

# Home Improvement Scam Fact Sheet

## Introduction

Home improvements and repairs are some of the most unpleasant and expensive responsibilities of home ownership. However, a reputable contractor can improve your experience. Unfortunately, scam artists target the elderly and people who receive insurance proceeds after a disaster. Older people are more likely to have money saved and have home equity, which makes them attractive targets. Learn to recognize a home improvement scam before it's too late. The most important thing is to follow every step on this fact sheet.

## Warning Signs

- Scam artists use high-pressure sales tactics used to sell you a range of unneeded services. They often deliver poorly done but expensive work.
- They may encourage you to use a specific lender that they get a kickback from or encourage you to apply for a reverse mortgage to pay for services. These are all warning signs to NOT deal with this person or company to make your home repairs.
- To reduce your risk of falling for a home improvement scam:
  - Take charge of your project before hiring a contractor.
  - Thoroughly research contractors.
  - Read reviews from the Better Business Bureau and other reputable sources.
  - Ask friends, family, and neighbors for referrals.

## To Do Before

**Look at contractors' recent work on other homes to see their style.**

- Check their references from recent jobs they've done.
- Do all of this **before** signing a contract.
- Contractors should be able to verify that they are licensed within the state of Arkansas, which state law requires. Get written estimates for work you want done, and negotiate the payment schedule. A reputable contractor will agree. **Do not** pay for everything up front. **Do not** make a final payment until the work is complete. *Never pay cash*

- Make a list of non-negotiable items for the contractor that you require for the job and add them to the contract. Provide a photo of how the project should look at completion. If the contractor is unable or unwilling to meet your expectations, look for a one who can and will.

## Final Steps:

Once you've decided on a contractor, sign a written contract with the project's scope and terms. The contract should require that payments are made based on completion of work. You should pay  $\frac{1}{4}$  or  $\frac{1}{3}$  at the beginning,  $\frac{1}{4}$  or  $\frac{1}{3}$  mid-project, and hold the final payment until all work is completed to your satisfaction. Keep records of all the paperwork and correspondence between you and the contractor, including payment records and progress photos. This documentation is important if problems arise and is nice to have for posterity.

Before making the final payment, make sure the home passes any required city or county inspections and confirm all written warranties for materials/workmanship. Make sure all subcontractors have been paid and that you have lien releases for each. Also obtain a lien release from the general contractor, which they will file once the final payment has cleared. A sign off checklist would be helpful to ensure you don't miss anything.

If you know or suspect a home improvement scam, try to resolve the issue with the contractor. The contractor may be open to negotiation, especially if they believe you will take legal action. You should follow up all conversations with written letters sent with return receipts as proof the letter was received. If you and the contractor are unable to reach an understanding, it is acceptable for another reputable contractor to complete or repair the poorly done work and then seek damages against the con artist for the out-of-pocket costs spent to fix the problems.

Consider filing a complaint with the Better Business Bureau and the Arkansas Attorney General. Seek the help of a private attorney or assistance from the Legal Services office in your area. If you are over the age of sixty, contact the your local Area Agency on Aging (AAA). For more information or for printed materials, Eldercare Locator has excellent resources available at [www.eldercare.gov](http://www.eldercare.gov) and can be reached at (800) 677-1116.

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*The information and statements of law in this fact sheet should not be considered legal advice. This fact sheet is provided as a broad guide to help you understand how certain legal matters are handled in general. Courts may interpret the law differently. Before you take action, talk to an attorney and follow his or her advice. Always do what the court tells you to do.*

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