

HOME REPAIR FRAUD

Each year, Americans spend billions of dollars for goods and services they never receive or ones that are poor quality. Many of those dollars are misspent simply because consumers made poor decisions. But consumers also lose billions of dollars each year because of fraud.

People who are victims of a disaster are often "ripe pickings" for consumer fraud, as they may not be thinking as clearly because of stressful conditions.

What You Should Know About Consumer Fraud

Legally, fraud is the intentional misrepresentation of an important fact made to influence the buyer. However, it can be difficult to prove the misrepresentation was intentional. Also, it is often difficult to catch sellers who use fraudulent methods because consumers who have been the victims of fraud don't like to admit it.

There are **seven general warning signs** of fraud. One or more of these warning signs is usually present in any fraudulent situation. The warning signs are:

- ◆ An offer of something for nothing, or free merchandise.
- ◆ Pressure to act now.
- ◆ An offer of a kickback (a lower price or reduced fee) for referring potential clients.
- ◆ A seller who criticizes his/her own merchandise or another seller's merchandise.
- ◆ A contract with vague or tricky wording.
- ◆ The seller's spoken promises are different from the contract.
- ◆ Exaggerated claims or lavish promises.

Let's look at some specific fraudulent schemes you should be cautious of:

Home Improvement Frauds usually target roofing, furnace or driveway repairs. To avoid becoming a victim, never pay in cash. Be careful of people who want all the money before the work has been completed. Ask to see the state licenses of plumbers, electricians, carpenters, and general contractors. Get written estimates from at least three reliable contractors. The written contract should include the costs of products and labor, the quality of materials used and the start-up and completion dates. Be sure to obtain the following from the contractor before construction begins:

Waiver of Lien--states that the contractor has paid all debts (materials and labor) related to your job.

Certificate of Liability Insurance--verifies that the contractor carries liability insurance.

Also Be Aware That

- ◆ Uninsured workers may have the right to sue if they are injured on your property (i.e., if a floor caves in or a wall collapses).
- ◆ Unskilled workers doing electrical or structural work may pose a serious, even life threatening, risk to the tenants of the structure.
- ◆ A felled tree may cause damage to your property (or your neighbor's) and you are liable.
- ◆ All electrical, plumbing, structural work and tree removal services should be performed by a licensed, insured and experienced worker.

Consumers can and should protect themselves against fraud

Consumers are their own best first line of defense to protect themselves against consumer fraud. To avoid becoming a victim of fraud, consumers should:

- ◆ Take the time to think through decisions.
- ◆ Not allow anyone to rush them into a "deal" or signing a contract.
- ◆ Always get a written contract.
- ◆ Shop around. Get more than one estimate and/or ask a trusted friend to review the options before deciding.
- ◆ Politely but firmly say "no" to situations that appear suspicious.
- ◆ Exercise their consumer rights.
- ◆ Be wary of door-to-door repair solicitors.
- ◆ Make final payment when the work is completed to satisfaction.
- ◆ Review how their family will handle the situation of someone coming to their door to sell a home repair or remodeling service. If everyone knows what to do, it will help prevent housing-related consumer fraud.

Usually, you can't legally cancel a contract without penalty after you've signed it. In a few specific situations you can:

- ◆ If you buy merchandise from a door-to-door salesperson in your home, you have **THREE** business days (including Saturday) to cancel the sale if the price is \$25 or more. To receive a full refund,

complete the Notice of Cancellation the salesperson gave you within three business days and return the merchandise.

- ◆ You do **NOT** have any automatic rights to cancel agreements you made in phone sales. The only cancellation rights you have are those promised to you by the seller.

The Federal Trade Commission (FTC) enforces antitrust laws, acts to curb deceptive advertising, packaging and selling, and even over the phone swindles. Complaints should be sent to:

Federal Trade Commission
Bureau of Consumer Protection
Pennsylvania Avenue and 6th, N. W.
Washington, D. C. 20580

The Illinois Office of the Attorney General is charged with protecting Illinois consumers against fraud and prosecuting those who practice fraud:

Office of the Illinois Attorney General
100 West Randolph Street
Chicago, IL 60601
312/814-3000
or
500 South Second
Springfield, IL 62706
217/782-1090

The **Better Business Bureau** can tell consumers if it has received complaints against sellers and can help consumers to resolve problems with sellers:

211 W. Wacker Drive
Chicago, IL 60606
312/444-1188 (Complaints)
312/346-3313 (Inquiries)
or
3 West-Old Capitol Plaza
Room 14
Springfield, IL 62701
217/789-1449

Alert consumers can protect themselves and others from becoming victims of fraud if they look for the warning signs and notify the authorities if they spot fraud. It is important that consumers learn to ask the right questions and think before acting.

Sources

Hunts, H.J. (1994). Consumer fraud (Fact Sheet). Urbana: University of Illinois Cooperative Extension Service.

Adapted from Fugate, M.A., Myatt, D., & Cude, B. (1994). Consumer fraud. Urbana: University of Illinois Cooperative Extension Service. Updated by Katherine J. Reuter and Barbara Dahl, 6/94.

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