



How to apply to the Minnesota Contractor Recovery Fund

This document provides **instructions only**. It explains who is eligible, what losses the fund may reimburse and the steps you must complete before applying. The application form is a **separate document**. A link to access the application is provided at the end of these instructions.

The Contractor Recovery Fund may reimburse Minnesota homeowners, residential lessees and homeowners associations (HOAs) for **actual and direct out-of-pocket losses** caused by the misconduct of a **licensed** residential building contractor (BC) or residential remodeler (CR).

Misconduct may include fraudulent or deceptive practices, conversion of funds or failure to perform work under a residential contract.

If you meet all legal requirements — and if funds are available — the fund may reimburse your verified financial loss.

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1.0 Review the law before you apply

Before submitting an application to the fund, review [Minn. Stat. § 326B.89](#), which explains:

- Eligibility requirements
- What types of losses the fund can reimburse
- How to properly serve the commissioner of the Minnesota Department of Labor and Industry (DLI)
- Payment limits
- Proration rules

Understanding these requirements before starting your application will help ensure that your submission is complete and meets all legal obligations.

2.0 How the fund works

Licensed residential building contractors (BC) and residential remodelers (CR) pay fees into the Contractor Recovery Fund. DLI reviews each application to confirm that all legal requirements are met.

If your application is approved and funds are available, the fund may pay:

- Up to \$100,000 per applicant.
- Up to \$550,000 total (lifetime limit) for all claims involving the same contractor.

If eligible claims exceed the amount available, payments may be **prorated**.

2.1 Fund payment cycles

Payments are issued twice per fiscal year:

- **Cycle 1:** Applications verified complete **July 1–Dec. 31** are paid by **June 30**.
- **Cycle 2:** Applications verified complete **Jan. 1–June 30** are paid by **Dec. 31**.

If Cycle 1 payments for a contractor would exceed **\$275,000**, they are moved to Cycle 2.

2.2 Verified application

A verified application means DLI has received:

- Your signed application.
- All required supporting documents listed in Section 9.0.

An application is not considered verified until every required document has been submitted. If any item is missing, verification will be delayed and your application could fall into a later payment cycle.

2.3 Maximum payment amounts and excluded costs

- The maximum payment available to any applicant is **\$100,000**. However, the final payment cannot exceed your actual docketed judgment amount and may be reduced depending on your eligibility or the fund's overall limits.
- The maximum total amount the fund can ever pay for all claims involving the same contractor is **\$550,000** (lifetime limit).

If total eligible claims exceed the contractor's remaining balance toward the \$550,000 limit, payments may be **prorated**. If the **\$550,000 lifetime limit has already been reached**, the fund **cannot** issue any payment for additional claims involving that contractor — even if the applicant is otherwise eligible.

The fund cannot reimburse:

- Attorney fees
- Interest
- Sweat equity (your own labor)
- Statutory court costs under Minn. Stat. § 549.02

3.0 Eligibility requirements

To be eligible for payment from the fund, **ALL of the following must be TRUE:**

- A. You hired a contractor who held an active residential building contractor (BC) or residential remodeler (CR) license **when you signed the contract and when the work was performed on a residential property located in Minnesota**. Verify a contractor's license at dli.mn.gov/license-and-registration-lookup.
- B. Contractor was performing at least one of the "special skills" shown below ([Minn. Stat 326B.802](#), subd. 15).

Eligible special skill categories:

Category	Includes work in these areas
Excavation	excavation, trenching, grading, site grading
Masonry and concrete	drain systems, poured walls, slabs and poured-in-place footings, masonry walls, masonry fireplaces, masonry veneer, water resistance and waterproofing
Carpentry	rough framing, finish carpentry, doors, windows, skylights, porches and decks (excluding footings), wood foundations, drywall installation (excluding taping and finishing)
Interior finishing	floor covering, wood floors, cabinet and countertop installation, Insulation and vapor barriers, Interior/exterior painting, ceramic, marble, quarry tile, ornamental guardrail and prefabricated stairs, wallpapering
Exterior finishing	siding, soffit, fascia, trim, exterior plaster and stucco, painting, rain carrying systems (gutters and downspouts)
Drywall and plaster	installation, taping, finishing, interior plaster, painting, wallpapering
Residential roofing	roof coverings, roof sheathing, roof weatherproofing and insulation, repair of roof support system (not new construction), roof penetration for solar PV system

Category	Includes work in these areas
General installation specialties	garage doors and openers, pools, spas, hot tubs, fireplaces and wood stoves, asphalt paving and seal coating, ornamental guardrail & prefabricated stairs, solar PV system support assembly

