

# How To Understand Your Remodeling Agreement

The written agreement or contract between you and your remodeler is a legal document that spells out the what, where, how, time span, and cost of your project. It should be clear, complete, and concise. Before signing a contract to authorize the start of the work, make sure you thoroughly understand each provision.

The following topics will help you understand your remodeling agreement.

Contract requirements vary from state to state. Even if your state does not require a written agreement for remodeling jobs, insist that your remodeler provide one and make sure it clearly indicates what you will get for your money. In addition, your agreement should include some or all of the following information

## **Names of Property Owners and Remodeler**

If your state or local jurisdiction requires licensing or registration, the remodeler's number should appear here.

## **Legal Description of Your Property**

This description is usually found on the deed to your home.

## **Detailed Description Of Project**

The remodeler usually provides this description.

## **Items Incorporated By Reference**

Examples may include specifications and the remodeler's warranty. To avoid confusion, a contract may also describe work that will not be done or that someone else will do.


## **Visual Representation**

Examples include a blueprint, floor plan, or sketches that show what the remodeler will do and where. These documents, often incorporated by reference, illustrate various construction systems, such as foundation, framing, heating, air-conditioning, plumbing, and electrical systems. The remodeler uses sketches and drawings to obtain a building permit and guide the project. When the remodeler provides the drawings, typically he or she owns the copyright on them. Another party cannot use these copyrighted documents to build your job or to remodel another home without permission from the remodeler.

## **Project Timetable.**

This section includes estimated start and completion dates. Your remodeler may add language that stipulates conditions, such as adverse weather, that would require an extension of the completion date.

## **Price and Payment Schedule**

Remodeling work can be priced several ways. Whichever way your remodeler prices your job, be sure you understand when payments are due. You make these payments (sometimes called  draws) to the remodeler during construction according to a payment sched-

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ule you both agree upon. The payment schedule indicates how much you must pay at the start of and at specified intervals during the project. Ask your remodeler to carefully explain the price and payment schedule in your contract before you sign it, The agreement should mention any deposits you may have already made (for an estimate, sketches, or drawings) if the remodeler plans to apply those deposits to your total payment.

Expect to make payments, for example, when you

>sign the contract (The amount of down payment varies widely depending upon state law and the project's size, type, and duration)

>receive a regular invoice weekly, monthly, or at milestones (such as when framing begins or the project is under roof)

>sign a change order

>order a custom-made item (such as a stained-glass window, cabinets, or a lighting fixture)

In addition, your remodeler will expect the final payment upon substantial completion (for example, when you receive the certificate of occupancy, when you occupy or use the space, or when some other identifiable event occurs). The contract should make clear when substantial completion will occur.

If you are financing the project with a loan, be sure that the loan disbursement schedule matches your remodeler's billing intervals. Regardless of the source of the funds for the project, be prepared to pay on time. Withholding payment, other than as permitted by the agreement, undermines mutual trust and could delay completion of the job.

### **Bonus For Early Completion and Liquidated Damages**

You and your remodeler may decide to include a bonus provision that entitles the remodeler to a predetermined bonus for completing the project ahead of schedule. You might also agree to include a liquidated damages clause that requires payment of a predetermined amount of money for breach of contract, such as unreasonably late completion of the project or late payment of a draw.

### **Effective Date and Signatures**

This section of the contract may stipulate a date by which you must sign the contract to obtain the price quoted. Review your contract, get satisfactory answers to your questions, and sign it promptly. All parties to the agreement must sign it. Each of you should retain a signed original for your records. In addition, when you sign the agreement, both you and the remodeler should initial and receive a complete set of drawings, plans, and specifications.

Terms and conditions common to most remodeling projects - known as general conditions - often appear on the back pages of an agreement. The remodeler also might present them as a separate referenced document. Listed below are examples of typical general conditions for remodeling contracts.

### **Permits and Other Approvals**

This section specifies who will obtain and pay for any necessary permits or approvals, such as the building permit or homeowners association approval. This section may also specify that your remodeler agrees to comply with all applicable health and building codes, statutes, regulations, and ordinances governing the work and the way the remodeler is to perform it.

## **Certificates of Insurance**

The remodeler usually lists in this section the insurance the project requires, including the remodeler's policies that cover employees, trade contractors, and the project, such as workers' compensation and liability insurance. This section also may list any increase in homeowner's insurance you will need to carry.

