

Putting on a new face

But the usual homeowner mistakes are costlier now

This is the year of remodeling dangerously. In much of the country, prices are lower than they've been in a decade. A kitchen makeover billed at \$30,000 in 1989 might go for \$21,000 in slumping cities like Buffalo, Boston and Atlanta, where contractors are trimming their profits just to stay alive. Even in healthier regions, prices have fallen as much as 15 percent. But as the cost of remodeling has slipped, the odds of disaster have climbed.

The greatest risk is that a contractor won't be around to finish the work. Even in flush times, industry insiders estimate that half of all newcomers fold within five years, and right now laid-off construction workers and other tyros are angling for jobs. Or you could end up with a respectable renovation—and a gargantuan gap between the contract price and the final

bill. Here are the common mistakes homeowners make, along with strategies gleaned from contractors to avoid them. A little advance prudence now will save you from a painful lesson later.

■ **License? What license?** The refugees from housing construction and other depressed industries are the contractors who are most likely to do shoddy work or to lack the skills to keep a business afloat. A frequent tip-off is their lack of licenses and other official stamps of approval. There is no substitute for examining a candidate's portfolio of documents, keeping in mind that no one piece of paper guarantees a good remodeler and that credentials can be superficial. In some states, like Iowa, a contractor obtains a license by paying a \$25 fee every two years and showing proof of workers' compensation coverage. In others, like California, a candidate must pass a tough exam. Most homeowners never call the licensing office to inquire about standards or to see if the contractor's license is current.

A contractor who doesn't carry insurance could leave you vulnerable to law-

suits if anything goes wrong. Liability insurance, for example, protects you if your house is damaged or if a family member or neighbor is injured by the crew. A remodeler's word that a policy is in force is not enough. "I've heard of contractors who pay for workman's compensation and liability insurance, show papers to the homeowner, then cancel the policy to save money," says Norm Abram, master carpenter for the PBS television program "This Old House." A reputable contractor will have his company send you copies of the certificates for liability insurance, workers' compensation and vehicle insurance. Your own insurance agent can advise whether the policies are adequate. You might also ask the remodeler's insurance provider to notify you of changes in coverage.

■ **Oversqueezing the buck.** With more competition and fewer jobs on the horizon, smart contractors don't waste time by bidding high and then backing off; they bid low to start. A homeowner might be tempted to press a bit harder, but that could backfire. "The low bidder might figure, 'I'll do a half-assed job or use substandard materials because the homeowner pinched me,'" says Jim Kuhn, chief executive of the Consolidated Construction Group, a St. Louis remodeler. Or the contractor might pull workers off the job if a more lucrative assignment crops up. "He'll honor the contract, but it may not be in this decade," says Bill Chapin of Rochester. Contractors suggest tossing out the low bid unless you are certain that it represents a reasonable price for the job you want. Hiring an architect to review all the bids—at a fee in the range of \$100 an hour—might be a prudent investment.

■ **Why read the bids?** A giveaway price also could reflect a minimal version of the job. "My brother-in-law showed me two bids for finishing his basement, and one was about 25 percent lower than the other," says Abram of "This Old House." "You can't compare the two bids," Abram told his brother-in-law. The pricier contractor figured on finishing the wood trim and constructing plaster walls; the other opted for cheaper drywall and no trim. The brother-in-law had eyeballed the bottom line but hadn't taken the time to sort out each item on the bids.

Some contractors slice their bids by dropping items that will come back to haunt you. You can prevent surprises by giving the contractor a reasonably detailed description of what you want done and insisting on equally detailed work plans, with a list of materials, says Bob Lippmann, owner of H.I.S. Inc., a remodeling firm in Melville, N.Y. You can then question omissions or seeming frills. "I've seen cases where the homeowner ends up paying extra for the contractor to cart away the postremodeling rubble," says Lippmann.

■ **Hiring the wrong expertise.** With the number of new houses built in 1991 expected to hit a nine-year low, home build-

ers are elbowing into the remodeling business. They often bid low, but not because they're charitable; they simply lack the know-how to construct a realistic bid, says Jud Molsenbocker of Jud Construction in Muncie, Ind. They typically don't allow for on-the-job shockers, like uncovering structural beams that aren't properly supported. In such crises, a home builder will probably sock you with a change order or two and a hike in price.

An experienced contractor, while unable to anticipate every glitch, is more likely to build extra money into the budget for such contingencies. The safest bet for a home builder is a straightforward addi-