



# **Consumer Tips for Natural Disaster Victims**

**Office of the Tennessee Attorney General**

Even in emergency situations, it pays to be a smart consumer. Unscrupulous con artists prey on people who have lost homes and property due to natural disasters such as storms, fires, or floods. The following tips have been compiled to help protect you from becoming a victim of fraud or deception. If you feel you have been a victim, contact the Division of Consumer Affairs at 800-342-8385. To file a complaint, call or file online at <http://tn.gov/commerce/topic/consumer-file-a-consumer-complaint>.

## PRICE GOUGING

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- The price gouging statutes cover essential commodities like gasoline, food, ice, water, other fuel, generators, lodging, and other necessities.
- The Price Gouging Act of 2002 protects consumers during a state of emergency against pricing that is “grossly in excess of the price generally charged for the same or similar goods or services in the usual course of business immediately prior to the events giving rise to the state of emergency.”
- Tennessee’s Consumer Protection Act also outlaws unfair and deceptive practices like price gouging, including unreasonably raising prices in response to a disaster even if there is not a declared state of emergency. Penalties include up to a \$1,000 fine per violation, refunds, and injunctive relief.
- If you suspect that you were a victim of price gouging, look for sudden dramatic increases in prices for necessities right before, during, or after a natural disaster. High prices are not automatically price gouging and may be reasonable based on the costs to the business. Keep a record of your transaction and record as many details as possible such as the location of the merchant, the date and time of your purchase, the method of payment, the price of the item in days prior to the sudden price increase, and the price you paid. Always keep your receipts. Take pictures of a listed price with your cell phone.
- Report price gougers to the Division of Consumer Affairs at 1-800-342-8385 or <http://tn.gov/commerce/topic/consumer-file-a-consumer-complaint>.

## GUIDELINES FOR HOME REPAIR CONTRACTING

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If your home has been damaged by a natural disaster, chances are you're in the market for a reputable contractor. Immediately following a natural disaster the demand for qualified contractors is high and will likely exceed the supply. These conditions are ripe for home repair con artists who may charge excessive rates, perform shoddy work or simply skip town with your money.

First, if your house is severely damaged, make sure you can legally rebuild if you intend to. When you file for a building permit, local inspectors will determine what federal regulations you must comply with. Make sure you check the building permit for any restrictions and to ensure that the new structure meets any elevation standards.

If you do decide to repair or rebuild and hire a contractor, use these guidelines and suggestions to avoid possible misunderstandings about home improvements. If you follow these guidelines and insist upon a written contract, some of the most common problems with home repair contractors may be avoided. If in doubt, or if you are agreeing to spend a lot of money, you should have a local attorney go over your contract before you sign. Since our honest builders are so busy, many people are hesitant to demand all of the suggested information for fear of losing the builder. Don't be afraid to insist on your rights and direct any contractor who refuses your requests to this website.

- Get at least three written estimates (bids). Be certain each contractor bids on exactly the same work. ALL bids should be itemized and detailed. Talk to your insurer adjuster about the costs and estimates.
- Know with whom you are dealing. Verify the contractor's address. Request and check references (previous customers, bank references). Inspect work done for others when possible. Make sure the contractor has a local business license and is licensed through the Tennessee Board of Contractors (1-800-544-7693). If he/she is not licensed, do not do business with him/her.
- Check with the Tennessee Division of Consumer Affairs, your local Better Business Bureau and Home Builders Association to see if complaints have been lodged against any contractor you're considering.

- Get the name of the contractor's insurer and bonding company to verify general liability and worker's compensation insurance. Verify that the contractor is insured and for what amount.
- Take your time about signing a contract. Ask for explanations for price variations, and do not automatically choose the lowest bidder. Resist dealing with any contractor who asks you to pay for the entire job upfront. A deposit of one-third of the total price is standard. Pay only by check or credit card and pay the final amount only after the work is completed to your satisfaction. Do not pay cash. NOTE: On large projects, payment is often based on portions of completed work, i.e., 25% of total payment is due when 25% of the work has been satisfactorily completed.
- A reputable contractor can usually charge building materials and does not normally require a large down payment. When one is required, it should not exceed 10-25% of the total price. Better yet, accompany the contractor to the building supply store and pay the store for materials yourself. Have the materials delivered to your jobsite rather than the contractor's shop.
- Be specific. Have samples, model numbers, pictures or anything else that will show the contractor exactly what you want. If you don't specify the quality of materials in the contract, you are leaving it up to the contractor to decide what materials will be used.
- Be certain the materials you have selected are what you want. Changing your mind in the middle of a construction project is costly. If you do change your mind, be prepared to pay more.
- Be skeptical of contractors who encourage you to spend a lot of money on temporary repairs.
- Ask the contractor you choose to provide a lien waiver before starting your job. This is a receipt that says the workers and suppliers of material will not ask you for money once you have paid the contractor. In any case, do not sign a consent of owner statement: it says you, the property owner, will cover the costs of materials and labor if the contractor does not pay.

