

## **DISASTER RELIEF: PREVENTING CONTRACTOR FRAUD**

### **What is contractor fraud?**

Contractor fraud occurs when a person or company hired to build, renovate, or repair a home attempts to deceive a customer.

**Common examples** of contractor fraud include:

- Failing or refusing to complete work as agreed;
- Failing or refusing to correct shoddy, substandard work;
- Recommending unnecessary parts or services;
- Grossly overcharging for parts or services; and
- Performing work without a valid license.

### **How should I choose a contractor?**

- **Always** use a **licensed** contractor.
  - In order to repair or improve a building in New York City, a home improvement contractor *must* be licensed by the New York City Department of Consumer Affairs (DCA). Every DCA-licensed contractor is assigned a seven-digit license number, which he or she should give to you upon request.
  - To determine whether a contractor has a valid DCA license, call 311 or check online by visiting <http://nyc.gov/dca> and clicking "Instant License Check."
  - Plumbers and electricians must be licensed by the New York City Department of Buildings (DOB). To determine whether a plumber or electrician is licensed, call 311 or check online by visiting <http://nyc.gov/buildings> and clicking "Licensing" under the "Development" tab.
- Don't be afraid to ask questions. A reputable contractor should be able to answer all of the following questions:
  - *"Are you licensed with the State of New York?"*—See above for more information on licensure.
  - *"How long have you been in business?"*
  - *"How many projects like mine have you completed in the last year?"*—Ask for details and a list of references.
  - *"Will my project require any permits?"*—New York City requires permits for many building projects.
  - *"How long will my project take?"*
  - *"What type of insurance do you carry?"*—A contractor should have personal liability, worker's compensation, and property damage coverage. Ask for copies of insurance certificates and make sure that they're current.
  - *"Will you be using subcontractors on my project?"*—Contractors can often escape liability for work performed by subcontractors. If your contractor plans to subcontract work, make sure that the subcontractors are licensed.
- Get detailed estimates from multiple contractors. Your insurer may reject contractor's estimates that do not provide specific details regarding proposed repairs.
- Consult with your insurance company and ask for recommendations.
- **GET EVERYTHING IN WRITING.** Require a signed, written contract between you and your contractor **BEFORE WORK BEGINS**. The contract should detail the work to be performed, the materials to be used, the price to be paid, and the date by which the work will be completed. Make

sure that anything the contractor promises is included in the contract. Do not accept any promises that the contractor is not willing to make in writing.

- Do not sign anything that your contractor gives you without reading it first.
- Do not consent to have your insurance company pay any contractor directly.
- Pay by check or credit card, not by cash.
- Do not make final payments unless you are satisfied with the work, and the contractor has paid all subcontractors.

## **What warning signs should I look for to avoid contractor fraud?**

**Beware** of a contractor who:

- Has no proof of licensure;
- Has no physical address, identification or business contact information;
- Solicits door-to-door;
- Pressure you to hire him or her that day;
- Accepts only cash payments;
- Asks for upfront payment;
- Does not provide you with a written estimate;
- Pressures you to sign documents before you've had a chance to review them;
- Asks you to get required building permits yourself;
- Suggests that you borrow money from a lender that he or she knows;
- Wants your personal financial information to start the repair or lending process;
- Has no professional references or contact information from past repair jobs; or
- Offers exceptionally long guarantee periods.

## **I think I have been a victim of contractor fraud. What can I do?**

If you were affected by Hurricane Sandy and have questions about contractor fraud, **MFY Legal Services, Inc.'s Disaster Response Law Project** is here to help. **Call our helpline on Mondays and Wednesdays, 2:00-5:00pm at (212) 417-3808.**

To report potential fraud, you can file complaints with:

- **The New York City Department of Consumer Affairs** by calling 311 or visiting <http://nyc.gov/consumers>.
- **The New York State Office of the Attorney General** by calling (800) 771-7755 or visiting [www.ag.ny.gov](http://www.ag.ny.gov).
- **The New York Department of State**, by calling (800) 697-1220.