

Home Repair Contracts & Home Improvement Fraud

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How to Protect Yourself

1. Know Your Stuff...

a) Repairman

- Never employ a transient home-repair person
- Avoid door-to-door or phone solicitation of home repair
- Check with local building supply stores, the Better Business Bureau or the Consumer Protection Agency
- Get references from friends or others who have had work done by a particular repairman

b) Before agreeing to have work done:

- Get more than one estimate
- Ask for references
- Ask to see local and state license of person doing the work
- Check license of contractor at <http://www.myfloridalicense.com>
- Find out what type of contractor license they have (residential, building, or general)
- Make sure company has insurance (General Liability, Worker's Compensation & Builders Risk) - also ask if they have a Code Compliance Bond

2. Project Specifics: Before depositing money or signing any papers find out:

- What work is to be done
- What materials will be used and how much
- When will work be started and completed
- Amount of work to be subcontracted

3. Bill Payment Specifics: When discussing payment issues, be sure to include:

- Total cost of home improvement project
- Method of payment

1) Payments in Cash

- * Make sure all agreements are in writing
- * Make sure work is completed satisfactorily before making final payment
- * Never give money up-front before work has begun
- * Do not give money to purchase supplies

2) Financing

- * Most financing for home improvements involve a lien against the home
- * Florida law provides a 3-day (72 hour) cancellation period for all contracts where there is a lien (secured interest) against the home
- * Contract can be cancelled by either lender or homeowner without penalty

Home Improvement Contracts

1. Home improvement contracts must include:

- Name, address and license number of home improvement contractor
- Name(s) and license number(s) of salesman soliciting or negotiating contract
- Approximate date when work will begin and be completed
- Description of work to be done and materials to be used
- Amount of any insurance
- Any fees, such as for permits, etc.
- Amount of down payment, if any
- Total amount due stated in dollars, less any down payment
- Number of monthly payments and amount of each
- Description of any collateral security taken
- Notice to homeowner telling him/her to not sign if any blanks were left in the contracts and that he/she has a right to a copy of all papers signed
- Notice that the contract can be cancelled within 3 business days (72 hours) and location where cancellation is to be made (address & phone number)

2. Before Paying in Full

- Get names of those supplying contractor with labor and/or materials
- Get a notarized “waiver of lien” stating that such contractors and supplies are paid for
- Make sure contractor had all necessary licenses and building permits
- Get an assurance that the job site will be cleaned when the job is finished

Home Equity Loans

Not all home equity loans or lenders are created equally. To protect yourself against unscrupulous lenders and against losing your home carefully consider your options.

Early Warning Signs of Predatory Lenders

- Lender tells you or requires you to falsify information on the loan application
- Lender pressures you into applying for a loan or applying for more money than you need
- Lender pressures you into accepting monthly payments you can't make
- Lender fails to provide required loan disclosures or tells you not to read them
- Lender misrepresents the kind of credit you're getting
- Lender promises one set of terms when you apply and gives you another set of terms to sign
- Lender tells you to sign blank forms
- Lender tells you that you can't have copies of documents that you've signed

Steps to Protect Your Home and Your Equity

1. Before choosing a lender...shop around

- Annual percentage rate
- Term of the loan
- Monthly payment
- Is there a balloon payment?
- Is there a prepayment penalty?
- Will the interest rate for the loan increase if you default?
- Does the loan include a charge for any type of credit insurance, such as credit life, disability or unemployment insurance?

Ask yourself:

- Do I really need the home repairs or improvements?
- Can I really afford this loan?

2. After choosing a lender

- Negotiate
- Ask the lender for a blank copy of the form(s) you'll sign at closing
- Ask the lender to give you copies of the actual documents
- Be sure you can afford the loan

3. At Closing

- Before signing, ask for an explanation of any dollar amount, term or condition that you don't understand
- Don't sign a loan agreement if the terms differ from what you thought they would be
- Make sure you get a copy of the documents you signed before leaving the lender
- Don't initial or sign anything saying you're buying voluntary credit insurance unless you really want to buy that insurance

4. After Closing

- Truth in Lending Act gives most home equity borrowers at least three days after closing to cancel the deal
- To rescind the contract, notify creditor in writing
- Lender has 20 days to return all money or property you paid to anyone as part of the credit transaction and release any security interest in your home
- You must then return the creditor's money or property

Home Equity Loan Resources

Federal Trade Commission

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- FTC Consumer Response Center 6th Street and Pennsylvania Ave, NW Washington , DC
- 20580
- FTC HELP (800-382-4357)
- TTY (202) 326-2502
- www.ftc.gov

Bank Rate Monitor

- www.bankrate.com

Better Business Bureau

- (703) 276-0100 – check local phone directory for bureau in your area

Consumer Action

- (415) 777-9635 (San Francisco)
- (213) 624-8327 (Los Angeles)
- www.consumer-action.org

Consumer Credit Counseling Service

- (800) 777-PLAN

National Association of Attorneys General

- www.naag.org

National Association of Consumer Advocates

- www.naca.net

National Association of Consumer Attorneys

- www.naca.org

National Fraud Information Center

- (800) 876-7060

American Association of Retired Persons

- AARP, 601 E. Street, NW Washington, DC 20049
- (800) 424-3410
- www.aarp.org/getans/predatorylending.html