

# Flood Risk Management: Avoiding Scams Following a Flood

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In the wake of a disaster, con artists and other dishonest people often emerge offering their services or asking for donations to help victims. After Hurricane Katrina for example, more than 2000 phony charity Web sites appeared, some of them set up even before the hurricane hit land. Many homeowners paid for rebuilding work that was shoddy or never done. By understanding the scams that are known to occur after a disaster, you can prevent becoming a victim.

## **Home Repair/Clean-Up Scams**

After a disaster, the demand for experienced licensed contractors greatly exceeds supply. Nonetheless, it pays to shop around first before hiring a repairman or contractor. Be extra-cautious of people offering help door-to-door. Conduct business only with established, licensed and insured workmen. Be cautious of sound-alike names.

Cases involving fraudulent contractors normally fall into two categories:

### **Unlicensed Contractors**

These contractors may represent themselves as having a license or may even use an unsuspecting licensed contractor's license. It is imperative to check on the status of a contractor's license. These scam artists attempt to obtain large amounts of money up front, and do little, if any, work.

Some contractors or repair people might be honest and upfront about the fact that they are unlicensed, and it might be very tempting to hire them due to the fact that licensed contractors are so difficult to find. However, keep these points in mind:

- Uninsured workers may have the right to sue you if they are injured on your property (for example, a worker falls off a roof.)
- Unskilled workers doing electrical or structural work may pose a serious, even life-threatening, risk to the tenants of the structure.
- An improperly felled tree can easily cause major damage to your or your neighbor's property: If the workman is uninsured you may be liable for that damage.

### **For your own protection, you should always use a contractor or repair person who is licensed and bonded!**

If you decide to employ an independent repair person or tree cutter in spite of the risks involved, draw up a written contract that clearly spells out the work to be done (for example, number of trees to be cut, stump height or treatment, what is to be done with the cut trees and by whom, beginning and completion date of work and amount to be paid and when). **Never** pay for work before it is done. Ask for references and to see the person's driver's license. Write down the license number, address and vehicle license plate number. Include a statement about who is responsible for expenses in case of an accident. This should include what happens if the worker damages your property accidentally and who pays if the worker is accidentally injured. These steps are no assurance of protection, but they may help.

## **2. Licensed contractors who are well-intentioned and honest but get in over their heads.**

These may create the most difficult problems. In this case, a contractor takes on more jobs than normal. Given a limited pool of experienced workers, newly hired subcontractors may not be highly skilled or experienced. The result tends to be poor quality work that might not meet code requirements and may need to be redone, which reduces profit and provides further incentive for shoddy work. Homeowners may experience delays and ultimately the contractor may run out of money and abandon the work in progress, leaving the homeowner without the completed work but having spent the money. A second part to this problem is that the contractor may not have paid the subcontractors or suppliers, who will in turn place a lien on the homeowner's property, burdening the homeowner with the responsibility of paying off the debts.

Never let anyone begin working on your home or business without first establishing a written contract. Don't let anyone rush you into a deal or signing something. Make your first payment after the contract is established and make your final payment when the work is completed to your satisfaction. Other reported home repair/clean-up scams include:

- Contractor explains a low price by stating the material is left over from another job. The contractor begins work, says he needs more money to buy additional material but then disappears with the money, leaving the job unfinished.
- Contractor takes an advance deposit on a job and doesn't return to do the work. Typically it is discovered that the contractor used fake documents to appear to be a local or licensed contractor. It is best not to entrust large sums of money to a contractor. A draw system should be set up to front money to a contractor only for each specific step in the construction project.
- Contractor quotes a low price for a needed repair then uses below-grade or fake material to make the repair. Local building inspectors should help prevent use of material that falls below code standards.
- Contractor charges a fee to inspect a job and write up an estimate. The homeowner is told the fee will apply to the cost of the work. The contractor doesn't return with the estimate.
- Contractor quotes a low price for a repair, does the work, then presents a bill that is much larger than the original quote. When the homeowner protests, the contractor maintains the homeowner misunderstood the agreements and threatens legal action. Any contracting agreement should be put in writing in the form of a specific contract setting out what work will be done and for how much money.

### **Landlords and Tenants**

If you are renting a residence that is damaged, you have special rights and responsibilities. Repairs are the responsibility of the landlord. You should immediately notify the landlord of any damage to the property and make reasonable efforts to help protect it from any additional damage. The landlord is responsible for having the residence repaired and returned to livable condition. If repairs are not made within a reasonable time, the tenant has the right to reduced rent, or perhaps to terminate the lease and move.

### **Identity Theft**

If you are recovering from the effects of a disaster, you will need to share your personal information to get relief benefits from government agencies or other organizations or to get replacement identification documents. Be cautious. Identity thieves may pose as government officials or representatives of government agencies. Ask for identification. When possible, initiate the contact yourself using information posted on official Web sites or in official information dissemination areas. As you work with contractors and others to repair your home, you may be asked for information so a credit check can be performed. Be certain the business is legitimate before you give out your Social Security number and other personal information. If in doubt, do not give your information. You should examine your bank statements, credit card statements, and other statements closely for unauthorized purchases or withdrawals. About 60 days after the disaster, you should request copies of your credit report from all three major credit bureaus: Experian, TransUnion and Equifax. All three credit bureaus will usually provide disaster victims with a free copy of their credit report. If you believe that someone is committing identity theft against you or may commit identity theft against you in the future, you may want to add an initial security alert to your personal credit report. This alert will remain on your report for 90 days and will notify anyone who reviews your report to take extra steps to verify your identity before granting credit. You need to request the security alert with only one credit bureau. It will automatically notify the other two to place an alert on your file. Be aware that adding an alert to your credit report may prevent you from opening an account unless the creditor is able to get in touch with you and positively confirm your identity and that you are applying for credit.

Additional information on preventing identity theft can be obtained at <http://www.consumer.gov/idtheft>

### **Price Gouging**

In past disasters people have complained of businesses charging excessive prices for essential goods and services such as rental cars, hotels and motels, building materials and groceries. If you feel you have been a victim of price gouging, you should report the incident to your state's Attorney General's office.

## Scams regarding charity

After a disaster, many people are contacted asking for charitable donations to help victims. Four common ways that con-artists ask for donations is by 1) an e-mail from an organization, 2) a phone call from a solicitor, 3) a letter in your mailbox, and 4) phony Web sites. Before donating to charities, take precautions to ensure that the money will go where it's needed.

- Don't give cash. Legitimate charities will take a check.
- Don't give credit card, bank account or personal information to telemarketers. If you want to give, initiate the call.
- Don't give to Internet appeals if the cause does not look legitimate and doesn't check out. Traditional frauds have gone electronic in recent years, giving con artists easy access to thousands of potential victims.
- Don't give in to pressure. Anyone who can't wait for a donation while you check out his or her organization is likely to be a crook.
- Expect specific information. Ask what kind of relief this organization is going to provide. Don't give to a vague appeal.
- Check out the charity with national, state and local authorities. Established charities register with the Internal Revenue Service. You can search for specific non-profit organizations on the IRS Web site, <http://www.irs.gov>.
- Beware of newly formed organizations. If the charity is new, you may have to rely on your relationship with the company or sponsor of the organization to determine whether you trust the group.
- Report abuses to the nearest Better Business Bureau and the State Attorney General's office. Both are listed in local telephone directories. You can also report abuses to the National Fraud Information Center at (800) 876-7060. NFIC also has a Web-based complaint form at <http://www.fraud.org>.

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