

## How to Find a Good Contractor

### Who to Look For

Ideally in a perfect world, you would be able to work with friends and family that you are totally comfortable with. If they aren't available or interested in helping, simply asking them for referrals can be a big help to you.

If you are referred to someone who prefers who just work in one niche that might be ok if they are great at what they do and are able to turn things around quickly and efficiently.

### *Ask for References*

If you find a contractor you may be interested in working with, don't be afraid to ask them to speak with past clients for referrals on their work. Or ask them if you are able to stop by a current job site they are working on to see what they are doing.

If a contractor seems uncomfortable about giving references, then that might be a sign that you may not want to work with. See if they have insurance, if they can pull permits for you and are willing to deal with inspectors.

Make sure you know who you are working with.

### *Don't Be Afraid to Ask Questions*

With contractors, you may have to go out of your comfort zone a bit whether it's asking for references or seeing if they are insured and willing to work with inspectors.

Being honest and blunt will help you get as much information up front as you can so you don't waste time on the job site.

If a contractor is not willing to let you visit a current job site, ask for photos but beware, photos do not show the small details. Maybe if you know where a past job of theirs is located at, feel out the property by just simply driving by to see how it looks from the outside.

We are in the business of doing safe, secure and profitable projects so don't feel bad asking questions and setting expectations.

### **Contractors vs. Subcontractors**

#### *What's the Difference?*

Contractors provide agreed services to a client for a set fee - and possibly duration - under a contract for services. (This is in contrast to a contract of service.)

Subcontractors undertake a contract from the contractor.

Subcontractors can be anything from an individual self-employed person – such as a plumber carrying out work for a building contractor - to a large national organization. A subcontractor has a contract with the contractor for the services provided - an employee of the contractor cannot also be a subcontractor.

#### *Who is Responsible for What?*

Choosing who to work with greatly depends on your budget – is a high-end project? If you have the money to spend, you can usually afford to work with a General Contractor who will bring in his own guys. They are usually a little more expensive.

If you are the one being the General Contractor, you can save some money, but then you have more stress and more on your plate.

#### *Who Buys the Materials?*

As far as material costs and buying materials, I choose almost 100% of the time to buy my own materials.

At the end of the day, you know how much you want to spend and what kind of materials you are partial to. I try to buy probably around 75% of the materials myself and get them delivered because I'm familiar on what the cost is.

Every contractor thinks they have the best connections and best prices, but many times we have seen where they do not. There is a difference between flipping a house for profit and just doing a little personal home remodeling.

For us, we want to keep the costs as low as possible and we know it's valuable to spend time finding better deals on materials like cabinets, tile, flooring, etc. and spend more money on skilled labor.

I usually buy about 75% of the materials, especially the big stuff, and the contractors get the remaining 25% which is usually materials they use on a daily basis like dry wall or electrical or plumbing pieces.

#### *Good Labor Will Cost You*

Good labor is going to cost you no matter what way you look at it. You don't want to pay retail value for things if you are working with a strict budget and if you have a contractor you regularly work with, you hope you are getting a break in their cost.

One way we have found in our market, Cleveland, Ohio, to save money on materials are auctions where they bring in materials from different places. Some things from Home Depot, some are custom. Bring your phone and cross-check the materials that are for sale on your phone to make sure you are getting a good deal.

If your contractors have been in business for 10-15 years, they should be able to bring things to the table. It needs to be decided before a project begins on who is in charge of finding materials, sourcing materials, picking up materials and paying for materials so there is no confusion.

Certain contractors don't use certain types of material, so make sure you discuss what you are planning on using beforehand in case they aren't comfortable using that particular material. This will help avoid a HUGE miscommunication that could potentially occur.

#### *Make Sure Your General Contractor is Right for You*

If you hire a new General Contractor that you have no worked with previously, make sure you are available to be hands-on for the first few projects. Even though they might tell you they are familiar with the type of work you are doing, you want to make sure they TRULY do.