- C. The licensed contractor engaged in qualifying misconduct, such as:
- fraudulent, deceptive or dishonest practices
 - conversion of funds
 - failure to perform contracted work
- D. You are an eligible applicant (homeowners, residential lessee or homeowners association).
- E. You obtained a **final judgment** against the contractor (**see Section 7.0 to learn how to obtain a judgment**) and **you’ve had it docketed** (**see Section 8.0 for docketing instructions**). The judgment must:
- state the amount owed to you
 - be based on qualifying misconduct
 - be issued against the correct licensed entity (individual, corporation, LLC, partnership, or d/b/a)
 - become final (no appeals pending) **within two years** before the date you apply to the fund

IMPORTANT: A docketed judgment is required. See Section 7.0 and 8.0 for more information.

- **If your judgment has not been docketed**, contact the District Court in the county where the judgment was filed – typically the county where the project was located – for instructions.
- **If you are unable to locate the contractor to give them the required legal notice of your lawsuit**, state law lets you “serve” the commissioner of DLI instead. After you deliver the lawsuit documents to DLI, you must also send a copy by certified mail to the contractor’s last known address and file an affidavit of compliance with the court. This fulfills the service requirement so you can continue your case. For more information, see [Minn. Stat. § 326B.855](#).

- F. You are NOT a prohibited applicant. Prohibited applicants include:
- contractors, subcontractors, suppliers
 - spouses or personal representatives of the contractor
 - individuals with judgments against **unlicensed** contractors
 - applicants seeking reimbursement for investment or rental property
 - applicants claiming losses for items not part of the residential structure

Meeting these requirements allows you to apply, but approval is not guaranteed. All required documents must be submitted before DLI can begin reviewing the application.

4.0 Legal advice

DLI cannot provide legal advice or tell you whether you should hire an attorney. Minnesota law requires a final judgment before you can apply to the fund, and only a court or a private attorney can answer questions about how to begin a lawsuit, how to participate in the court process or how to obtain legal representation.

If you need help understanding court procedures, contact the court directly or consult a private attorney.

More information about the Contractor Recovery Fund's legal requirements is available at revisor.mn.gov/statutes/cite/326B.89.

5.0 What the fund can pay for

The fund may reimburse **actual and direct out-of-pocket losses**. These are documented expenses you personally paid and may also include the amount you need to pay to repair or complete the work because of the **licensed** contractor's conduct that caused financial harm.

You may have recoverable losses if the contractor:

- did not complete work required under your contract
- performed work so poorly that it must be repaired or redone
- caused damage that required repair
- acted fraudulently or deceptively (for example, taking payment for work they never intended to complete)

Definition:

- An "actual and direct out-of-pocket loss" is a real, verifiable financial harm personally incurred by the applicant as a direct result of a licensed contractor's misconduct. Losses must be based on measurable financial reality, not assumptions and must be documented.

Examples of covered losses (Losses must be real, measurable, and supported by receipts, invoices, contracts, or repair estimates):

- Payments made to the contractor for work that was **not completed**.
- Payments for work that was completed but **defective or substandard**.
- Costs to **repair or complete** work that was part of the original contract and paid for by the applicant.
- **Duplicate payments** made to subcontractors or suppliers when you already paid the contractor.
- Documented losses resulting from the **conversion of funds** or **abandonment** of the project.
- **Property damage** that occurred during the contracted work.

6.0 What the fund cannot pay for

The fund does not reimburse for the non-covered losses shown below, even if included in a court judgment.

Not Covered	Explanation
Attorney fees	Legal costs incurred by the applicant
Interest	Pre- or post-judgment interest
Sweat equity	Value of the applicant's own labor
Statutory costs	Costs awarded under Minn. Stat. § 549.02
Unrelated costs	Improvements or upgrades not in the original contract
Work not in contract	New items not listed in the original agreement
Inflated allowances	Overstated estimates not aligned with market value

Not Covered	Explanation
Unlicensed contractor work	Work performed by contractors not licensed as BC or CR
Investment properties	Not eligible unless clarified otherwise (e.g., certain cabins may qualify)
Storage	The fund does not compensate storage costs
Rental or hotel/motel costs	Housing expenses due to loss of use are not covered
Landscaping	Not considered part of the actual residential structure
Fences	Not considered part of the actual residential structure
Pools	Not considered part of the actual residential structure
Accessory buildings/sheds	Not considered part of the actual residential structure
Retaining walls	Not considered part of the actual residential structure
Driveways/hardscapes	Not considered part of the actual residential structure

Note: Minn. Stat. § 326B.89 limits what is recoverable and excludes certain items categorized as “special skill” in Section 3.0.

