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Sent: Tuesday, April 01, 2008 11:08 PM
To: fochat@thinknola.com; CHAT; gentilly_after_katrina@yahoogroups.com; rebuild_lakeview@yahoogroups.com
Subject: [FoCHAT] CHAT: Avoiding Contractor Fraud, COX10, and NPR

Dear Concerned Citizen,

1. Thanks to Producer George Blow and COX 10, there will be the 21st airing on Fri., Apr. 4, 6:00 PM of the CHAT meeting from Feb. 27 about house elevation allowances; use of FEMA vs. HUD funds for elevation and how that could help applicants; changes in Road Home policy leading to unequal treatment of applicants; pointers for many applicants in distress who are negotiating the Road Home Program; CHAT's proposed solutions for much fairer grant administration.

2. Thanks again to COX10, which will probably be taping our next CHAT meeting on April 9 in its entirety. We may also have someone from NPR taping parts of the meeting. If you want to talk about your Road Home situation at that meeting, please prepare no more than 3 min, time it, and send to us at chatra@yahoo.com<mailto:chatra@yahoo.com> a writeup of what you would like to say. Please put April 9 Meeting in the subject header of the email.

3. Thanks to Dr. Xueqing Xu in my lab, who has generously constructed the chatushome.com home page, helped me to update our website, and set it up from a server in my lab.

4. Many people at the excellent HOMEOWNER'S CONTRACTOR INFORMATION FORUM on March 29th as well as so many people (no matter how smart) with whom I have spoken have been victims of contractor fraud. Below are my notes from the forum and some supplementary information about contractor fraud. Thanks to the great job done by Deborah Cotton, Editor-in-Chief of LouisianaREBUILDS, in setting up this forum, which was extremely helpful, informative, and enjoyable. Thanks to Randy Noel, Past President of the Home Builder's Association of Greater New Orleans, who generated the idea for the forum with me and helped organize it as well as to the Home Builder's Association of Greater New Orleans, that sponsored the forum.

I will send or post at our website notes on other topics that I took from the forum.

My notes from the forum about contractor fraud:

Kimya Homes, Asst. District Attny. for the Economic Crime Unit

Fraud: contractor did work and got paid but the work was not up to code or otherwise not done properly.

If someone gives you a business card that only has a cell phone number, that is a warning sign. Check to see if they are licensed, bonded, and have insurance. Go to the Better Business Bureau, LouisianaREBUILDS.info.

Every day people are stuck having to pay back to SBA a loan when the contractor was not done right.

Contracts: have to be in writing, what exactly will be done, start date, finish date, has to be signed by you and the contractor. If you have a proper contract, then if it is violated, it can be a criminal case. Give as many details as you can for the work that you expect done in the contract.

Recommend that you have in the contract maybe four or more tasks that you pay for as they are done.

It is good to state in the contract that all the plumbing and electrical work must be up to code.

Contractors who are reputable will be willing to spell out all the details in your contract.

By law, 10% of the contract is the maximum that a contractor should ask at the signing of the contract.

You can get sample contracts from the Internet from Home Depot.

Civil case: disadvantage- you have to pay for filing and court costs. Advantage- the standard for proof is easier to meet for a civil case than for a criminal case.

There is no contractor fraud law in LA. Instead they use the theft laws. 0-300 is a misdemeanor. Over \$500 is a felony.

Don't ever give a contractor or subcontractor cash.

Even with a contract, if the work was not done well, it may be a breach of contract (a civil case) rather than a criminal case. If they did not do any work at all or very little has been done, it is probably a criminal case if you have a contract.

New Orleans Legal Aid (NOLAC) and LouisianaREBUILDS.info has in the contract guide information about free legal clinic.

National Electric Code specifies how many outlets you must have etc. That code must be met for LA too.

The NO District Attny. office has approximately 200 inquiries about contractor fraud a month. From the time you send info to that office, it might take about 6 weeks for them to start working on it. Almost always, the contractors accused of theft by the NO District Attny. office will settle out of court because if the District Attny. wins the case the contractor might go to jail.

At LouisianaREBUILDS.info there is a link to the LA licensing board, to the materials price guide, common scans, contractor rating system, and sample contracts.

Have over 400 ratings and over 300 contractors listed.

Toni Wendall, State Contractor Licensing Bd.,

They hear 80-100 cases each month. You cannot use someone with just an occupational license. It is the job of the contractor to get the permit.

It is easy for a contractor to file a lien. It is more difficult for the homeowner. If you want to file a lien as a consumer, get an attny.

If you get a performance bond from an insurance company, you can usually avoid unfair liens.

However, it is difficult to get performance bonds. Use a licensed contractor.

In your contract, have a labor, materials, and mechanical lien waiver, which means that he will provide you with paperwork showing that he has paid the subcontractors before you give him the next payment.

A homeowner present recommended that for demolition, make sure that the demolition company will get a certificate of completion for disconnecting and capping gas, electrical, and plumbing lines.

Lynwood Allemore Investigator for the State Contractor Licensing Bd.

Just because you get a license number, make sure that the contractor is the owner of that license and that he is registered in your parish.

