

Consumer Tips: Avoiding Home Improvement Fraud After a Natural Disaster

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If your home has been damaged or destroyed by a natural disaster, your home is probably uninhabitable or in need of repairs. You may be anxious to find a trustworthy home improvement company, but be careful who you hire. Survivors of natural disasters are often targeted by unsavory home improvement contractors looking to take advantage of their precarious situation. These contractors demand large payments up front, and do little to no repair work. If a loan is needed to pay for the repairs, they may arrange a high-cost loan packed with hidden fees and costs. Here are some tips to protect yourself and your home.

TIP 1: AVOID DEALING WITH CONTRACTORS WHO:

- Use high pressure sales tactics like asking you to sign something right away or telling you the deal won't last.
- Offer you special deals, like discounts on materials left over from previous jobs.
- Pressure you to sign documents immediately.
- Tell you they can help you get a loan from a lender they know.
- Misrepresent the terms of any financing they arrange.
- Only accept cash payments.
- Demand payment for the entire job up front.
- Refuse to give an estimate for the job up front.
- Ask you to get the required building permits.
- Give you only a cell phone number, pager number, or post office box as an address, and not a street address.

TIP 2: HIRE A REPUTABLE CONTRACTOR

- Get bids from at least three contractors. Make sure that the bids are itemized so you know exactly what you're getting.
- Ask friends, neighbors, and family about contractors they have worked with.
- Find out how long the contractor has been in business.
- Contact the Better Business Bureau and/or the state Attorney General's office to find out if there any complaints about the contractor.
- Obtain and check several references from the contractor's former customers, preferably those who had similar work done. If possible, inspect the contractor's work in person.
- Make sure the contractor is licensed and registered with your state. Get a copy of the license to make sure it's current.
- Talk to subcontractors about the contractor's payment history. Your state's law may allow subcontractors or suppliers to file mechanic's liens against your home to satisfy their unpaid bills. Ask the contractor, subcontractors, and suppliers for a lien release or lien waiver.
- Make sure that the contractor carries personal liability, workers' compensation, and property

damage coverage and get copies of insurance certificates to make sure they're current.

- Make sure that the contractor is responsible for obtaining any permits required for the job and negotiate who pays for permits.

TIP 3: WHEN HIRING A CONTRACTOR...

Always get a written agreement before any work starts and before you pay anything. Make sure it contains the contractor's name, address, telephone, and license number; the payment schedule; an estimated start and end date; the contractor's obligation to obtain all necessary permits; how changes to the contract will be handled; warranties covering materials and workmanship as well as the contact information of the parties honoring the warranties, the length of the warranty period and any limitations. **BE SURE TO PUT ORAL PROMISES IN WRITING.** Never sign a contract that is incomplete or has unfilled blanks. Cross out any section of the contract that requires you to submit any dispute you have with the contractor to binding arbitration. If the contract notes that you are forced to use an arbitrator to settle a dispute, you will lose your right to sue the contractor if any problems arise.

Remember, you may have a right to cancel the contract. You should receive a written statement of your right to cancel the contract within three business days if you signed it in your home or a location other than the seller's permanent place of business.

Never pay in cash! For smaller projects, you may be able to pay by check or credit card. If you have a problem with merchandise or services that you charged to a credit card and you have made a good faith effort to work out the problem with the seller, you have the right to withhold payment from the card issuer for the merchandise or services plus any finance or related charges.

Shop around for a loan. For larger projects, you may have to obtain a loan. Don't let the contractor start work before you have a loan you're satisfied with. Shop around for financing, and make sure that the payment terms are reasonable and affordable. Some home improvement contractors steer consumers to high-cost lenders who make loans with abusive terms. If the contractor is arranging financing, don't sign the contract for work until the contractor has also given you the credit or loan contract. Compare the documents. What looked like a good price may turn out to be a very bad deal. Remember, you can back out of a loan at any time before you sign the papers. If you sign mortgage loan papers and the money is being used to repair or improve the home (rather than purchase it), the law allows you to change your mind within three business days. This means you can cancel the loan and get a refund of your closing costs.

Don't pay for the entire job at once. As a rule of thumb, you shouldn't pay for more than 33% of the estimated cost up front, and in many states, it's illegal for the contractor to ask for more. Additionally, be wary if a contractor tells you halfway through the job that the final price will be higher than expected. If you have a written contract that says how much the job will cost, the contractor is not allowed to change it unless you agree to a change in the scope of the work. To learn more about your rights as a consumer, contact the consumer division of your state attorney general's office.

Make sure the contractor completes the job. Don't make final payment or sign a certificate of completion until all of the work meets the standards spelled out in the contract, permit issuers have inspected and approved the work, you have received written warranties for materials and workmanship, you have received proof that all subcontractors and suppliers have been paid, the job site has been cleaned up, and you have inspected and approved the completed work.

Keep all paperwork in a safe place. This includes copies of the contract, change orders, and correspondence with your home improvement professionals. Keep a log or journal of all telephone calls, conversations, and activities. Take photographs or a video as the job progresses.

TIP 4: RESOLVING A COMPLAINT

Try to resolve any complaints with the contractor first. Follow up any phone conversations with a letter. Send the letter by certified mail return receipt requested or send with a tracking number via postal service or another carrier, so you can prove the company received your letter. Keep a copy for your files. If your complaint isn't satisfactorily resolved, contact:

- Your state Attorney General's Consumer Protection Division
- An attorney or legal services office (if income eligible)
- Your state's Licensing Board
- Your local Better Business Bureau
- A consumer reporter at your local newspaper, TV, or radio station
- Local dispute resolution programs

ADDITIONAL RESOURCES

Find an attorney:

- The National Association of Consumer Advocates is a network of attorneys committed to ethical representation of consumers (see Find an Attorney and search by state and practice) at: <https://www.consumeradvocates.org/find-an-attorney>
- Legal-aid attorney representation may be available if you are low-income, A list of local legal-aid organizations is available at: <https://www.lsc.gov/>

National Consumer Law Center report: *Avoiding Home Repair Fraud: Lessons From Hurricane Katrina* (2008), available at:

https://nclc-old.ogosense.net/images/pdf/pr-reports/report-katrina_repair_fraud_2008.pdf

The National Consumer Law Center's *Surviving Debt* (2019), contains everything consumers, counselors, community leaders, and others should know about what to do when a family is in financial trouble. The book is available in print and as an e-book at <https://library.nclc.org/bookstore>. Bulk pricing is available. Read the first chapter for free at <https://library.nclc.org/sd/0102>.

More advice and materials about other consumer issues related to survivors of natural disasters can be found at <https://nclc-old.ogosense.net/issues/disaster-relief-consumer-protections.html>.

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