

# Contractor Warranty

# Minnesota Housing Rental Rehab Loan Program

PROPERTY ADDRESS: \_\_\_\_\_

**ATTENTION PROPERTY OWNER: YOUR CONTRACTOR(S) MUST SIGN THIS WARRANTY**

## CONTRACTOR WARRANTIES

### a.) Hold Harmless

Contractor shall defend, indemnify; and hold harmless the owner, and the officers, members, and employees of the Minnesota Housing Finance Agency ("MHFA") and lending institution from liability and claim for damages because of bodily injury, death; property damage, sickness, disease, or loss and expense rising from contractor's operations under this contract.

### b.) Lien Waivers

Contractor shall protect, defend and indemnify owner from any claims for unpaid work, labor, or materials. Payment shall not be due until the contractor has delivered to the owner complete release of all liens arising out of this contract or receipt in full covering all labor and materials for which: a lien could be filed, or a bond satisfactory to the Owner indemnifying him against any lien.

### c.) Permits and Codes

Contractor shall secure all necessary permits and licenses required to do this work, and comply with: all building code regulations and ordinances whether or not covered by the specifications and drawings for the work.

### d.) Equal Employment Opportunity

Contractor shall provide equal opportunity to all persons, without discrimination as to race, color, creed, religion, national origin, sex, marital status, age and status with: regard to public assistance or disability.

### e.) Unacceptable Risk

Contractor shall not be listed on the "unacceptable risk determination" list of the U.S. Department of Housing and Urban Development or the U.S. Farmer's Home Administration.

### f.) For Good and Valuable Consideration

(i) The contractor hereby warrants to the owner and to subsequent owners of the property to be improved THAT DURING THE TWO (2) YEAR PERIOD FROM AND AFTER THE DATE ON WHICH THE HOME IMPROVEMENT WORK WAS COMPLETED (HEREINAFTER CALLED THE "WARRANTY DATE"), CONTRACTOR'S IMPROVEMENTS TO THE DWELLING LOCATED ON THE PROPERTY, OR IMPROVEMENTS TO APURTENANCES THERETO, OR IMPROVEMENTS TO DETACHED GARAGES, DRIVEWAYS AND WALKWAYS, INCLUDING ALL MATERIALS, HARDWARE AND FIXTURES UTILIZED IN SAID IMPROVEMENTS, SHALL BE FREE FROM DEFECTS CAUSED BY FAULTY WORKMANSHIP AND DEFECTIVE MATERIALS DUE TO NONCOMPLIANCE WITH BUILDING STANDARDS: and that if contractor's improvements involve major structural changes or additions to the dwelling, that said improvements, for a period of TEN YEARS after the Warranty Date, shall be free from major construction defects in the load-bearing portion of the dwelling, the soil, which: affect the dwelling's load-bearing function and which: vitally affect or are imminently likely to vitally affect its use for residential purposes. "Major construction defects." as used herein, shall not include damage due to movement of the soil caused by flood, earthquake, or other natural disaster. The contractor hereby further warrants that it shall repair, correct, or replace, at no cost to owner, any instances of defective workmanship or materials or deficiencies subject to the warranties contained in this paragraph.

(ii) **Exclusions.** The liability of the contractor is limited to the specific items set forth: in the above and does not extend to the following: (a) loss or damage not reported by the owner to the contractor in writing within six months after the owner discovers or should have discovered the loss or damage; (b) loss or damage caused by defects in design, installation or materials which: the Owner supplied, installed or had installed under their direction; (c) secondary loss or damage such: as personal injury or property damage; (d) loss or damage from normal wear and tear; (e) loss or damage from normal shrinkage caused by drying of the improvements within tolerances of building standards; (f) loss or damages from dampness and condensation due to insufficient ventilation after occupancy; (g) loss or damage from negligence, improper maintenance or alteration of the improvements by parties other than the contractor; (h) loss or damage from changes in grading of the ground around the improvements by parties other than the contractor; (i) landscaping or insect loss or damage; (j) loss or damage from failure to maintain the improvements in good repair; (k) loss or damage which: the owner, whenever feasible, has not taken timely action to minimize; (l) .loss or damage which: occurs after the dwelling forming a part of the property improved is no longer used primarily as a residence; (m) accidental loss of damage usually described as acts of God, including but not limited to :fire, explosion, smoke, water escape, windstorm, hail or lightning, falling trees, aircraft and vehicles, flood, and earthquake, except when the loss or damage is caused by failure to comply with: building standards; (n) loss or damage from soil movement which: is compensated by legislation or covered by insurance; (o) loss or damage due to soil conditions where construction is done upon lands owned by the owner, and obtained by him from a source independent of the contractor; (p) loss or damage due to defects in the existing structure and systems not caused by the contractor's improvement.