Time is money and you don't want to find out halfway through a project that are only used to doing a different type of rehab than you are going for.

Plus, asking a lot of questions and being very involved at first is a good way for you to build your credibility with your contractors. You want to make sure they know that you know what you are doing.

## **Compensation Drives Behavior**

### *Incentivizing*

Once you are familiar with your contractors or General Contractor after working on a few projects together, you may start to feel comfortable to leaving more in their hands. As you grow and scale your business, you have to start handing off more with people you trust so you can make time for other things.

Josh always says, "Compensation drives behavior." If you can incentivize your General Contractor to help with these tasks by adding on an extra 10% or whatever you are comfortable with to their paycheck, it will feel rewarding to them and also help you sleep at night by keeping additional tasks off your plate.

### *Bring Your Contractor into the Conversation*

A good way to keep everyone involved and make your contractor feel like they are truly part of the project is asking their opinion – even if you've always done something a certain way, it can't hurt to ask your contractor what they think you should do.

You never know what they might bring to the table and it helps them become part of the conversation and feel like they are making a difference. New ideas never hurt – everything is constantly changing and maybe an old way you used to do things can be updated to save time and money.

Asking their opinion will show that you respect them and what they do.

## **Paying Your Contractors**

### *Be Timely*

It's important to make sure that it is made clear the terms in which your contractors will be compensated for their work. They need to know:

- How they are being paid
- When they are being paid

Not paying your crew on time is NOT good to do.

Most contractors prefer to be paid as the project goes along – weekly or biweekly. However you structure it, make sure it's clear to everyone who is doing work for you.

### *Company Size*

We usually go with companies that are small to medium size and have about 5 people on their crew. They can only handle one to two projects at a time, but that's what works for us.

If the company is a good fit for you and you keep giving them work, their team might grow as you grow. If you find a General Contractor who is a great communicator and a good role model for their crew, that will trickle down and they will bring in more of the right people.

Once you work with a crew regularly on multiple projects, the work starts to get easier and they have less questions for you and take more initiative to make decisions because they are familiar with your process and what you like, so it takes stress and work off of your plate.

### *Budgets*

One thing it's important to remember in the real estate investing business is that most of the time, our budgets are tight. We are trying to rehab a house using the least amount of money possible, while still creating a great product that people will want to buy.

That being said, we aren't able to pay the contractors a large amount of money or in some cases, what they are used to being paid on other larger projects.

To compensate for this, we have started giving our General Contractors 10%, 15% or even 20% of the profit that we make after the property is sold. It's a great way to incentivize your contractors to make this the best product possible so it sells quickly and for a great price. They know they are working toward a bonus at the end of the project.

It also helps you to save money up front. It will also hopefully make your crew more efficient with that they are doing so it's a win-win situation.

### **Conclusion**

Now, take a step and examine your business. Do you have a General Contractor in mind that you want to work with or that you already regularly work with?

If not, write down the qualities you want them to have and figure out your compensation and incentive program that you will be able to offer them. Remember to ask family and friends for referrals of positive experiences they have had in the past with contractors. Word of mouth and personal referrals is usually the best way to find someone you trust.

Make sure you have all your guidelines written down upfront when you find a contractor you want to work with so they know exactly what to expect.

## 14 Ways to Find Reliable Contractors

I've made millions of dollars flipping rehab properties since 2003... even though I can hardly swing a hammer.

My secret?

Finding good, reliable contractors... who consistently come in at (or below) budget... hit their deadlines... and add thousands of dollars of EXTRA profit to these real estate deals.

A good contractor is an essential ally that every real estate investor needs to have.

It's your secret weapon that's going to allow you to quickly sell properties for MAXIMUM value. And in this special report, I'm going to show you how to find the BEST contractors that can help boost your bottom line... and save you a lot of unnecessary headache.