Before you sign a contract, you can call his office to check out the contractor 1 800 256 1392; ask on the phone for the applications department; tell them you want to check out the history of a contractor. Call Homeowners Association for good contractors.

Check that the address that they use is legitimate by driving to the office. Sometimes the unscrupulous contractors use fake addresses or PO box addresses.

Don't trust someone with "Jesus Saves Construction," "Marine Construction," or "Fireman Landscapers."

Tell the contractor to give the company names, name of person in charge, and cell phone number for all subcontractors before you sign the contract.

One lady said she has a state license and it was her deceased husband's license.

Many unscrupulous contractors just collect the 10% deposit from homeowners and then leave the state.

One man took a real license and forged his name on it. Make sure not only that the license is correct but that it belongs to the person who says it is his license by checking references, going to

the address of his company, and checking with the Home Builders' Assocn. of GNO, the State Contractor Licensing Board, with the LouisianaREBUILDS.info.

About 40 – 50 unscrupulous are brought to the State Contractor Licensing Board each month. But the biggest fine is for 25% of the contract. These crooks just come to one state and then go to another.

LouisianaREBUILDS.info show what the state license should look like and its watermark. The license should be a State Residential Building License (not an occupational license, which is for any business to pay tax). There is a Renovation License that a contractor can have if the work costs from \$7500 to \$75,000. Over that it must be a State Residential Building License. It is best to always use a contractor with a State Residential Building License.

Stacie Deblieux, Asst. Attny Gen. in the Contractor Fraud Task Force Her office can prosecute (a criminal case) only if the contractor failed to show up at all or failed to pay the subcontractors.

Thanks to FoCHAT members Patricia Elbahrawi of the Tulane Medical School, Human Genetics Program, for typing a brochure from the Louisiana State Licensing Board for us and Jack Dee for giving me a copy of the brochure. The text is reproduced below.

CONTRACTOR FRAUD:

How to Choose a Contractor and Avoid Fraud Louisiana Department of Justice Attorney General's Office Consumer Protection Section

LOUISIANA LAW SAYS...

- Hire only licensed and insured contractors.
- Projects that require a state license:
 - Commercial Projects over \$50,000
 - Residential New Construction of Single Family Homes
 - Home Improvement/Remodeling over \$7,500 requires state registration
 - Hazardous materials or mold remediation over \$1.00
 - To check a contractor license or registration number, call (800)256-1392 or visit www.lslbc.louisiana.gov.

All contracts must be in writing!

CHECK IT OUT:

Recommendations for Hiring A Contractor

Before hiring a contractor, use the following recommendations

1. Get at least 3 bids in writing before hiring a contractor. Cheap does not mean qualified.
2. Ask friends, family, or co-workers for contractor recommendations.
3. Only pay 10% down or \$1,000, whichever is less.
4. Never pay cash!
5. Inspect the entire job before making the final payment.
6. Contact local trade organizations, such as your local Builder Association, for the names of members in your area.
7. Check out the contractor's complaint record with the Attorney General's Office or the Better Business Bureau.
8. Keep all paperwork related to the home repair project in one place.
9. Check the contractor's references.

GET IT IN WRITING:

Signing the Dotted Line

Before signing a contract, make sure the contract contains:

- The contractor's name, address, phone, and license number.
- A payment schedule for the contractor, subcontractors and suppliers
- An estimated start and completion date
- The contractor's obligation to obtain all necessary permits.
- How change orders will be handled.
- A detailed list of all materials, including color, model, size, brand name and product.
- Warranties covering materials and workmanship.
- What the contractor will and will not do. For example, is the site clean-up and trash hauling included in the price?
- Oral promises also should be added to the written contract.
- A written statement of your right to cancel the contract within three business days if you signed the contract at your home or at a location other than the contractor's place of business.

DON'T GET NAILED

Beware of the following contractor fraud RED FLAGS:

- Does not provide a local address or local telephone number-do not hire someone who only supplies a cell phone number.
- Solicits door-to-door. Legitimate (and busy) contractors do not have time to solicit door-to-door.
- Just happens to have left-over materials from previous jobs.
- Will give you a discount for recommending other customers.
- Demands that you pay in cash or for the job upfront.
- Tries to pressure you into signing a contract you haven't read or that has blank spaces.
- Asks you to get the building permits.
- Asks you to use your home as security for a home improvement loan or borrow money from a lender the contractor knows. If you do not pay the loan or miss a payment, the lender can take your home and sell it.
- Uses high pressure sales tactics to scare and intimidate you.
- Claims that your job will be a "demonstration."

For more information on Contractor Fraud, contact:

Louisiana Attorney General's Office

Consumer Protection Hotline

1-800-351-4889

www.ag.state.la.us<<http://www.ag.state.la.us/>>

Louisiana State Licensing Board for Contractors Hotline

1-800-256-1392

www.lslbc.louisiana.gov<<http://www.lslbc.louisiana.gov>>

Best wishes,

Melanie Ehrlich

Co-Chairman, Citizens' Road Home Action Team (CHAT) <http://chatushome.com>