

AVOIDING FRAUD

After a Disaster and When Doing Home Repairs or Renovations

Choosing a contractor/repairman:

1. Never hire someone who knocks on your door.
2. Never hire someone who says they will file with your insurance company for you or that they will pay your deductible for you. It's a scam.
3. Get references from neighbors, friends, and building material suppliers. Check the quality of work that was done on previous jobs.
4. If the person inspects the property don't let him out of your sight. Some actually cause damage so it will need repair. Follow your gut feeling. If he is pushy, something doesn't seem right, he has a local phone number and an out of state vehicle license, or if he makes you feel forced to decide immediately, don't hire him. Let your instincts guide you. Some use a sweet tactic. A red flag is if he says he needs half his money upfront. If you are being pressured you can say, "I'm sorry, I can't do anything until I talk with my...(policeman son, husband, insurance agent). If their company telephone number is a cell number, that's a big red flag.
5. If he says he can bring materials, he has probably taken them from another job and has cheated a previous employer.
6. Get three bids. Don't tell the contractors how much you have to spend on the project or their bid will be right there with that amount. Make sure the materials (window brand, shingles, etc.) are the ones you want. Cheaper materials could bring the bid down. Look for most qualified person.
7. If insurance is paying for your work, besides getting an itemized estimate from your adjuster, also ask for a scope estimate. This lists the work that needs to be done, but has no prices. Then the bidder can fill in the blanks.
8. Do your homework. Find out how much materials cost. Identify the scope of the work needed. For big jobs, think about hiring a building inspector. They can list and itemize. Lending institutions and the real estate commission use them.
9. Ask to see their license and insurance. When he says he's licensed and bonded you want to make sure he is not referring to his driver's license! Take photos of the paperwork. Verify who they are. Get their names and where they are from. Get the physical address of their company. Call their insurance company to see if their policy is up-to-date. Check with your homeowner's insurance company to see if they have enough coverage. You may call the LA Dept. of Insurance or check their online reporting system to see if they are licensed in Louisiana. They have an electronic fraud database system. The Better Business Bureau has a nationwide data base so you can check on companies from others states. You can call the Secretary of State's office and give them the name exactly as it reads on the license to see if they are legitimate. You can check with the contractors' licensing board. (There were 8,000 contractor complaints to the Attorney General's Office in less than six weeks after Katrina and Rita.) There are no temporary licenses issued in the state of Louisiana.
10. If you decide that you want to be the general contractor of your own house repair, who pulls all the permits and oversees the work, then you will be responsible for what is done, not someone else. You will be liable and should check with your insurance agent.

11. Arborists: After a hurricane, everyone with a chain saw becomes an arborist. There is a list of arborists on the State Department of Agriculture's website. Better arborists have \$1,000,000 insurance policies.

Before the project:

1. Call the LA Department of Insurance hotline to have a contract template e-mailed to you.
2. Have a written (typed) contract on the company's letterhead with their full name, address and phone number. Be sure you understand the contract. Make sure it states all work must comply with all governmental codes and regulations. Ask for a list of all his subcontractors and ask for his guarantee in writing that they are licensed, insured and experienced. You might hire a reputable contractor but you don't know who he might use as a subcontractor. Make sure the contract has exact specifications. Make sure your contract states how you can get out of it/end it.
3. Make sure you understand the warranty. If the company goes out of business, so does the warranty.
4. Have a pre-construction walk-through, taking photos of everything.
5. Do not give the contractor a key to your house. Secure your valuables, which include paperwork with personal information.
6. Make sure the contractor gets necessary permits and shows them to you. Don't you get them. You want him to be the responsible party.
7. For a large project ask for a construction schedule in writing.

Payment:

1. Have a written agreement about payment. Do not give more than 10% upfront.
2. Make sure the contract spells out any issues relating to payment. There should be a payment schedule and what to do in the case of unforeseen changes.
3. Payment should be tied to certain work completed, not time. Progress payments are tied to actual work.
4. Indicate what to do for dispute resolution. Arbitration, mediation, and a third party inspector are all options. You should both agree on the third party inspector. The Attorney General's Office will help with mediation.
5. Be sure you know what your "exit" clause is in case you want to get out of the contract.
6. You can pay with a cashier's check instead of cash. Just make sure you get a receipt with all the company information on it. You need a paper trail.

During the project:

1. Take photos of all the people who work on the project and the license plates of their vehicles.
2. Have someone home if you can. Check on the work daily, if not hourly.
3. Keep a daily journal with who comes each day, how long they worked, what they did and the weather. Back it up with photos, which include who comes every day. If they skip some days in the middle and want an extension at the end you will have your journal. If something turns up missing you'll have their photos and licenses. Both those might help avoid that. Be involved and let them see you taking pictures.

4. Do not give cash for the person to buy materials. Go to the supplier and pay for them yourself on the day that they are needed. A trick some thieves use is to have them purchased early, stored in the yard, and then they are stolen during the night. If you can't go to the store, ask to see the invoices.
5. In most projects there are scope changes during the process. Make sure those are agreed upon and in writing.

After the project:

1. Before releasing the final payment, be sure you have lien waivers from all subcontractors and suppliers.
2. Hold 10% of the payment at the end until you have checked to make sure the area has been cleaned, trash removed, and everything has been done to your specifications. Also, make sure you have all warranties. If they leave a pile of trash, the 10% will cover the cost of having it hauled off. Be 100% satisfied.

If you have problems:

1. The Attorney General's Office has a free mediation service if you and your contractor can't agree on something.
2. If you have been the victim of a scam report it immediately. There is a three agency task force consisting of the Department of Insurance, the State Police, and the Attorney General's Office that handles fraud.
3. If you are unsure if a crime has been committed by a contractor contact your local Police or Sheriff's Department. They will determine if it is a civil or criminal matter.

References:

Attorney General's Office: Consumer hotline: 1-800-351-4889

<http://www.ag.louisiana.gov/Article.aspx?articleID=36&catID=15>

Mediation – Consumer Protection Division. (225) 326-6435

Better Business Bureau: www.bbb.org / <http://www.bbb.org/us/Find-Business-Reviews/>

Department of Insurance: 1-800-259-5300, (225) 342-0895, www.lidi.state.la.us

LA Department of Agriculture: (225) 952-8100

<http://www.ldaf.state.la.us/portal/Portals/0/AES/Horticulture/ARL.pdf>

Secretary of State: <http://www.sos.louisiana.gov/tabid/819/Default.aspx>

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(225) 925-4704

The National Center for the Prevention of Home Improvement Fraud:

(404) 504-6210 / Toll free (855) 2-NOFRAUD (266-37283) / www.ncphif.org /

www.preventcontractorfraud.org

Green Energy Fraud is on the rise. Claims are made that if you replace your windows you'll save 40% when all you need to do is caulk. See <http://www.energysavers.gov/>

From notes taken at a seminar by The National Center for the Prevention of Home Improvement Fraud (NCPHIF), June 28, 2011, Baton Rouge, LA- by Mary Fontenot