Here are the 14 methods that myself, my coaches and faculty use on a regular basis to help find quality contractors:

1. **Home Depot and Lowe's contractor desk between 6-7am.** Grab a coffee (sometimes they even have it there for free!) and go hang out at your local Home Depot or Lowe's to meet all the best contractors who are showing up early to buy supplies for their jobs.
2. **Your Local REIA Club.** Heading to your local Real Estate Investor Association Meeting is a great place to find contractors or at least get leads on a good one. If you aren't currently a part of your local REIA Club, find one by just googling REIA Club and the name of your city. If there isn't one near you, go to any and every real estate function you can attend, and while there, find out who the rehabbers are in your area and who they use for contractors. Networking is KEY.
3. **Drive through neighborhoods.** If you see a crew working at a house, stop in. See if you can check out their work and maybe get their contact information if it looks good. If the owner of the property is there, see if they liked working with them and would recommend them.
4. **Fundamental Groups.** Look in your area for local Amish groups that do really high quality carpentry. You can use Google to help you find reviews or referrals.
5. **Your Local Building Department.** Here you can find a list of contractors that are already approved to work in your city. In cities where there is a lot of renovation work happening, contractors have to get approved and submit their paperwork to the city to be able to work there. The city will have a whole roster of plumbers, electricians, carpenters, roofers, etc. that are all approved and ready to work.
6. **Advertising on Craigslist.** Make sure to specify in your ad that if they are going to respond, they MUST send you a resume and samples of work they have completed in the past. If they can't follow those instructions, they are not worth your time.

7. **Material Supply Houses.** Places like Building 9 or Menard's that just sell materials usually have a roster of contractors that buy materials in bulk. They may be able to refer you to some of the best in your area that they know or work with.
8. **Builders.** Builders use subcontractors to do a lot of work under them. In the winter or during slow seasons, the builders can't keep all their subcontractors busy, so they will usually gladly refer them to you.
9. **Realtors.** If you know a realtor who does a lot of REO work or lists a lot of HUD homes, they can usually refer you to contractors they use when they get a bank-owned home that needs some work.
10. **NARI.org.** [The National Association of the Remodeling Industry](#) is an organization of high-quality remodeling professionals connects homeowners with its professional members and provides tips and tricks so that the consumer has a positive remodeling experience.
11. **Your Local Home Builders Association.** Your local HBA's mission is to enhance their members' ability to meet the housing needs of the general public by providing superior services and benefits to those engaged in the home-building industry. If you are a full-time real estate investor who works on big rehabs, you should seriously consider joining your local HBA chapter.
12. **Call Posted Signs.** Anytime you see a sign in a front yard from a company that says they just completed work there, call the number on the sign and find out who did the work.
13. **Angie's List.** You can register for an account on [Angie's List](#), which you can pay for a basic membership monthly (\$3.75) or yearly (\$9.99) and have access to a variety of service providers in your area.
14. **HomeAdvisor.com.** It's a service like Angie's List, but [HomeAdvisor.com](#) is free! They make it easy to find local pros who specialize in exactly the type of work you need done. Just give them a few details about your project and they will match you to the best pro for the job. They also offer a detailed True Cost Guide that helps take the guesswork out of budgeting and most pros on the site have reviews you can read to see feedback of their past jobs.

### Social Media

Another great resource to find quality contractors is Facebook. Everyone owns a home and has things that needed to be updated or fixed. Just put a post on your page that says you just bought a house you are looking to renovate and you are looking for good quality contractors.



Your social network is so ready to make recommendations and let you know who has done (or bad!) work for them.

### Conclusion

We now know the profitability of any rehab is directly correlated to the contractor. Therefore, hiring a dependable contractor is not only critical, but also essential to the success of any flip.

Whether it's a light rehab for a significant full rehab – a good contractor is what you need to make the project profitable.

*Never be satisfied with just one.*

*Inspire Freedom*  
Est. 2007

Always be on the hunt for new contractors – especially when you are doing as many deals as we are at one time. We need several general contractors and lots of subcontractors going at once, so we're always on the lookout for new recommendations.