

How To Hire Your Next Contractor Even Though You're Not an Expert Rehabber Without Being Ripped Off By Fly-By-Night Contractors

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Lately I've spoken to several investors, new and seasoned alike who have been taken to the cleaners by would-be contractors. As a result I have written this helpful guide with some simple rules to protect you and allow you to increase your real estate profits.

These simple steps will insure that you don't get taken advantage of by an unethical contractor. Good contractors won't mind you performing your due diligence because they know they are going to perform and get paid quickly. Bad contractors will give you a hard time when they have to prove themselves. They will move on to more unsuspecting prey when they find out that you will do your due diligence. Because they know they will have to provide a quality product in return for their compensation.

Rule # 1. All Repairs Must Be In Writing: Make sure your contractors include a starting date and a completion date for all work bids. Include a monetary **PENALTY** when work is not completed on time, and stick to it. The **PENALTY** can range from a set dollar amount to a set dollar amount per day (i.e. "\$50 per day deducted until job completed", etc). By the same token, you should include a **BONUS** for work completed on time or in advance but with good quality. Never let quickness be an excuse for poor workmanship. This could be a set dollar amount or a certain amount per day in advance (i.e. If completed 2 days early you will receive a \$50 Bonus, 4 Days in advance will receive a \$100 bonus, etc).

Rule # 2. Who Will Be On The Jobsite: Make sure you state who should be on the jobsite. Many contractors will get a winning bid and then send some of their helpers to do the work. This is not a problem, as long as this is agreed to up front. Sometimes helpers are not up to the task and you may not get the type of work quality you were expecting from your lead contractor, so discuss this point up front. In your contract include the words, "All work to be completed with good quality workmanship."

Rule # 3. Ask For Referral & Then Call Them: Ask your contractor to give you 8-12 happy referrals with phone numbers of completed jobs. Also ask your contractor to provide you with 2-3 customers who were not initially satisfied and they had to go back to make the job right. Contact the referral and visit the completed job if possible or nearby so you can get a first hand experience of the contractors level of work. Ask the referral if they would use the contractor again and if they would use the contractor to do the type of work you are requesting.

Many times investors never ask contractors to tell them about customers who they had to go back on. But here is a **FACT:** You cannot satisfy 100% of customers on the first attempt 100% of the time. Therefore if a contractor tells you that they have never had to go back to correct something or to satisfy a customer then they are either: 1) too new in the business and do not have enough past clients or 2) they are not being totally honest with you. You decide.

Rule # 4. Keep Your Contractors Honest: Nothing hurts a rehab like **contractors gone wild** with repair costs. Get at least 2-3 repair bids from reputable contractors. REMEMBER - Go with the best and most reasonable bidder ...not necessarily the low bid or the high bid for that matter. Their reputation via the referrals should help you in your decision as well.

Rule # 5. Pay for Materials Instead of Advances: If supplying materials have them delivered to the job site or do a "Will Call" (call in your order) to Home Depot, Lowes or your local building supply house and pay for the order over the phone. Have your contractor pick up the supplies or have your supplier deliver to the job site.

Rule # 6. Pay For Work As Completed: Do not pay one red cent until each portion of the job has been completed 100%. From the beginning you and your contractor should agree to all pay and draw schedules and what tasks must be completed before each check is written. Be sure that you've checked the job for thoroughness before you pay. If you must provide an advanced draw, make it very, very small and only after good referrals have been confirmed. Make it an amount that you can walk away from if need be. It's amazing how people stay on your job and do good work if they know that their pay will be based on actual performance, not future, or promised performance.

Rule # 7. Do Not Pay For Incorrect or Incomplete Work Until Finished / Corrected: This is an excellent policy. No pay until complete. That means, no draws...Zip, Zing, Nada. If your contractor says he can save you money on supplies that's fine, but they'll get them with their own money or you can accompany them and pay for the supplies. You can also have supplies waiting for them via Will Call at Home Depot already paid for. In some instances you may want to do the shopping and drop off the supplies at the work site. My point here is that you should not be too gullible. Trust but verify is a great policy. There are many scam artists waiting to take advantage of the inexperienced investor.

Rule # 8. Never Pay Any Money Up Front: Think about it this way, if you start a new job, normally you don't receive a paycheck on the first day. Most of the time you wait for 2-3 weeks before you receive your first paycheck. Treat your repair or rehab project like a business and you will be rewarded appropriately.

The only time I would deviate from this is once I have known someone for a while, but not until they've proven themselves on a minimum of 5-10 successful jobs.

Rule # 9. Always Pay As Agreed: ****THIS IS EXTREMELY IMPORTANT**** When the job is completed to your satisfaction level always pay as agreed, when agreed. Don't hold back a paycheck from a good contractor. They deserve to be promptly compensated. Don't make them have to beg for their money after they've performed a nice quality job. If you run into cash flow problems, be up front and tell them what's going on and ask them to work with you, otherwise, just pay them on time.

Rule # 10. Mechanics Lien Waiver: Have all general and sub contractors sign a Waiver of Mechanics Lien stating they have been paid in full and that you owe them nothing more. This will keep contractors from fraudulently attaching a mechanics lien to your property.

Rule # 11. Workers Comp Insurance: Make sure your contractor has workers comp insurance. If your contractor does not have workers comp insurance you may want to contact your insurance agent and inquire about getting a small workers comp policy for workers that will be working for you from time to time (you will need to tell them how much money you plan to spend annually on this type of service). I believe a policy like this starts at around \$500 and goes up from here.

Rule # 12. Treat It Like A Business: REMEMBER, this is business, so treat it as such. Set your company policies and procedures and stick to them!!

All of these techniques are fantastic ways for saving money and time on your renovation projects. They sum up the most efficient ways to manage your rehabs.

Last But Not Least -Don't Give Up!!!! Just because you don't get the response you want right away doesn't mean anything. These rules have been proven to be effective. So, do yourself a favor and put them into ACTION!

Best Places To Find Contractors:

1. Word of mouth – your friends, other investors, satisfied customers of a contractor.
2. Building supply houses such as Home Depot, Lowes and other specialty industries dealing with roofing, foundation, paint, cement, bricks, windows, pest control, etc.
3. Show up at the building supply house at opening time or 6am when the early workers show up to pick up their supplies for the day (at least before 8am unless the contractor is restocking or starting a late job). You will find the serious contractors are there early.
4. Attend local investor network meetings and ask other investors who they use.
5. Drive through new neighborhoods and areas experiencing a lot of renovation and get the cards and phone numbers of the skilled contractors and/or sub-contractors you want to interview for your project.

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ABOUT THE AUTHOR . . .

Greg Bell has achieved what most people would consider phenomenal. Starting with very little money, a workable plan of action, and a lot of desire, Greg was in a position to retire by the age of 34. Greg has completed over 350 real estate transactions. Today, he buys, sells and leases anywhere from 3-7 houses per month. As the president of the Real Estate Investors Training Club (www.reitc.com), he has trained and coached several hundred successful real estate investors in his own backyard and around the country. He is the author of several powerful training systems from Wholesale Money Machine to Subject To Training to Bulletproof Exit Strategies. You can find Greg doing what he loves on the web, speaking to groups around the country or churning out deals in his own back yard in the Dallas - Ft Worth, Texas area. Get more services and information on Greg by visiting – <http://www.reitc.com> or <http://www.subject2training.com>. Feel free to share this report, as many other investors have passed this powerful report on to their friends & family members. In order to reprint or share this article you must leave this paragraph and all contents of this report intact 100% with no changes.