
FAQ -- Hiring a Residential Building Contractor

Questions about hiring a building contractor are important. Investing your time to find the answers now may save you headaches and money in the end.

The Minnesota Department of Commerce has prepared this basic information on the licensing of building contractors and how it affects you, the consumer. It describes what to do before entering into a contract with a builder and what to do if you have a problem or dispute. It does not include a complete listing of all state laws and rules that apply to the home building process, but it provides answer to the questions most frequently asked by those seeking the services of a residential building contractor.

This information is available on-line over the Department's web page, www.commerce.state.mn.us, and also in a printed brochure available from the Department by calling 651-296-2488 or 800-657-3602.

What should you do when hiring a building contractor?

- *Hire a licensed contractor:* Although there are some exceptions, most residential builders, remodelers, and roofers are required to have a state contractor license. Contact the Department of Commerce to verify if the building contractor has a license and to check for any sanctions against a particular contractor.
 - *Contact the builder association in your area:* There are 20 local builder associations in Minnesota, and the Builders Association of Minnesota will gladly tell you which one to contact. If the contractor you have chosen is a member, the association will have more specific information.
 - *Contact the Better Business Bureau:* The Bureau may be able to tell you if any complaints have been filed against the contractor.
 - *Ask for references:* Every contractor will have a list of references. Make a point to contact and ask former customers if they were satisfied with the contractor's work, if they encountered any problems, or if they would change anything. Ask to see homes the contractor has built in your price range.
 - *Ask the contractor:* How long have you been in business? Where and under what name? Who are your subcontractors: How long have you worked together? Have you or your subcontractors been the subject of any legal action regarding your work?
 - *After you hire a contractor:* It's a good idea to make sure the contractor has obtained the proper permits. For most projects, the contractor must obtain building or zoning permits before beginning the work. Check with your city or county.
-

What should you avoid when hiring a contractor?

- *Do not hire an unlicensed contractor* unless he or she can provide you with a certificate of exemption issued by the Department of Commerce. Remember, however, that exempt contractors do not participate in the Contractors Recovery Fund and therefore you will not have access to this fund if something goes wrong. Also, the exempt contractor is not required to carry liability or property insurance that state licensed contractors must have.
 - *Avoid contractors who:*
 - ✓ Engage in high pressure sales tactics. Never decide before you investigate.
 - ✓ Refuse to give written estimates or contracts.
 - ✓ Fail to obtain proper permits or who request that the homeowner get them.
 - ✓ Refuse to provide their license number (if they are required to be licensed).
 - ✓ Require full or substantial payment before work begins.
-

What should you know before you sign the contract?

- The contract between you and the contractor must be in writing and include:
 - ✓ A summary of the work to be done.
 - ✓ A description of materials or a list of standard features included.
 - ✓ The total contract price or how the price will be calculated.
 - The contractor also must provide to you, at no cost, a copy of all documents including proposals, quotations, change orders, and purchase orders when signed. Any changes to the conditions of the agreement, even minor changes, should be in writing as well. It's also a good idea to include start and completion dates, even though justifiable delays may happen.
-

What do you do if you have problems with a contractor?

The Department of Commerce is responsible for licensing residential builders, remodelers, and roofing contractors. It also investigates complaints from consumers alleging violations of law and rules. When necessary, disciplinary action is taken against the contractor's license.

If you have a problem with your contractor, you may file a written complaint with the Department. Most of the time complaints are settled without imposing sanctions because the contractor agrees to fix the problem.

While most contractors are reliable, honest, and offer good quality work, their license is no guarantee. It is important for you to thoroughly check them out before entering into a contract.

Check out our web site at www.commerce.state.mn.us for more information on the complaint process.

What is the Contractors Recovery Fund?

The Contractors Recovery Fund compensates consumers who have suffered losses due to a contractor's fraudulent, deceptive, or dishonest practices, conversion of funds, or failure to perform. All licensed contractors are required to pay a fee to the fund.

BEWARE!! The total amount that can be paid out against any one licensed contractor is \$50,000. If multiple claims are filed against the same contractor, they are prorated. In these situations you may not be able to recover your entire loss. To better protect yourself, you may wish to request that your contractor obtain a performance bond for your specific project in case the contractor does not perform. A performance bond would provide a specific level of protection for your specific project.

What are the licensing requirements for contractors?

Minnesota law requires residential builders, remodelers, and roofers to be licensed. The license is required for the company, but not for each employee. The law applies only to contractors working on 1-4 unit family dwellings. Each company receives a license number that is required to be displayed in all advertising.

To obtain a license, contractors must:

- Have an owner or manager pass a written exam on technical and business matters.
- Provide proof of liability and property damage insurance.
- Provide proof of workers' compensation and unemployment insurance, or evidence that they are not required.
- Disclose the organizational structure of the business.
- Pay a license fee and contribute to the Contractors Recovery Fund.
- Obtain 7 hours of continuing education each year.

Those who are not required to have a contractor's license are:

- Builders, remodelers, or roofers who earn less than \$15,000/year and have obtained a Certificate of Exemption.
- Specialty contractors providing one special skill such as carpentry, masonry, or excavating.
- Plumbers, electricians, and mechanical contractors. They are licensed by other agencies and not the Department of Commerce.
- Builders, remodelers, and roofers performing work only within the Minneapolis city limits. Minneapolis has its own requirements.
- Homeowners doing the work on their own home.

Contractors not subject to state licensing may be required to obtain a city license. Check with your city for more information. Check out the [Licensing Section](#) on our web page for more specific information on licensing building contractors.

Residential roofers bonding

Licensed residential roofers are not a part of the Contractors Recovery Fund, but are required to maintain a \$5,000 surety bond. Contact the Department of Commerce for more information on making a claim against a roofer's bond.

Visit our Licensing Section on our web page at www.commerce.state.mn.us for more information.

Where to go for more information

Minnesota Department of Commerce

651-296-2488 or 800-657-3602

Board of Registration of Architecture, Engineering, Land Surveying, Landscape Architecture, and Certified Interior Design

651-296-2388

Board of Electricity

651-642-0800

Minnesota Attorney General

651-296-3353

City of Minneapolis licensing

612-673-3001

Builders Association of Minnesota

651-646-7959 or 800-654-7783