### g.) Acknowledgment

The above warranties are in addition to, and not in limitation of, any and all other rights and remedies to which the owner, or subsequent owners, may be entitled, at law or inequity, and shall survive the conveyance of title, delivery of possession of the property, or other final settlement made by the owner and shall be binding on the undersigned notwithstanding any provision to the contrary contained in any instrument heretofore or hereafter executed by the owner. The contractor hereby acknowledges that this warranty has been approved by the Minnesota Housing Finance Agency, as provided in Minnesota Statutes, Chapter 462A, as amended,

Warrantor: (Contractor #1 sign here)

Warrantor: (Contractor #2 sign here)

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Firm Name (Please Print)

\_\_\_\_\_  
Firm Name (Please Print)

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Firm Address

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Firm Address

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Telephone

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Signature

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Title

## CONSUMER INFORMATION

Improving your rental property can be a satisfying experience. However, expenses can run high and unforeseen problems can arise if you are not prepared. Consider the following suggestions for dealing with a contractor. The Attorney General's Consumer Division provides a brochure entitled Hassle-Free Home Building and Remodeling. You may obtain a copy of this brochure by calling (612) 296-3353 or (800) 657.3787.

### CHOOSING A CONTRACTOR

There are many places to look for names of contractors:

- Start in your own neighborhood and ask for recommendations from neighbors who have had work done. Neighborhood groups may have a list of contractors who have done good work in the past.
- Building supply stores, hardware stores, lumberyards, and other materials suppliers may be able to provide names of some good contractors.
- Trade associations can usually offer good referrals because their members must maintain good reputations.
- The "yellow pages" or newspaper want ads may provide necessary information on whom to contact, and what specific improvements contractors specialize in.
- The National Association of the Remodeling Industry@ (NARI@) provides information on selecting a professional remodeling contractor, along with names of its member organizations by calling (612) 332-6274.

### INVESTIGATING A CONTRACTOR

Before you sign an agreement or contract, investigate the contractor's reputation. Here are a few places to be consulted:

- ⇒ Former customers
- ⇒ The Better Business Bureau
- ⇒ Your City Hall
- ⇒ Material dealers and trade associations
- ⇒ The Minnesota Attorney General's Office
- ⇒ The U.S. Department of Housing and Urban Development

### OBTAINING BIDS

Prior to obtaining bids, you should prepare a list of specifications to ensure that each contractor bids on the same amount of work. The specifications should be thorough and clear, because the contractor can only be held responsible for what is described in the specifications. There are two basic "rules" in obtaining bids:

- REQUEST SPECIFIC, WRITTEN BIDS. Do not accept verbal bids, regardless of the size of job.
- ALWAYS GET BIDS FROM AT LEAST THREE CONTRACTORS.

### ITEMS IN A CONTRACT

Each of the following items should be contained in your contract before you sign it:

- ⇒ Specifications
- ⇒ Starting and completion dates
- ⇒ Change order clauses
- ⇒ Schedule of payments
- ⇒ Liability
- ⇒ Permits
- ⇒ Cancellation rights
- ⇒ Guarantees and warranties (have the contractor sign the MHFA Contractor Warranty)
- ⇒ Protection against liens
- ⇒ Cleanup of site

Get clear answers to all your questions before you sign a contract. Ensure you have the necessary financing available for the proposed cost of improvements.

### PAYING THE CONTRACTOR

**Do not pay a contractor a large portion or the full amount of the contract before the work is done.** If needed, arrange for partial payments at the end of various stages of construction, and make final payment after accepting the completed job and after obtaining lien waivers from the contractor.

Pay the Contractor by check or money order, not with cash.

#### ABOUT THE MHFA CONTRACTOR WARRANTY

Although a warranty is supplied by the Minnesota Housing Finance Agency, the Agency is not party to the warranty. This is between you and the contractor. If you have any problems with the contractor, consult an attorney, a legal aid society, your city or county complaint department, or the Consumer Protection Division of the Minnesota Office of the Attorney General.

It is very important that the contractor(s) sign this warranty as it provides you with a number of important protections. By signing the warranty, the contractor states:

- a. You will be protected from lawsuits if a worker is injured on the job.
- b. He will provide lien waivers before being paid. (This assures you will not have liens placed on your property if a contractor or representative fails to pay the bills incurred with your contract.)
- c. The necessary permits will be obtained and all local building codes will be compiled with.
- d. Any defects in workmanship and materials will be warranted for two years from the date of completion of the improvement(s).