7.0 Steps you MUST complete before applying to the fund

You must complete all of the steps below before submitting an application to the fund.

A. Verify the contractor’s license.

- The contractor must have held an **active** residential building contractor (BC) or residential remodeler (CR) license when you signed the contract. Only licensed contractors pay into the fund. Verify a contractor’s license at dli.mn.gov/license-and-registration-lookup.
- If your contractor was **not licensed at the time you entered into a contract and the work was performed**, you are **not** eligible. To report unlicensed activity, call DLI’s Enforcement Unit at 651-284-5069.

B. File a lawsuit against the contractor to obtain a judgment.

- A **final Judgment** is required. After acquiring the judgment, you must then have it **docketed (see Section 8.0 on how to have your judgment docketed)**.
- Both the **Judgment** and the **Notice of Entry and Docketing of Judgment** **are required** to apply to the fund. The judgment must:
 - show the contractor is legally responsible for your loss,
 - state the amount owed to you,
 - be based on qualifying misconduct,
 - be issued against the correct licensed contractor or business entity, and
 - have become final (no appeals pending) within **two years** of the date you apply.

How to obtain a judgment:

If your loss is **\$20,000 or less**, you will file in the Conciliation Court using the county of the contractor's business. To get started, visit <https://mncourts.gov/help-topics/conciliation-court>.

- You will obtain a **Statement of Claim and Summons** – This document must be submitted with your Contractor Recovery Fund application.

If your loss is **more than \$20,000**, you will file in the **District Court where the project took place**. To get started, visit <https://mncourts.gov/file-a-case/file-in-a-district-trial-court>.

- You will obtain a **Summons and Complaint** – This document must be submitted with your Contractor Recovery fund application.

Court resources:

- Find your district court and court administrator by visiting <https://mncourts.gov/find-courts>. This page provides the court's address, phone number and filing information. **Contact them for assistance about how to obtain a judgment and docketing instructions.**

C. **Look up court documents:** Track your case details, view and/or print filed documents online through the official Minnesota Court Records Online (MCRO) Case Search tool at <https://publicaccess.courts.state.mn.us/CaseSearch>.

D. **Participate in the court process**

- Depending on the court, you may need to attend a hearing, provide documents, explain what happened and present your contract and proof of payment. After reviewing your case, the court will issue a decision.

E. **Make a good-faith attempt to collect your monetary loss**

- Before applying to the fund, you must make reasonable efforts to collect the amount owed to you under your final judgment. Any amount you collect reduces the amount the fund may pay. Examples include (all efforts must be in writing):
 - Writ of Execution,
 - Demand letter sent after the judgment is docketed
 - Emails attempting to collect payment

F. **Understand that available funds may be limited**

- Multiple claims filed against the same contractor may reduce the amount that can be paid. There is a **maximum payout** per contractor (lifetime cap) of \$550,000. **The amount available per contractor is determined by the fund administrator.**

G. **Confirm your judgment is issued against the correct licensed residential contractor**

- Your judgment must be issued against the correct individual or entity that appears on the contractor's license record.

- **Examples:**
 - If the contractor is incorporated, the judgment must be issued against the corporation.
 - If the contractor is an individual doing business under an assumed name, the judgment must be issued against the individual and their d/b/a.
 - If the contractor is a partnership, the judgment must be issued against each partner and the partnership.

8.0 What is a judgment?

A judgment is a written court order stating that the contractor is legally responsible for your loss and identifying the amount owed to you. Judgments may be issued in Conciliation Court, District Court, or, in some cases, Bankruptcy Court.

The judgment must be based on qualifying misconduct, such as fraudulent, deceptive, or dishonest practices; conversion of funds; or failure to perform the contracted work. It must also involve a licensed contractor performing work covered under [Minn. Stat 326B.802](#), subd. 15, Special Skills.

After obtaining your judgment, you must docket it in District Court. A docketed judgment is required to apply to the fund.

- Contact the Minnesota District Court in the county where the judgment was filed for instructions on docketing.
- To locate the correct court, visit <https://mncourts.gov/Find-Courts.aspx>.

Once your judgment is docketed, you may apply to the fund.

- Your application to the fund must be submitted **within two years** after the judgment becomes final.

For additional instructions on obtaining and docketing a judgment, visit <https://mncourts.gov/help-topics/judgments/definitions>.

