

MONROE COUNTY

Avoid Home Improvement Fraud

Your home may be the biggest and most important investment you will make in your lifetime. Keeping your home safe and in good repair is important. There are plenty of skilled and competent home improvement and repair contractors in our community. The key is to find the right one for you, who will perform quality work in a timely manner at a reasonable price. Unfortunately, there are also a few bad apples who engage in home improvement fraud. Here are some tips to help you find the right contractor, avoid problems, and know where to turn for help.

Checking References

- Were they satisfied with the work performed by the contractor?
- Was the project completed on time?
- Did the contractor keep them informed and provide documentation of inspections and permits?
- Were there any problems? How were they resolved?
- Did workers show up on time? Did they clean up after finishing the job?
- Would they recommend the contractor? Would they use the contractor's services again?

Red Flags

Watch out for these. They could be a sign of future problems with a contractor.

- Door-to-door solicitation.
- Contractor creates a sense of urgency and presses for an immediate decision.
- Requires payment for the entire job up front.
- Only accepts cash payment.
- Fails to obtain building permit.
- Not listed in telephone directory, no permanent business address, only an answering service.
- Contractor offers to set up financing or refers to a lender.

Choosing a Good Contractor

- Do your research – Know what work you want done and have a realistic budget.
- Get referrals – Talk to friends and family members. Get their recommendations.
- Take your time – Look for a well-established contractor with a permanent business location and a good reputation in the community. Don't be rushed into a decision.

Talking to Contractors

- How long have they been in business?
- How many similar projects have they completed in the last year?
- Get names, addresses and phone numbers of past clients as references.
- Do they have personal liability, worker's compensation, and property damage insurance?
- Will they use subcontractors? Who? Do they have insurance?
- Get at least two written estimates from different contractors. Compare costs and materials.
- Carefully compare written estimates. How long will the project take? Who are the suppliers? What quality of materials will be used?

Get A Written Contract

Indiana has a Home Improvement Contract law that requires residential home improvement contracts in excess of \$150 to be in writing and to contain certain terms. Under this law, the contractor is called the *Home Improvement Supplier*. The residential homeowner is called the *Consumer*.

The contract must contain the following minimum terms:

- Your name and address.
- The supplier's name and address.
- The name and phone number of who to call for any problems or questions.
- The date you were given the contract and any time limit for you to accept it.

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- A detailed description of the proposed work or a statement that specifications will be given before work begins and are subject to your separate written and dated approval.
- The approximate dates when the work will start and finish and anything of importance that would affect the completion date.
- The contract price.
- A place for both you and the supplier to sign with the names clearly printed below.

Payment Issues

- Avoid paying cash.
- *Never pay for the entire job before the work begins.*
- Don't pay more than 1/3 of the entire cost as a down payment.
- Link remaining payments to the completion of certain work, subject to required inspections and payment to subcontractors.
- Reserve final payment until the job and final inspection are completed.
- If the contractor tells you they need more money to finish the job, resolve the issue immediately.

Home Improvement Loans

Make sure you receive the following forms:

Truth in Lending Disclosure Form – The true interest rate, the amount you're borrowing, all the finance charges, the total of all payments, amount of payments, date when payments are due.

Notice of Right to Cancel – Gives you three business days to cancel the loan agreement.

- If these forms are wrong or not given, you may have up to 3 years to cancel. You should get legal advice if you do.

- Do not agree to a home equity loan if you don't have enough money to make all the monthly payments.
- Do not sign any loan papers that you haven't read or don't understand or any document that has blank spaces to be filled in after you sign.
- Do consult an attorney, a financial advisor, a family member, or someone you trust who is knowledgeable before signing any documents to arrange financing.
- Do shop around and compare loan terms to get the best financing available.

Home Solicitation Sale – If you were solicited for a home improvement project at your home, by mail, phone or ads, or somewhere other than a regular place of business, you have cancellation rights within 3 business days (sometimes longer), whether you pay with or without a loan.

Resolving Problems

- First try to resolve problems informally by talking to the contractor. Follow up with a letter sent certified mail. Keep all paperwork in a file. Keep records of important calls or conversations with the contractor. Take photos as the job progresses.
- Indiana Legal Services offers free legal help to low-income people, and people age 60 and older. Call 339-7668 or (800) 822-4774, or visit www.indianajustice.org.
- The Monroe County Bar Association offers referrals to local attorneys who practice in construction law, contracts, and consumer law. www.monroecountybar.org
- Small Claims Court – Claims less than \$6,000 may be settled by a small claims judge. You don't need a lawyer, but it can be helpful. Contact the Monroe County Clerk of Courts at 349-2600 or link from www.co.monroe.in.us

Home Improvement Mediation Program

The Community Justice and Mediation Center offers trained mediators who

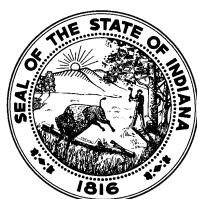
can help people creatively resolve disputes over home improvement contracts informally through voluntary mediation, without the time and expense of a lawsuit. 336-8677 or www.bloomington.in.us/~mediate

Criminal Home Improvement Fraud

Home Improvement Fraud involving an agreement in an amount over \$150 between a contractor and a consumer for repair or modification of residential property may be a crime if one or more of the following things exist:

- The contractor misrepresents any terms of the contract or condition of the property.
- The contractor creates a false impression and knows that it is false.
- The contractor promises to perform work that he knows will not be performed.
- The contractor uses deception to induce the consumer to enter into a home improvement contract.
- The contractor enters into an unconscionable home improvement contract with a consumer that's more than \$4,000.00.
- The contractor misrepresents his name, business affiliation, address or phone number.
- The contractor fails to give you a copy of any warranty or guarantee, if you ask for it.
- The contractor uses a product in a way that voids a warranty without first telling the consumer.
- The contractor falsely claims that he was referred by another contractor who previously did work for the consumer.
- The contractor claims he is licensed, certified or insured when he is not.
- The contractor falsely claims he has obtained necessary permits or licenses before beginning work.

If you believe you have been the victim of criminal home improvement fraud, contact the police and file a report. By reporting home improvement fraud, you can help prevent it from happening to others in the future.



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