## **Hidden Conditions**

This section explains the possibility of unforeseeable conditions (such as rusty pipes behind a wall or under a floor) and provides a contingency in case these conditions increase the price of your job.

## **Hazardous Materials**

Your contract may outline procedures to follow if the remodeler encounters hazardous materials on the job site, such as lead-based paint, radon, or asbestos. You and your remodeler may agree in advance that you will hire specialty contractors to handle the abatement of these hazards (if required by law in your jurisdiction). This section allows the remodeler to suspend activity on the project until the appropriate specialty contractors take care of any hazards.

## **Change Orders**

A change order is a written agreement to alter the work described in the original contract. Your contract may include a description of the procedures you should follow if you want to make changes after work has begun. If not, ask about these procedures. ~You will want to specify your changes in writing with a change order signed by both parties; do not rely on a verbal okay.) Depending on the nature of the change, a change order could affect the project's cost and schedule. Remodelers often require payment for change orders before work begins.

## **Lien Release**

People who work on or provide supplies for your project are legally entitled to obtain a specific interest in or to place a lien on your property if you do not pay them. This section of the contract would require that you receive a lien release (either partial or final depending upon the type of payment) when you make payments to the remodeler. By signing a lien release, your remodeler, trade contractors (if applicable), and suppliers waive their rights to place a lien on your property. In the worst case, a lien on your house that goes unaddressed could potentially lead to the forced sale of your property to cover the unpaid bills.

## **Work Performed By Others**

The contract should list work anyone other than your remodeler and crew will perform, for example, if you plan to do your own painting or have some-one else carpet the finished space. Because the remodeler is not responsible for this work, he or she will not guarantee it.

Described below are general conditions that deal with some of the ways in which remodeling can impact your home. Some remodelers handle these issues on a separate form during a preconstruction meeting rather than include them in the agreement.

## **Access**

Your contract may indicate how workers can access the work site and may restrict access to the work area by children, pets, and all unauthorized persons.

## **Care of the Premises**

This section outlines any specific steps you and the crew will take to preserve landscaping and protect rooms that are not being remodeled.

## **Bathroom and Phone**

This portion addresses workers' use of your phone and bathroom, if applicable.

## **Smoking**

Many remodeling companies prohibit workers from smoking in their customers' homes. This policy may appear in the contract.

## **Clean-Up and Trash Removal**

This section deals with responsibilities, schedules, and procedures for daily and final clean-up. Will you want the area swept or more thoroughly cleaned each day and at the end of the project?

## **Personal Property**

This section may identify who is responsible for removing your personal belongings from the work areas and storing them until the project is substantially complete. Some remodelers will move your belongings and include the cost in the price of the project. Specify any items you want to save from demolition and where you want to store them.

Many remodeling contracts include certain protections, such as those listed below, in the general conditions portion of the agreement.

## **Conflict Resolution**

This section outlines how you and your remodeler will resolve disputes regarding the work set forth in the contract. Ask if your remodeler is a member of a local home builders association. Many of these associations have conflict resolution committees that help to resolve disagreements between members and their customers.

## **Cancellation and Rescission**

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## **Remodeler's S Warranty**

If your remodeler offers a warranty, the description may appear in the contract or as a separate document referenced in the contract. The warranty will explain your remodeler's responsibilities regarding workmanship and materials. This document typically provides a limited guarantee that, if the work on the project does not meet accepted industry practices, the remodeler will make repairs or replacements or provide a refund as necessary. Many remodelers guarantee their workmanship for one year.

In addition to any drawings and blueprints, many remodelers list all products and materials included in your project. The description of each item should provide enough detail to clearly identify it, such as brand name, model number, color, and size. This section also may describe any materials to be selected later, who will choose them, and the amount of money (called an allowance) set aside to pay for each item.

Once you have read your contract and asked your remodeler to clarify any wording that you do not understand, read the document again. Ask yourself, does it -

>Give your remodeler's name, address, and business phone number?

>Contain approximate start and finish dates?

- >Describe the method, amount, and schedule of payments?
- >Incorporate written specifications of design and product details?
- >Provide a system to handle changes?
- >Describe your lien rights, dispute resolution, and the remodeler's warranty?
- >Give you 72 hours to cancel the contract, if applicable?

Professional remodelers will appreciate the opportunity to answer any questions you may have. After meeting with your remodeler to review the agreement, if you still have questions about responsibilities under the contract, discuss them with your attorney. Once you address these questions, you are ready to sign and date the contract.

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