State of Minnesota
XX County

XX Court
Fourth Judicial District

Court File Number: XX-XX-XX-11111

Case Type: Confession of Judgment

Notice of Entry and Docketing of Judgment

FILE COPY Example

Applicant Name(s) vs Contractor

You are hereby notified that a judgment has been entered into and docketed in the above-entitled matter.

Judgment Information	
Entered Date	June 15, 2025
Docketed Date	June 30, 2025
Docketed Time	3:53 PM
Debtor(s)	Contractor
Creditor(s)	Applicant Name(s)
Monetary Award:	
Monetary Amount:	\$XX,XXX.XX

A true and correct copy of this notice has been served pursuant to Minnesota Rules of Civil Procedure, Rule 77.04. Please be advised that notices sent to attorneys are sent to the lead attorney only.

Note: Costs and interest will accrue on any money judgment amounts from the date of entry until the judgment is satisfied in full.

Dated: June 30, 2025

Jane Doe
 Court Administrator
 Hennepin County District Court
 300 South Sixth Street, C-3
 Minneapolis, MN 55487-0332
 612-348-6000

9.0 Required documents checklist to apply for compensation from the fund

To apply to the fund, you must submit a **complete application packet**. The fund **cannot** review your claim until all required documents are provided. Use the checklist below to gather and prepare all required documents before you apply. Submitting a complete packet will help ensure your application can be reviewed without delays.

Do not submit these instructions with your application. The application form is a separate document. A link to access the application is provided at the end of these instructions.

A. Application form

- ☐ Completed Application for Compensation from the Contractor Recovery Fund

B. Required court documents

If you filed in Conciliation/Small Claims Court:

- ☐ Statement of Claim and Summons
- ☐ Order for Judgment
- ☐ District Court Notice of Entry and Docketing of Judgment

If you filed in District Court:

- ☐ Summons and Complaint
- ☐ Findings of Fact, Conclusions of Law, and Order for Judgment
- ☐ District Court Notice of Entry and Docketing of Judgment
- ☐ Any court notices or correspondence related to your case

C. Contract documents

- ☐ Complete copy of the signed original contract
- ☐ All change orders
- ☐ Allowance sheets, plans and specifications

D. Proof of payment to the contractor

- ☐ Include a payment chart – see example below
- ☐ Copies of checks (front and back), money orders, cashier's checks or loan-draw documents
- ☐ Endorsed insurance checks (if applicable)
- ☐ Closing Disclosure or HUD Settlement Statement (if applicable)
 - **If you paid by check:** You **must** submit a copy of the **front** of each check you wrote to the contractor. The **front** shows the check you issued. Include the **back** of the check **if an image is available**. The back may show bank processing stamps, markings or notations that confirm the check was deposited. (A contractor's signature alone does not prove deposit). If the back image is not available – or does not show bank processing information – you must provide **proof that the check cleared your account**, such as:
 - A bank statement showing the processed check number and amount, or
 - A cleared-check confirmation or transaction detail from your bank.

Verification requires proof that the contractor received the funds and that the payment cleared your bank.

Payment chart example:

Check #	Date paid	Paid to:	Amount	Exhibit #
1011	8/1/2026	Joe's Construction	\$5,000.00	8A
1012	8/15/2026	Joe's Construction	\$3,020.00	9B

E. Proof of actual and direct out-of-pocket loss

- ☐ Estimates or invoices from other contractors to complete or fix defective work
- ☐ Receipts for materials to complete or repair work you already paid for
- ☐ Inspection reports (if available)

- ☐ Court-filed liens and county notice of filing (if applicable)

Work that remains unfinished or requires repair – chart example:

Vendor name	Amount of estimate	Work to be performed	How does this estimate/bill relate to the original contract? Indicate where it is outlined in the original contract.	Exhibit #
Joe's Construction	\$3,000	Finish installing railings	Railings were not completed. See item #4 on original contract.	9A

E. Proof of good-faith collection efforts (all efforts must be made in writing)

- ☐ Writ of Execution
- ☐ Demand letter sent after the judgment was docketed
- ☐ Emails showing attempts to collect payment

F. Insurance documentation (if applicable)

- ☐ Documents from your homeowner's or the contractor's insurance company describing the damage or loss
- ☐ Proof of any insurance payments made to the contractor

10.0 Written requests for a hearing

If your application is denied or modified and you disagree with the commissioner's decision, you may request a hearing. Your request **must be submitted in writing** and **served on the DLI commissioner within 30 days** of receiving an order denying some or all of the applied for amount.

