

HOME IMPROVEMENT

WATCH OUT FOR THESE SCHEMES

- A salesperson comes to your door saying that she was in your neighborhood and noticed that you needed siding, storm windows or some other improvement. She tries to convince you to sign a contract for home improvements on the spot without revealing hidden finance charges or the fact that there will be a lien placed on your home.
- A salesperson comes to your door and says he just did some work for your neighbor. He has some extra material that is just enough to repave your driveway or re-shingle your roof. He says he can do the work very cheaply if you let him do the work that day. He takes payment in advance to do the work, then disappears. Or he does the work and it's so sloppy you wish he had disappeared.

BE A WISE CONSUMER

Here are some tips to keep you from becoming a victim of a home improvement scam.

- Be leery of a salesperson who appears at your door uninvited. Be skeptical of any claims made about energy savings or security that will result from the company's improvements.
- If you are asked to sign a credit check application, read the form carefully and make sure that it does not bind you to anything. Make sure it really is a credit check and not a contract. If you

do not understand everything in the document, do not sign it until you have had someone else explain it to you.

- Don't rush into signing a contract, especially in your home. If the salesperson offers a really good deal, it will be available tomorrow. It is difficult to read a contract when a salesperson is pressuring you to sign on the spot, so take time to read the contract after the salesperson leaves. If the salesperson will not leave a copy of the contract for you or insists that you must sign immediately, it should be a warning not to do business with that person.
- Do not sign a contract that has blanks. Unscrupulous salespeople sometimes fill in numbers that are different from what had been agreed to orally.
- Make sure everything promised to you is in the written contract. Insist on a written contract that specifically states what the contractor will do, when the work will start and when it will be completed. Make sure the contract includes everything the salesperson or contractor promised and spells out the cost of change orders, service charges and material costs. Get and keep copies of everything you sign.
- Remember, any contract you sign for work on your homestead must contain the following warning next to the space for your signature:

“Important Notice: You and your contractor are responsible for meeting the terms and condi-



tions of this contract. If you sign this contract and you fail to meet the terms and conditions of this contract, you may lose your legal ownership rights in your home. KNOW YOUR RIGHTS AND DUTIES UNDER THE LAW.”

- When you sign a contract for home improvements on your homestead, the contractor can legally fix a lien on the homestead. If you sign a contract containing the language quoted above and you fail to make the payments, the company can take away your home. Therefore, it is extremely important that you understand exactly what your obligations will be under the contract and that you are confident you can meet those obligations. If you have any questions or doubts, consult an attorney before you sign the contract.
- If there will be a lien on your home, make sure a notary is present to witness your signature. A notary other than the salesperson must be present to witness your signing of the document that creates the lien. It should be a warning to you if the salesperson does not have a notary present or if he or she claims that notarization will be taken care of later.
- Ask for references from satisfied customers and call them before signing a contract. If the salesperson is unwilling to give references, he or she may have something to hide. Even if the salesperson does give references, the “references” sometimes turn out to be people who are paid to say good things about the company. If possible, look at examples of work done previously.
- Do not sign a completion certificate until the work is complete. Be wary of repairmen who say they need to be paid in full before the work is complete. Before signing the completion certificate, personally inspect the work that was done to make sure it was done properly and is really finished. It is not unusual for contractors to ask for partial payment as work is completed; however be sure to verify that the work you are paying for is finished.
- Protect yourself against claims by subcontractors and suppliers! Under Texas law, if a subcontractor or supplier who furnishes labor or materials for the construction of improvements on your property is not paid, you may become liable and your property may be subject to a lien for the unpaid amount, even if you have not contracted directly with the subcontractor or supplier.
- If your homestead improvement exceeds \$5,000 in cost, the contractor is required by law to deposit your payments in a construction account at a financial institution. Ask the contractor for written verification of the existence of the construction account. Monitor deposits and disbursements to subcontractors, laborers, vendors, etc. Access to the account record should be included as a requirement in your written construction contract.
- Beware the “low-ball” bidder. Some home improvement contractors bid a very low price on the work to be done. Once you accept the offer, however, you may find that many items you assumed to be covered by the bid are not included. Be sure any written bid itemizes all of the work to be done and is specific. Do not assume that something not included in the bid is included in the price, even if it seems trivial. Get more than one bid. If one bid seems much lower than the others, make sure all contractors are offering to do the same quality work. Question any bid that seems out of line. Make sure the contractor is not taking shortcuts to lower the estimated cost. Ask in advance what the contractor charges for change orders. Do not assume that the contractor will do extra work for the cost of the work alone. Legitimate contractors add a service charge on top of the cost of the work.
- Compare prices by shopping around. Many home improvement contractors will have you sign a credit contract to pay a certain price plus a finance charge, then immediately sell the right to collect it for 20-50 percent less than the contract price. Other contractors simply charge outrageous prices, hoping you won't find out until after you have signed the contract.

CONTACT INFORMATION

BY US MAIL

Office of the Attorney General
Consumer Protection Division/010
P. O. Box 12548
Austin, Texas 78711-2548

ON THE INTERNET

www.oag.state.tx.us

BY TELEPHONE

Main agency switchboard
(512) 463-2100
Consumer Protection Division
1-800-621-0508 or
Regional Offices
Austin • 512-463-2070
Dallas • 214-969-5310
El Paso • 915-834-5800
Houston • 713-223-5886
Lubbock • 806-747-5238
McAllen • 956-682-4547
San Antonio • 210-224-1007

PUBLIC INFORMATION & ASSISTANCE

(512) 463-2007
(800) 252-8011