

RED FLAGS IN CONTRACTOR PROPOSALS

20 Warning Signs Every Homeowner Should Review Before Signing

CMP'S CORE RULE: A proposal should help you understand the work, price, responsibilities and major risks - not make you guess. A red flag does **not automatically mean fraud or a bad contractor**. It means: **STOP, ASK, VERIFY, DOCUMENT**.

HOW TO USE THIS GUIDE

Read the proposal once for the overall project, then a second time specifically looking for the warning signs below. Mark each item **Clear**, **Needs Clarification**, or **Red Flag**. Do not sign until material questions are resolved.

1. THE SCOPE IS TOO VAGUE

Watch for broad phrases such as 'complete remodel,' 'repair as needed,' or 'labor and materials included' without enough detail to understand the actual work. Ask for important tasks, materials, responsibilities and exclusions to be stated in writing.

CMP CHECK: Ask: What exactly will be done, and what is specifically not included?

☐ CLEAR☐ NEEDS CLARIFICATION☐ RED FLAG

2. IMPORTANT MATERIALS ARE NOT IDENTIFIED

If quality, grade, thickness, brand, model, quantity or finish can materially affect price or performance, the proposal should provide enough information for you to understand what is being priced.

CMP CHECK: Ask: What product or material standard is included, and are any selections allowances?

☐ CLEAR☐ NEEDS CLARIFICATION☐ RED FLAG

3. ALLOWANCES ARE UNDEFINED OR UNREALISTIC

An allowance is not necessarily a final cost. A low allowance can make a proposal look cheaper and later create increases when actual selections are made.

CMP CHECK: Ask: What does each allowance cover, and what happens if actual cost is higher or lower?

☐ CLEAR☐ NEEDS CLARIFICATION☐ RED FLAG

4. EXCLUSIONS ARE MISSING OR HARD TO FIND

A proposal that explains inclusions but says little about exclusions can leave the homeowner responsible for unexpected tasks or costs.

CMP CHECK: Ask: What work, materials, permits, repairs, cleanup or fees are excluded?

☐ CLEAR☐ NEEDS CLARIFICATION☐ RED FLAG

5. THE PRICE IS FAR BELOW OTHER COMPARABLE BIDS

A low price is not automatically improper, but Texas consumer guidance specifically warns homeowners to question low-ball bids. The difference may reflect missing scope, lower-grade materials, inexperienced labor or another legitimate or problematic assumption.

CMP CHECK: Ask: Why is this proposal materially lower, and what differences in scope or materials explain it?

☐ CLEAR☐ NEEDS CLARIFICATION☐ RED FLAG

6. LARGE OR FULL PAYMENT IS REQUIRED UP FRONT

The FTC and Texas consumer agencies warn against full upfront payment, and Texas guidance advises caution with large down payments. Progress payments should be understandable and tied to the agreement.

CMP CHECK: Ask: What does each payment correspond to, and what work or milestone triggers it?

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

7. THE PAYMENT SCHEDULE IS NOT CONNECTED TO PROGRESS

Calendar-only payments can create risk if payment becomes due regardless of actual progress. Understand the trigger for each payment and inspect progress before paying when appropriate.

CMP CHECK: Ask: What measurable milestone or completed work triggers each payment?

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

8. CHANGE ORDERS ARE NOT EXPLAINED

Projects change. A proposal or contract should make clear how changes to scope, price and time are requested, documented and approved.

CMP CHECK: Ask: Will I receive written price and schedule impacts before changed work proceeds when practicable?

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

9. START / COMPLETION EXPECTATIONS ARE MISSING

Exact dates are not always possible, but a homeowner should understand the expected start, duration, scheduling assumptions and what may cause delays.

CMP CHECK: Ask: When do you expect to start, how long should the work take, and what can materially change that?

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

10. VERBAL PROMISES ARE NOT IN WRITING

FTC and Texas guidance both emphasize putting promises and project terms into the written agreement. If a promise matters to your decision, do not rely solely on a conversation.

CMP CHECK: Ask: Can we add that commitment to the written proposal or contract?

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

11. THE DOCUMENT CONTAINS BLANK SPACES

The FTC and Texas Attorney General warn consumers not to sign agreements with blanks that could later be filled in.

CMP CHECK: Action: Do not sign until every material blank is completed, marked not applicable, or otherwise properly resolved.

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

12. YOU ARE BEING PRESSURED TO SIGN IMMEDIATELY

High-pressure 'today only' tactics are a recognized scam warning sign. A legitimate proposal should generally allow reasonable time for review and questions.

CMP CHECK: Action: Slow down. Read the entire document and resolve questions before signing.

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

13. INSURANCE / LICENSING CLAIMS CANNOT BE VERIFIED

Where licensing or registration applies, verify it with the proper authority. Request current proof of applicable insurance instead of relying on a proposal statement or logo.

CMP CHECK: Ask: Can you provide current documentation so I can independently verify it?

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

14. PERMIT RESPONSIBILITY IS UNCLEAR

Permit requirements vary. The proposal should not leave the homeowner guessing who will determine, obtain and coordinate required permits and inspections.

CMP CHECK: Ask: What permits or inspections apply, who obtains them, and are fees included?

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

15. SUBCONTRACTOR / SUPPLIER RESPONSIBILITIES ARE UNCLEAR

Residential projects can involve subcontractors and suppliers, and Texas lien law creates important homeowner considerations. Know who may perform work and how payment/documentation will be handled.

