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Learn To Protect Yourself From The Lien Law

"Pay me or I'll slap a lien on your property!" are 10 words you don't want to hear.

They're often words of an angry, frustrated contractor to a defensive homeowner over a dispute about workmanship, money or both in remodeling or repair projects.

Yet these dreaded words don't always come from a contractor. They can be uttered by a company or person who can demonstrate that labor and/or material to improve or repair your home were supplied, and they have not received payment per the terms of the contract.

The mechanics' lien law ensures that those who work on your home get paid for their services. If not, they have legal recourse that ties up your home and property until they are paid or the lien is resolved.

Any homeowner who employs outside labor and material for the improvement or repair of his home is vulnerable to this law.

Because this law is based on state statutes and civil codes, you should consult a local attorney for specifics in your area.

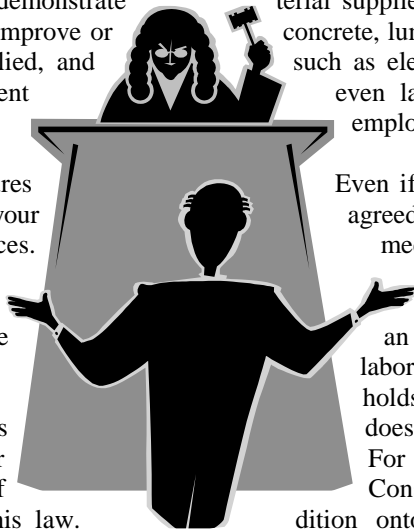
Your understanding of this law could prevent you from paying twice for any phase of your project, and safeguard you from losing your house to a disgruntled creditor in a nasty foreclosure sale because a material bill or service bill was not paid.

Though general contractors are most widely associated with the threat of a lien, the list of prospective lien claimants can include any material suppliers, such as those furnishing concrete, lumber, roofing; subcontractors such as electricians and plumbers; and even laborers that your contractor employs to clean up your job.

Even if you pay your contractor as agreed, you can still be hit with a mechanics' lien if your contractor fails to pay a material supplier, subcontractor or an individual who furnished labor for your project. The same holds true if a subcontractor doesn't pay his material supplier. For example, you hire Acme Construction Co. to build an addition onto your home. Acme hires

ABC Roofing to roof the addition. ABC buys the roofing material from XYZ Roofing Supply. You pay Acme, Acme pays ABC, but if

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R.I. Home Values Appreciated Most In U.S.

Home prices appreciated at a greater rate in Rhode Island than in any other state during 2003, according to the latest House Price Index, a quarterly report analyzing housing appreciation trends published by the Office of Federal Housing Enterprise Oversight.

According to the report, home prices appreciated by 16.43 percent in Rhode Island during 2003. California was second at 13.77 percent, and Washington, D.C., was third at 13.6 percent. The national average was 7.97 percent.

HPI tracks average house price changes in re-

peat sales or refinancings on existing single-family homes whose mortgages have been or purchased or securitized by Fannie Mae or Freddie Mac. Only transactions including conforming, conventional mortgages are included. Conforming, conventional mortgages are mortgages under \$322,700 (the 2003 figure) that aren't insured or guaranteed by the VA, FHA, or other federal government entity.

2003 was the fourth consecutive year in which average house prices have risen more than 7.5 percent, according to the report.

—By Pat Taylor for REALTOR® Magazine Online

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JONATHAN'S QUICK TIPS

- **Microwave Cleaning:** Lemony steam turns into a sparkling idea. To steam-clean the microwave, add 4 tablespoons of lemon juice to a cup of water in a large microwave-safe bowl. Boil in microwave for five minutes, then wipe away the moisture that condenses on the microwave interior.
- **Countertop Cleaning:** Don't use products that contain acids -- lemon or vinegar, for instance -- on marble or limestone. Use special stone cleaners or a mild detergent in water. Rinse thoroughly and dry with a soft cloth. When in doubt about using abrasives -- don't. Even mild abrasives can damage today's fine kitchen finishes. Scrub laminate countertops with a nylon brush and household cleaner.

