



# ASK THE CONTRACTOR

## WEEDING OUT THE GOOD FROM THE BAD: DO YOU KNOW YOUR CONTRACTOR'S CREDIT SCORE?

By Allan Pincus

**Q:** Dear Allan, I've heard horror stories about contractors who accept deposits and then disappear with the money, even contractors with great references. How can I protect myself?

**A:** I am asked this question a lot and although I can offer no guarantees, there are a few independent tools you can use to help assist you in weeding out the good contractors from the bad.

When screening potential contractors, the following items are most commonly asked for:

1. Proof of insurance (both liability and workers compensation)
2. Proof of NJ State Home Improvement License
3. References

These items, while important, cannot guarantee that the contractor you are interviewing is honest. The first two items are legally required for the contractor to operate in New Jersey but provide limited value as to whether or not your contractor will run off with your money. You can find out if there are any grievances with your contractor, or whether his license has been

revoked, by checking with New Jersey's Division of Consumer Affairs (<http://www.njconsumer-affairs.gov>).

**The best objective indicator of whether or not the contractor will finish the job is his FICO score.**

References are highly valued, as they should be, but expect them to be biased. I'm not aware of too many contractors that would give out a bad reference, so all references should be taken with a grain of salt.

Interestingly, the best objective indicator of whether or not the contractor is likely to start and finish the job is his FICO credit score. Yes, the same score used by banks and credit card companies to determine if they should lend you money.

When you give a contractor a deposit, you have essentially financed part of his current activities. Unless you have in writing that the deposit you have given him is placed in a legal escrow account, you can presume that the money he received is going towards his existing creditors such as suppliers and payroll.

Unto itself, giving a deposit to the contractor and signing a contract is the right thing to do, as it binds both parties into the agreement. But as a consumer, by giving a deposit to the contractor, you have become one of his creditors until the work is finished. Wouldn't it be comforting to know that the individual is truly "credit worthy?"

The leading credit bureaus that report the FICO score are Transunion ([www.transunion.com](http://www.transunion.com)), Experian ([www.experian.com](http://www.experian.com)), and Equifax ([www.equifax.com](http://www.equifax.com)). Aaron Skloff, CEO of Skloff Financial Group ([www.skloff.com](http://www.skloff.com)), a Registered Investment Advisor in Berkeley Heights, NJ, says "FICO scores range from 350 to 850. I would consider a contractor a 'good risk' if his score is above 660. Below 620, however, I'd continue my search." If a financial advisor would avoid those with lower credit scores...shouldn't you?

It may seem odd to request a contractor's credit score, but you should seriously consider this if you are unsure. Ask for a credit report that is fairly recent, from one of the credit bureaus listed above. Since the cost of a credit report is nominal, the contractor should be willing to provide it. And if he refuses, I suggest you consider others for the job.

A high credit score is the strongest indicator of one's fiscal responsibility, and you owe it to yourself to hire a contractor with solid credit. This is the best way to be assured that he will be responsible with your money as well.

**About the Author :** Mr. Pincus is the owner of "Around Your House LLC" a state registered (Reg # 13VH00930100) and insured building and remodeling company based in Warren, NJ. Mr. Pincus holds a Bachelors Degree in Electrical Engineering and a Masters Degree in Engineering Management. For more information call 732-748-0294 or email at [apincus@ayhllc.com](mailto:apincus@ayhllc.com).

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