
CONTRACTOR RECOVERY FUND

Even if a consumer takes great care in selecting a contractor and in examining the contract, occasionally the finished work is unsatisfactory or the contractor is unable to complete the job. In these situations, the first step is to take legal action and obtain a judgment against the contractor.

As long as the contractor is licensed by the state, a consumer who is unable to collect from the contractor may seek compensation through the Contractor Recovery Fund, which is established and administered by Department of Labor and Industry (DLI).

Determining Eligibility

The licensed contractor must have engaged in one of the following while performing at least 2 of the special skills enumerated under Minnesota Statute 326B.802, subd. 15 (Excavation, Masonry and Concrete, Carpentry, Interior Finishing, Exterior Finishing, Drywall and Plaster, Residential Roofing, or General Installation Specialties – see the Statute for details about what types of work are included in these categories):

- ✓ Fraudulent practices;
- ✓ Deceptive practices;
- ✓ Dishonest practices;
- ✓ The conversion of funds; or
- ✓ Failure to perform.

Under Minnesota Statute 326B.89, attorney's fees, interest and sweat equity are not eligible for compensation.

Accessing the Fund

- **First**, civil action must be taken against the contractor, and a judgment awarded in the homeowner's favor.
- **Next**, a search for assets to pay the judgment must be undertaken; if the contractor is out of business or has no assets, or collection is not successful, then application for relief may be made. The homeowner must apply to the Recovery Fund within one year of the judgment. Call (651) 285-5057 or visit https://www.dli.mn.gov/sites/default/files/pdf/rbc_recoveryfund_packet2.pdf for an application packet.

DLI may support or oppose the request for payment. One important caution: there is a limit of \$300,000.00 that can be paid out of the Contractor Recovery Fund against any one licensed contractor. It is possible, therefore, that a homeowner will not be able to recover the full judgment amount if multiple claims have been filed.

Claims regarding work or problems occurring after Dec. 1, 2007, are limited to \$75,000 per claim.

Questions regarding the Contractor Recovery Fund should be directed to the Fund Administrator at (651) 285-5057.