Twelve Tips For Hiring A Remodeling Contractor

1. Get at least three written estimates.
2. Get references and call to check on the work. If possible, go by and visit earlier jobs.
3. Check with the local Chamber of Commerce or Better Business Bureau for complaints.
4. Be sure that the contract states exactly what is to be done and how change orders will be handled.
5. Make as small a down payment as possible so you won't lose a lot if the contractor fails to complete the job.
6. Be sure that the contractor has the necessary permits, licenses, and insurance.
7. Be sure that the contract states when the work will be



- completed and what recourse you have if it isn't. Also remember that in many instances you can cancel a contract within three business days of signing it.
8. Ask if the contractor's workers will do the entire job or whether subcontractors will do parts.
 9. Get the contractor to indemnify you if work does not meet any local building codes or regulations.
 10. Be sure that the contract specifies the contractor will clean up after the job and be responsible for any damage.
 11. Guarantee that materials used meet your specifications.
 12. Don't make the final payment until you're satisfied with the work.

Regular Maintenance Tips

As you know, when you perform maintenance regularly and repair any problems early, you can usually avoid more difficult and costly repairs down the road.

Here are some practical maintenance suggestions:

- * Keep the exterior paint in good repair. Make sure there is no exposed wood or peeling paint.
- * Clean the gutters and downspouts, keeping them free of debris to prevent overflow.

Regular maintenance is the best way to protect what is probably your largest single investment.

- * Check the roof for loose tiles; check the flashing to prevent leaks.

- * Make sure trees and shrubs are not touching the house, both for safety as well as pests.
- * Earth to wood contact is a major issue. Keep dirt away from the siding to prevent rot and pests.

These maintenance tasks may just seem like common sense, but when they are not done, they can cause major damage and expensive repairs.

Buy First Or Sell First, Which Is Best?

The classic dilemma for many homeowners is whether to buy or sell first?

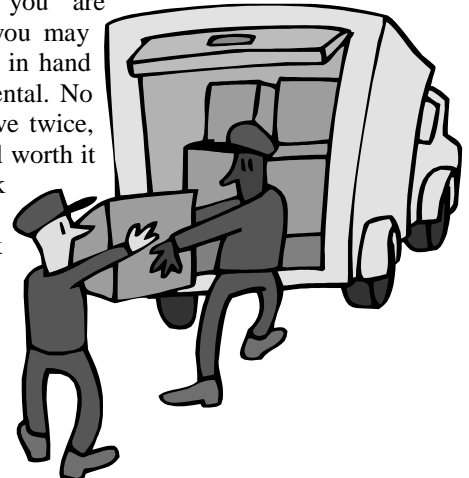
If you sell first, you may find yourself faced with a tight deadline, or you may even need to find a short-term rental. If you buy first, you may be saddled with two mortgage payments. Or, you may need the cash from the sale of your home in order to qualify for the loan on your new home.

There is no "right" answer. It depends on your specific circumstances.

Most homeowners agree that it is more prudent and less stressful if you sell your existing home before you buy a new one. You can often get top dollar for your home if you are not under pressure to sell. And you are in a better position to negotiate on the buying side of the transaction. If you have to make an offer contingent on the sale of your

home, you often lose negotiating leverage.

If you sell your current home and the home you select isn't available when you are ready to move, you may end up with cash in hand in a short term rental. No one wants to move twice, but it may be well worth it to eliminate risk and have more money to work with.



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ABC doesn't pay XYZ, you could end up paying for the roofing material twice.

Though there are means to prevent a mechanics' lien, your best protection has more to do with your contractor's ability, business experience and integrity -- and your ability to get along with him -- than any other aspect. Your focus should be on finding a good contractor.

Since a mechanics' lien can happen even with the best of contractors, consider the following options for protection.

Make a list: It helps to know who is working your job so that you can ensure that they get paid. Subcontractors and material suppliers are required by law to supply the property owner with a preliminary 20-day notice -- within 20 days from the time that they become involved with a project. Since many fail to do so, insist that your contractor supply you with a list of subs and suppliers.

Pay as you go: One of the biggest mistakes is to pay huge sums of money in advance of work being performed. A system that offers the consumer better protection -- more leverage and time to hear from a sub or supplier who didn't get paid -- is to make progress payments as a percentage of completion of the work.

