

HOME IMPROVEMENT SCAMS

Tools to Reduce Your Risk



Connecting You to Community Services



Most of us, as we age, prefer to live independently in our homes and communities. Given this, you will want to do everything you can to safeguard your independence for years to come. But, as any homeowner knows, homes often need repairs. And we may need home modifications to accommodate our changing needs as we grow older.

Home improvement scams can jeopardize your independence because they can rob you of money, equity in your home or even a safe place to live. This brochure provides you with information, tips and resources to help you avoid being the target of a home improvement scam.

What Is a Home Improvement Scam?

Scam artists target homeowners in a variety of ways, causing them to lose thousands of dollars and even their homes. Strategies scam artists often employ include:

- Using high-pressure tactics to sell a range of services including roof, sidewalk and driveway repairs
- Charging inflated prices
- Delivering sub-standard work
- Posing as a building inspector or other official so they can demand immediate repairs
- Obtaining funds to pay for services by urging the homeowner to work with a certain lender or advising them to get a reverse mortgage
- Identifying potential victims by scouting out neighborhoods (most notably after natural disasters), then targeting vulnerable older adult homeowners



How Big Is the Problem?

With over 50 million Americans age 60 and older¹, older adults are prime targets for financial exploitation, both by people they know and trust and by strangers. Financial exploitation is believed to cost older adults over \$36 billion annually.²

1. 2010 Census: 57 million are 60 and over; 40 million aged 65 and over.

2. True Link Report on Elder Financial Abuse 2015

www.truelinkfinancial.com/research

Why Are Older Adults Targeted?

- Older adults are most likely to have a “nest egg,” own a home with equity and have excellent credit.
- Older generations of Americans were generally raised to be polite and trusting, traits that can be exploited.
- Older adults are less likely to report a scam because they may be unsure they’ve been defrauded, are ashamed, don’t know how to report it or are concerned loved ones will assume they can’t manage their finances.
- Older victims are perceived to be unreliable witnesses, in part because of age-related memory loss.

PROFILE OF A SCAM

- An 80-year-old widow living on a fixed income is approached by a “friendly” contractor who says her roof needs repair.
- The contractor says the entire roof and some beams must be replaced; he will fix it for a senior-discounted rate of \$8,000 and will arrange financing.
- He removes most of the roof and secures a loan for \$27,500 at an exorbitant 16 percent interest rate, a significantly higher cost because he claims the work was more extensive than originally estimated.
- She signs the contract under the threat that the contractor will abandon the project and place a lien on her house.
- After the repairs are completed, the roof leaks more than ever and the floors and walls are damaged.
- The work is so shoddy, she stops making loan payments.
- The loan company serves her with foreclosure papers.



Resources

Federal Bureau of Investigation: Common Fraud Schemes

www.fbi.gov/scams-safety/fraud/seniors

National Consumer Law Center: Home Improvement Scam Alert

www.nclc.org/images/pdf/older_consumers/consumer_concerns/cc_home%20improvement_scams_alert.pdf

Consumer Financial Protection Agency: Considering a Reverse Mortgage?

http://files.consumerfinance.gov/f/201409_cfpb_guide_reverse_mortgage.pdf

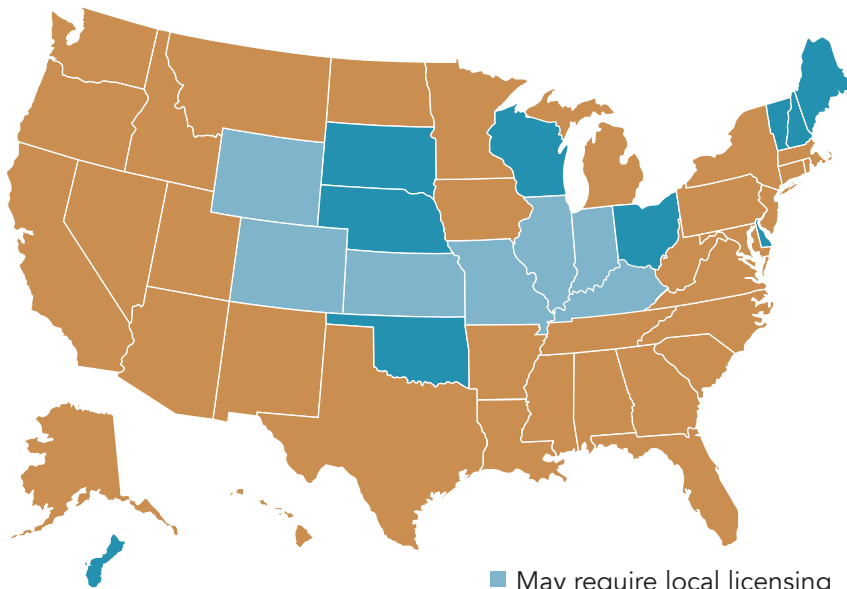
Which States Don't Require Licensing?

Most states require residential contractor licensing, but the following states do not. If you live in one of these states, be especially careful about how you choose your contractor because your legal recourse, should problems arise, may be limited. States shown with an asterisk may require local licensing. Visit www.naag.org to locate your state attorney general and contact them to learn about requirements in your area.