CMP CHECK: Ask: Who do you expect to use, and what closeout/payment documentation will I receive?

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

16. THE PROPOSAL TIES PRICE TO 'ALL INSURANCE PROCEEDS'

For Texas insurance-related repairs, the Texas Department of Insurance warns against contracts stating that the homeowner agrees to repairs for the value of insurance proceeds. That can commit the entire insurance payment rather than a clearly defined project price.

CMP CHECK: Action: Do not sign vague insurance-proceeds pricing. Require a clear scope and price, and seek professional advice if needed.

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

17. THE CONTRACTOR OFFERS TO WAIVE YOUR INSURANCE DEDUCTIBLE

Texas insurance guidance states that it is illegal for a contractor to offer to waive or absorb a required property-insurance deductible. This is not a discount to treat casually.

CMP CHECK: Action: Do not proceed on that promise; consider another contractor and verify your obligations with your insurer.

☐ CLEAR

☐ NEEDS CLARIFICATION

☐ RED FLAG

18. WARRANTIES / GUARANTEES ARE VAGUE

Promises such as 'lifetime warranty' or '100% guaranteed' mean little without written terms explaining coverage, duration, exclusions, responsible party and claim process.

CMP CHECK: Ask: Who provides the warranty, what exactly is covered, for how long, and what voids it?

☐ CLEAR☐ NEEDS CLARIFICATION☐ RED FLAG

19. FINAL PAYMENT / CLOSEOUT IS NOT DEFINED

The proposal should allow you to understand what completion means: walkthrough, punch list, cleanup, applicable inspections, warranties and other closeout documents.

CMP CHECK: Ask: What must be completed and delivered before final payment is due?

☐ CLEAR☐ NEEDS CLARIFICATION☐ RED FLAG

20. THE PROPOSAL SHIFTS UNEXPECTED RISK TO YOU

Read clauses about damage, concealed conditions, delays, price escalation, attorney fees, dispute resolution, financing, liens, cancellation, indemnity and responsibility for others. Some clauses may be legitimate, but you should understand them before signing.

CMP CHECK: Action: If a term affects significant legal or financial rights and you do not understand it, get qualified legal advice before signing.

☐ CLEAR☐ NEEDS CLARIFICATION☐ RED FLAG

CMP 2-MINUTE PROPOSAL RISK SCREEN

- ☐ Is the contractor/business clearly identified?
- ☐ Is the scope detailed enough to understand what will actually be done?
- ☐ Are important materials/specifications or allowances understandable?
- ☐ Are exclusions clearly stated?
- ☐ Can I explain why this price differs from other bids?
- ☐ Is the deposit/payment schedule understandable and reasonable for the agreement?
- ☐ Are payment triggers connected to progress or defined milestones where appropriate?
- ☐ Is the change-order process written and understandable?
- ☐ Are start/duration/completion expectations addressed?
- ☐ Are important verbal promises included in writing?
- ☐ Are all material blanks completed or resolved?
- ☐ Have applicable licensing/registration and insurance claims been independently verified?
- ☐ Is responsibility for permits/inspections clear?
- ☐ Do I understand subcontractor/supplier and lien-related issues that may apply?
- ☐ If insurance is involved, is the project price clearly defined rather than simply tied to all insurance proceeds?
- ☐ Have I rejected any promise to waive/absorb a required insurance deductible?
- ☐ Are warranty terms understandable?
- ☐ Do I understand what constitutes completion and triggers final payment?
- ☐ Have I read clauses affecting liens, financing, cancellation, disputes, fees and legal rights?
- ☐ Do I feel I have had enough time to review the proposal without pressure?

PROPOSAL STATUS

GREEN - GENERALLY CLEAR Major terms are understandable and key documentation can be verified. Continue normal due diligence.	YELLOW - CLARIFY BEFORE SIGNING Important scope, pricing, documentation or responsibility questions remain.	RED - STOP & REVIEW Material terms are missing, inconsistent, high-pressure, legally significant or otherwise concerning.
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TEXAS HOMEOWNER ALERT

Residential construction can involve lien rights and statutory notices. Texas Property Code Chapter 53 contains special rules for residential construction and homesteads, including written-contract and disclosure provisions in certain circumstances. Do not use this guide as a substitute for legal advice. If a proposal, financing arrangement, lien document, waiver or notice could affect ownership or significant legal rights, consult a qualified Texas attorney.

NEED HELP REVIEWING WHAT YOU'RE SEEING?

CMP helps homeowners identify unclear scope, estimate differences, missing project information and questions that should be resolved before moving forward.

Ask the CMP Project Advocate | Talk to a Real Person: (214) 609-7523 | sales@cmppartnersllc.org

Educational Resource Notice: This CMP-owned guide provides general educational information only. It is not legal, insurance, engineering, architectural, code, permitting, inspection, financial or contract advice; it does not certify a contractor or determine whether a proposal is legally sufficient. Requirements vary by project, trade and jurisdiction.

Research basis: CMP developed this original homeowner screening framework after reviewing consumer-protection and Texas construction guidance, including the Federal Trade Commission's home-improvement scam guidance; Texas Office of the Attorney General guidance on home-improvement contracts, bids, payments and liens; Texas Department of Insurance contractor-fraud guidance; and Texas Property Code Chapter 53 residential construction and homestead lien provisions. The source guidance was condensed and reorganized into CMP's STOP - ASK - VERIFY - DOCUMENT workflow.