



Beware of Fraudulent Contractors Following a Storm

A devastating storm can leave flooding waters, property damage and personal injuries in its wake. Perhaps one of the least expected dangers that follows a storm is fraudulent contractors. They're such a problem that the Federal Trade Commission issued a **warning about them** after Hurricane Sandy in 2012. This Fact Sheet will help explain how fraudulent contractors operate, why they follow storms, warning signs to look for, and how you can screen potential contractors.

How Fraudulent Contractors Operate

Fraudulent contractors scam unsuspecting business and personal property owners. They do this by offering to do repairs and requesting upfront payment. Once they receive the upfront payment, they'll usually ditch the job. If they do complete the job, it will be to subpar standards. These subpar jobs will often need to be redone by a legitimate contractor. Frauds may also use, or try to sell, stolen materials and equipment to property owners.

Fraudulent contractors are active year round and in almost any location. Communities may see an uptick in frauds after a storm, though. This is because fraudulent contractors know these communities are target rich. They have better odds of finding someone in need of services that they can scam. Also, property owners may be desperate to get their repairs made as soon as possible. Frauds will use this urgency to their advantage. They often promise speedy repairs to get a property owner's money.

Warning Signs

There are plenty of warning signs to watch for to avoid repair fraud. Be wary of contractors that:

1. Arrive at your property unannounced.
2. Offer to give you a low price because they have materials left over from a previous job.
3. Provide estimates that are extremely high or low in comparison to other offers.
4. Give an estimate in one lump sum and do not address the cost of individual items and tasks.
5. Ask for 10% or more of the estimate price upfront.
6. Insist on submitting insurance claims on your behalf.
7. Ask you to endorse insurance checks to them.
8. Don't have a fixed address for their business or don't usually operate in your area.
9. Cannot provide references.
10. Have records of complaints filed against them by the local Better Business Bureau.

Screening Your Contractors

- **Use well-known local contractors.** It doesn't take long for word to get around about a bad contractor. If you're screening a contractor, ask who else he has worked for in your area. If he doesn't regularly work in your community, you may want to look for another contractor.
- **Ask to see their contract.** Make sure that you and the contractor have identical copies of the document. Take some time to review the contract that you have received. Search online for boilerplate home repair contracts. Then compare the search results to your contract to see if anything looks suspicious.
- **Have your claims adjuster inspect damage and contracts before signing.** Contact your insurance agency immediately to report any storm damage. Your insurance agency will most likely send out a claims adjuster to inspect the damage. Have your claims adjuster review any contracts you receive for repairs. Also, be sure to discuss what damages are covered with your insurance company.
- **Pay by check or credit card.** Avoid contractors that insist on cash only payment. It's easier to escalate a claim against fraudulent services if there is a money trail. Credit card and bank checks can help establish records of payments to a contractor.
- **Ask to see proof of insurance and licensing.** The contractor should have insurance to protect himself, his business, employees and customers. At the least, this should include workers' compensation and professional liability insurance. Don't hesitate to request proof of these insurance policies. Also, be sure to ask if subcontractors will be working on the job and if they have the same levels of insurance coverage.

In the aftermath of the storm, the last thing you should worry about is being taken advantage of. Unfortunately, con artists and frauds know this is when you are most vulnerable. The information in this article can help you better prepare for the aftermath of a storm.



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