Lien releases are a must: There are two types -- conditional and unconditional (or full releases). You should not make a payment to your general contractor unless you receive a conditional lien release in exchange. The conditional release will become unconditional when the check clears the bank. You can insist on an unconditional release with each payment if you are willing to provide the contractor with a certified check or a cashier's check. Before making final payment, require your general contractor to furnish unconditional lien releases from all subs and material suppliers.

Issue joint checks: You can issue joint checks to the general contractor and a subcontractor or material supplier. This option is not particularly popular with either the homeowner or contractor due to the need for additional management on both sides. It also can be disadvantageous to the owner and contractor in that it diminishes the contractor's monetary control over subs and suppliers. An alternative is to issue joint checks for services that put you at the greatest financial risk -- big-dollar items such as lumber, kitchen cabinets, roofing (when doing the entire house) or windows

(when doing whole house window replacement). Keep in mind that joint checks are not issued in lieu of obtaining lien releases.

Third-party management: Many banks, escrow companies, construction management firms and consulting architects are set up to provide detailed project accounting and pay construction draws as an agent for the owner. This option generally is reserved for larger-than-average projects and comes with a hefty fee. Be prepared to drop an additional 5 percent to 10 percent of the total contract value for this service.

"...your best protection (against a lien) has more to do with your contractor's ability, business experience and integrity -- and your ability to get along with him -- than any other aspect. Your focus should be on finding a good contractor."

--Payment and performance bond: You can require your contractor to supply you with a payment and performance bond that provides that the bonding company will either complete the project or pay damages up to the amount of the bond. In short, it's an insurance policy that you pay for as part of the contract; it usually tacks on about 1 percent to 5 percent of the contract sum. One caveat: not all contractors are bondable due to longevity in business or financial

position. Or, the amount for which the contractor can be bonded is only a fraction of the value of the job. Don't confuse a payment and performance bond with a surety bond, which is required of most contractors -- with an average value of \$5,000 to \$10,000.

Mechanics' lien release bond: After a mechanics' lien is recorded, a property owner, general contractor or subcontractor may record a mechanics' lien release bond, which frees the property of the mechanics' lien. Once such a bond is recorded, the real property described in the bond is released from the mechanics' lien and, of more importance, any action to foreclose on the lien is released as well.

The bond acts as a substitute for your home as the object to which the mechanics' lien attaches. In other words, once you have a mechanics' lien release bond, the person chasing you for the money must now chase the bonding company.

The mechanics' lien law is complex. Honing design plans and picking appliances, cabinets and flooring are fun and necessary parts of planning a home-improvement project. Choosing a good contractor and understanding the mechanics' lien law are necessary steps in protecting your piece of the Great American Dream and avoiding home improvement chaos.

—By James & Morris Carey for AP Weekly Features

Stamp

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20 Low-Cost Ways to Spruce Up Your Home

Make your home more appealing for yourself and for potential buyers with these quick and easy tips:

- 1: Trim bushes so they don't block windows and cut down on light.
- 2: Buy a new doormat.
- 3: Put a pot of bright flowers (or a small evergreen in winter) on your porch.
- 4: Put new doorknobs on your front door.
- 5: Put a fresh coating on your driveway.
- 6: Edge the grass around walks and trees.
- 7: Keep your garden tools out of site.
- 8: Be sure kids put away their toys.
- 9: Buy a new mailbox.



- 10: Upgrade your outside lighting.
- 11: Use warm, incandescent light bulbs for a homey feel.
- 12: Polish or replace your house numbers.
- 13: Clean your gutters.
- 14: Put out pot-pourri or burn scented candles.
- 15: Buy new pillows for the sofa.
- 16: Buy a flowering plant and put in a window you pass by frequently.
- 17: Make a centerpiece for your table with fruit or artificial flowers.
- 18: Replace heavy curtains with sheer ones that let in more light.
- 19: Buy new towels.
- 20: Put a seasonal wreath on your door.

“Oh by the way... if you know of anyone that is looking to buy or sell a home and would appreciate a high level of professional and courteous service, please give me their name and number and I'll be happy to follow up with them for you.”