1. Get at least three bids and make sure each contractor bids on exactly the same work. All bids should be itemized and detailed.
2. Always require the contractor show proof of insurance such as workman’s compensation and general liability insurance. Call that insurer to confirm coverage.
3. Verify the contractor’s address and ask for references of previous customers, inspecting work done for them when possible. Make sure the contractor is licensed through the New Mexico Regulation and Licensing Department, Construction Industries Division.
rld.state.nm.us/construction
4. Do not agree to a large down payment. A reputable contractor will not normally require a down payment over 10% to 25% of the total price.
5. If possible —accompany the contractor to the building supply store, pay for the materials yourself, and have the materials delivered directly to your home or jobsite rather than the contractor’s shop.
6. Get a guarantee and a contract in writing. Do not accept verbal guarantees or agreements. Any changes in the contract should be in writing and initialed by both parties. Keep a signed, legible copy of the contract in a safe place.
7. Always pay by check or money order and keep a receipt. Write all checks to the company, not the individual worker.

Before signing on the dotted line, make sure the contract contains:

- The contractor’s name, address, phone, license number, insurance information
- A payment schedule for the contractor, subcontractors, and suppliers
- A start and completion date
- The contractor’s obligation to obtain all necessary permits
- How change orders will be handled ☐ A detailed list of materials including quantity, color, model, size, brand name, and product
- Warranties and guarantees covering materials and workmanship
- Description of labor and services not

included in the price

A written statement of right to cancel the contract within three business days if contract is signed at a location other than the contractor's place of business