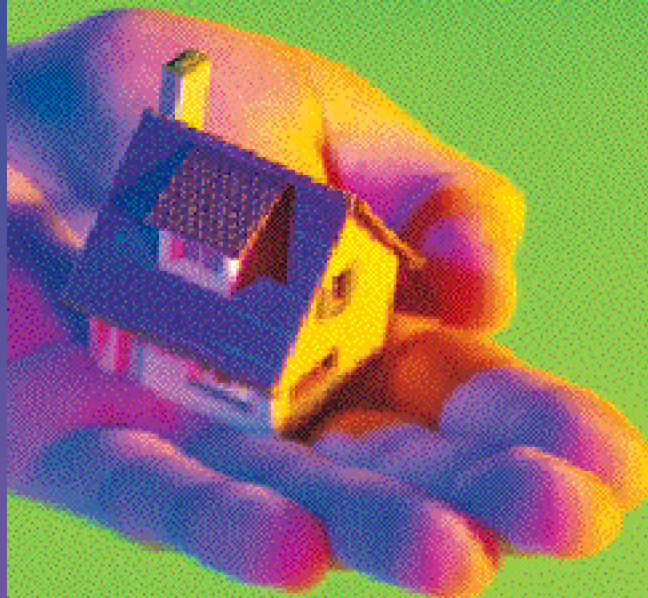


## Choosing The Right Contractor And Lender

When it comes to making improvements to your home, be sure to enlist the services of reputable organizations for the work that needs to be done and the financing you obtain.

*Here are some helpful tips...*



# DON'T BORROW TROUBLE

*Read this informative brochure before you:*

- Sign loan papers
- Refinance to make home improvements
- Apply for a home-improvement loan
- Sign a remodeling contract
- Make repairs to your home

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*The Open Doors<sup>®</sup>*



*A special thanks to Cleveland  
Consumer Agency Network  
for their work.*

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## When selecting a contractor:

- Get at least three estimates. To ensure that you're comparing apples to apples, ask for an itemized estimate from each company that breaks down the cost of materials and labor. Make sure that each estimate includes all the specifics of the job. And under no circumstances should you sign an estimate.
- Ask about payment schedules. Never pay or authorize the total cost of a project in advance of the work. In addition, never authorize final payment until you're completely satisfied with the work that's been completed.
- Keep the name, address and telephone number of each contractor in a file. Verify the information yourself.
- Look for and discuss any warranties or arbitration clauses before you sign your contract. If you don't understand or agree with any of the clauses, delete them from the contract.
- Inquire how you may cancel the contract after signing it. A three-day "cooling off period" is common for home-improvement contracts.
- Check with your city building department. Make sure that the contractor is insured, bonded and licensed in your city. Ask if a permit is needed for the job. If so, insist that the contractor obtain the permit.
- Get at least three references from each contractor. Call the references! What's more, check the company with the Better Business Bureau.

## When selecting a lender:

- Don't rely on the contractor or the broker to obtain financing for you. Shop around for the **lowest Annual Percentage Rate (APR) and fees**.
- Ensure that you're getting all the facts about the loan. Watch for any large "**balloon**" payment that may be due from you at the end of the loan, especially if the monthly payments are low.
- Check financing papers for "**prepayment penalties**." These are extra fees that you'll incur for paying off the loan early. Attempt to find a loan with no prepayment penalties.
- Ask about any **up-front fees**. Loan fees provide additional profit for the lender and should be a consideration when choosing a loan. Look for fees in your loan application and make sure that you understand what each charge is for. Commonly used terms that describe up-front loan fees are: loan origination fees, finders fees, broker fees, points, closing costs and credit life insurance.
- **Ask about your rights to cancel the loan.**

## Ask Yourself These Questions When Applying For A Loan

*Before you sign any loan application, ask yourself these questions:*

- Can I afford the new monthly payment?
- Are loan fees and a high-interest rate turning my \$12,000 remodeling job into a \$25,000 debt?
- Am I turning my old, low-cost mortgage into a new higher-rate mortgage by refinancing to complete my home-improvement project?
- Did I ask my neighborhood community development corporation for help with understanding financial applications and finding other lower-cost loan options available for my home improvement?

## Free Advice

If you have questions about financing or home repairs, call any of the numbers listed below. Our free advice and information will help you make confident, informed decisions when hiring a contractor and choosing a lender.

### **Neighborhood Housing Services of Cleveland**

361.0516

### **Lutheran Housing Corporation**

651.0077

### **Famicos Foundation**

791.6476

### **Consumer Protection Association**

881.3434

### **Consumer Credit Counseling Service**

781.8624, ext. 204 and 206