Once your written request is received, a hearing will be scheduled with an administrative law judge (ALJ). The hearing date may be extended if the commissioner requests additional time and the ALJ grants the continuance for good cause.

At the hearing, **you must prove** the statements made in your application with substantial evidence. Whenever an applicant's judgment is by default, stipulation, or consent, or whenever the action against the licensee was defended by a trustee in bankruptcy, the applicant shall have the burden of proving the cause of action for fraudulent, deceptive, or dishonest practices, conversion of funds, or failure of performance. After the hearing, the ALJ will issue written Findings of Fact, Conclusions of Law, and Order. If the ALJ determines that compensation should be paid, the ALJ will order the commissioner to pay you an amount consistent with [Minn. Stat. § 326B.89](#). The ALJ's order becomes the final decision of the commissioner unless a petition for judicial review is filed under [Minn. Stat. §§ 14.63-14.69](#).

11.0 Payment timelines

Payments from the fund are based on the fiscal cycle in which your application is verified as complete. An application is verified as complete only when all required documents have been received and reviewed.

- Applications verified complete by **July 1** are paid by **Dec. 31**
- Applications verified complete by **Jan. 1** are paid by **June 30**

All payments must follow the limits in Minnesota law, including the **maximum amount payable per applicant** and the **total lifetime limit** for claims involving the same contractor. If approved claims exceed the amount available, the commissioner must allocate the available funds among eligible applicants.

Once payment is issued, the verified application is considered resolved and final unless you request a hearing or further review as allowed by law.

12.0 Payment limits and proration

If your payment is affected by proration, you will be notified and the reduced amount will be explained. Proration means that when there is not enough money remaining within a contractor's \$550,000 lifetime limit to fully pay all eligible claims, the available funds must be divided among eligible applicants. Each applicant receives a reduced payment based on the amount remaining.

- The maximum amount any eligible applicant can receive from the fund is **\$100,000**.
- The total amount the fund can ever pay for all claims involving the same contractor is **\$550,000 (lifetime)**.
- If approved claims exceed the contractor's remaining lifetime limit, the commissioner must prorate the available funds among all eligible applicants.
- During **Cycle One**, no more than \$275,000 can be paid for claims involving the same contractor.
 - If Cycle One payments would exceed that amount — or exceed the contractor's remaining lifetime cap — payments are moved to **Cycle Two**.
 - Payment may be delayed but is **not reduced** unless the **\$550,000** lifetime limit is exceeded.

13.0 If the contractor filed for bankruptcy

If the contractor has filed for bankruptcy, you may still be able to file a lawsuit **solely to obtain a judgment** so you can apply to the fund. To do this, you must petition the Bankruptcy Court to lift the **Automatic Stay**. In your petition, you must explain that your lawsuit is only to qualify for fund compensation and that you understand you cannot collect the judgment directly from the contractor.

You may wish to consult an attorney for assistance with bankruptcy procedures.

For more information, visit the District of Minnesota's Bankruptcy Court's website at www.mnb.uscourts.gov.

14.0 If you are a subsequent homeowner

If you were not the owner at the time the contract was signed and the work was performed, you may still qualify for payment from the fund **only if your judgment is based on a breach of the statutory home warranty** under Minnesota Statutes, chapter 327A. The judgment must clearly reference the statutory warranty for the claim to be eligible.

Minnesota's Home Warranty Law requires builders to warrant that homes are free from major construction defects due to noncompliance with building standards for **10 years**. A major construction defect includes actual damage to

the load-bearing portions of a dwelling — such as damage caused by soil movement — if the damage affects, or is likely to affect, the home's use for residential purposes.

15.0 Assignment of judgment

If the fund pays compensation to you, it will then attempt to recover that amount from the contractor. To allow this, you must complete an **Assignment of Judgment (AOJ)**, which transfers to the commissioner your right to collect the amount paid to you from the fund.

If your judgment is higher than the amount paid by the fund, you may still attempt to collect the remaining balance directly from the contractor.

The fund will send the AOJ to you electronically through DocuSign. **Payment cannot be issued until you sign the AOJ and it routes back to DLI.**

16.0 Application link

Once you have fully reviewed these instructions and confirmed that you meet all eligibility requirements, you are ready to complete your application. Before applying, review the list of required documents above to make sure you have gathered all required documents. Submitting a complete packet will help prevent delays.

- **Do not submit these instructions with your application.**
- The application form is a standalone document. You can access it at dli.mn.gov/workers/homeowners/contractor-recovery-fund.
- If you need assistance, contact the fund by email at contractor.recoveryfund@state.mn.us or by phone at 651-284-5057.