Colorado*
Delaware
Guam
Illinois*
Indiana*
Kansas*

Kentucky*
Maine
Missouri*
Nebraska
New Hampshire
Ohio

Oklahoma
South Dakota
Vermont
Wisconsin
Wyoming*



How Do You Spot a Scam Artist?

They sometimes:

- Work door-to-door, suggesting they are working on other homes in your neighborhood
- Don't provide contact information or refuse to show identification
- Pressure you for an immediate decision
- Only accept cash and ask that you pay the full amount up front
- Offer to finance the costs or suggest that you borrow money from a lender they know
- Pose as a building inspector and order immediate repairs that they offer to do on the side
- Are not licensed



What Should I Do If I've Been Scammed?

Take the following steps if you have problems with the contractor handling your home improvement project.

- First try to resolve the issue with the contractor, as many will be open to negotiation, especially if they believe you may take legal action.
- Follow up on any phone conversations with a letter, sent by certified mail, and request a return receipt so you have proof it was received.
- If attempts to reach an agreement fail, consider getting outside help from your state attorney general, local consumer protection office, or Call for Action, a national network of consumer hotlines.

Resources:

National Consumer Law Center: How to Get Legal Assistance
www.nclc.org/for-consumers/for-consumers.html



Where Do I File a Complaint?

U.S. Federal Trade Commission:
www.ftc.gov
or 877.FTC.HELP

Better Business Bureau:
www.bbb.org

Call for Action:
www.callforaction.org

Locate your state attorney general:
www.naag.org

Locate your state consumer protection agency: www.usa.gov/state-consumer

Financial Fraud Enforcement Hotline:
www.stopfraud.gov/report.html

Take Charge of Your Home Improvement Project

Before You Hire a Contractor



Lack of knowledge is the main reason people are taken advantage of by scam artists, so become an informed consumer and be prepared *before* you hire anyone.

Research Vendors

- Get referrals from friends, family and neighbors who have had good experiences with their contractors.
- Check reviews from the Better Business Bureau or other reputable online sources.
- Verify that contractors are licensed and bonded for damage/theft protection and have liability/worker's compensation insurance.
- If your state requires residential contractor licensing, check to see if complaints have been filed against the contractor you are considering.

Get Estimates

- Get written estimates from several contractors.
- Don't assume the lowest bidder is the best choice.
- Ask about differences in price for the same types of work.

Ask For a Written Contract

Even if your state doesn't require a contract, insist on getting one.

Check to See If You Need a City or County Permit

Know Your Payment Options

- Pay by check or credit card—never cash.
- If needed, arrange for your own financing, through a financial institution you trust.

Limit Your Down Payment

Some state laws limit the down payment amount that can be requested, so check the requirements in your area.

Stagger Payments Based on Completion of Work

This approach ensures that if the work is delayed, your payments will be, too.

Take Charge of Your Home Improvement Project

After You Hire a Contractor



Although you believe you've chosen a reputable contractor, there's still work to do to protect your interests as the work is being conducted.

Keep Records

Keep track of all paperwork (contract, correspondence, payment records, photos of work in progress, discussion notes); this is vital evidence if problems arise.

Use a Sign-Off Checklist

Before you make final payment, verify that:

- The work meets contract requirements and you have inspected and approved the work
- You have written warranties for materials/workmanship
- You have proof subcontractors have been paid
- The job site is clean and free of materials and tools

Know When You Can Withhold Payment

If you have a problem with the service or products charged to your credit card and you've made a good faith effort to resolve the issue, you have the right to contact your credit card company and ask that payment (plus finance or related charges) be withheld on any pending purchases.

Resources

U.S. Federal Trade Commission: *Hiring a Contractor*

www.consumer.ftc.gov/articles/0242-hiring-contractor

U.S. Federal Trade Commission: *Home Improvement Scams Are No Laughing Matter*

www.consumer.ftc.gov/blog/home-improvement-scams-are-no-laughing-matter

U.S. Federal Trade Commission: *Rebuilding Your Home or Office after a Weather Emergency*

www.consumer.ftc.gov/articles/0377-rebuilding-your-home-or-office-after-weather-emergency

U.S. Consumer Financial Protection Bureau: *Money Smart for Older Adults:*

Prevent Financial Exploitation

www.files.consumerfinance.gov/f/201306_cfpb_msoa-participant-guide.pdf

Visit or Contact Your Local Area Agency on Aging

There is an Area Agency on Aging (AAA) serving virtually every community in America, and so chances are, there is one near you. AAAs provide a welcoming environment for older adults and caregivers interested in learning about a range of services from meals, transportation and in-home care to volunteer opportunities and classes to keep them healthy and engaged in their community.



Connecting You to Community Services

To learn more about the AAA in your area, call the Eldercare Locator at 800.677.1116 or visit www.eldercare.gov to get connected today.



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The Eldercare Locator Call Center (800.677.1116) is open five days a week from 9:00 a.m. to 8:00 p.m. ET and serves as an essential, trusted gateway to help older adults, caregivers and aging/health professionals navigate the maze of aging programs and services, as well as to assist them in identifying and accessing the resources that match their needs best.

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