- Get a guarantee in writing. Any contractor not willing to guarantee his/her work is not someone with whom you want to do business. Accept no verbal agreements. Any changes in the contract should be in writing and initialed by both parties.
- Specify in the contract a beginning and completion date, exact description of work to be done, total cost of job, exact schedule for payment and the warranty or guarantee that can be expected. If the contract is for an hourly rate or on a cost plus basis, get an estimate of the total cost.
- Always pay by check or money order and keep a receipt. Write all checks to the company, not the individual worker. Make sure all subcontractors are paid to prevent a lien from being placed against your property.
- Keep a signed, legible copy of the contract in a safe place.
- DO NOT sign a certificate of completion or make a final payment until you are satisfied with all work performed. Save copies of all material receipts so you can be sure you received the goods and services for which you paid.
- Call the police, the Tennessee Division of Consumer Affairs and the Better Business Bureau if you suspect a con.

## **HOME AND BUSINESS OWNERSHIP ISSUES**

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Even if your home is damaged and you cannot live there, you still have to attend to your mortgage. Check with your mortgage service provider as soon as possible to learn what options you have, including whether you can get a grace period extended.

- Mortgage help from FEMA may be available if you face foreclosure proceedings. FEMA operates a Disaster Housing Program to help homeowners who have been forced out of their homes by disasters. This includes Disaster Home Repair Assistance, which provides grants to homeowners for minor but necessary disaster-related repairs. Call the FEMA Disaster Helpline at 1-800-621-FEMA.
- You may be eligible for loans from the Small Business Administration (SBA) to make necessary repairs. The SBA makes low interest loans of up to \$200,000 to homeowners to repair or replace damaged or destroyed real estate.

- If you have a mortgage insured by the FHA (HUD) or the VA, you may have additional protections, like a forbearance on the mortgage payments or a period of suspended payments. To learn more, call (202) 708-1112.

## **RENTAL LISTING SCAMS**

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After a natural disaster, people are in need of somewhere to live. In a rental listing scam, someone promises to find you housing but asks you to pay for the promise in advance. Usually state law requires a prepaid rental listing service to give you a written contract. Read it carefully. Meanwhile, know that con artists may try to charge you a fee for the promise of housing that does not exist.

## **DAMAGED OR LOST DOCUMENTS**

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It is important to replace any legal documents that have been damaged or lost. Below is a list of documents that should be replaced and who to contact for replacement copies:

- Deeds and recorded real estate documents: County's Recorder of Deeds
- Mortgages and other credit: Lender or financial company
- Leases: Landlord or financial company
- Insurance policies: Insurance company/agent
- Wills: Attorney.
- Checks/passbook savings book/investment materials: Bank, investment company, or your broker.
- Auto title: Department of Revenue
- Driver's license: Department of Safety
- Birth certificate: Department of Vital Records
- Social Security card: local Social Security Administration Office
- Tax returns: IRS
- Other important documents, such as contracts or divorce judgments: Attorney or the court

**Obtain a copy of your credit report:** It is important to have your credit report because it lists all your creditors. Everyone is entitled to one free credit report every 12 months from each of the three nationwide consumer reporting companies. Log on to [annualcreditreport.com](http://annualcreditreport.com) or call, toll-free, 1-877-322-8228 for your free credit report. If you have already gotten your free credit report this year from each of the companies, you may have to pay for another copy – but it won't cost more than \$10.50.

## FAKE OFFICIALS

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After a natural disaster, officials from government agencies and other disaster relief entities will be on site to assist you. They can offer you crucial help in the aftermath of a disaster. However, occasionally scammers try to pose as such officials in order to obtain your personal information or your money. Protect yourself by remembering these tips:

- Ask for identification from government officials and/or any other official from any other entity (e.g. an insurance company). If they are legitimate, they will gladly show you their identification.
- Ask for identification before allowing a stranger into your home. Some con artists may portray themselves as government officials to obtain access into your home. Others masquerade as safety inspectors or utility repair workers who say immediate work is required. These are common ploys for burglars and individuals selling expensive and unnecessary repairs.
- Be suspicious of anyone claiming to be a broker who can obtain FEMA funds and who requests a fee to obtain the funds. FEMA does not charge an application fee, nor does any other government agency.
- Be careful when taking out new loans. Verify credentials of people offering low interest government loans. Confirm that they are affiliated by calling the agency if necessary.

## DEBRIS REMOVAL SCAMS

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If you are dealing with a company or person who promises to remove debris from your property, ask them to list the services they will provide in writing. Do not make the final payment until you have inspected the job and are happy with it. Check around for prices to make sure you are not overcharged.

## SCAM PHONE CALLS

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- Dishonest telemarketers may call disaster victims offering "safety kits" for hundreds of dollars. Say good-bye.
- Do not give your credit card or checking account number to anyone you don't know.
- Ask for details in writing and be wary when the term "government approved" is used.
- Do not fall for prize promotions where you have to buy something to get a prize.

## APPLIANCES

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- If a repair person says an expensive appliance should be replaced, get the opinion and replacement cost in writing, and get a second opinion.
- For all repair work, make sure the contract lists materials to be used and the completion date.
- Do not make the final payment until the work is completed and you are satisfied with the job
- Ask to see a license if dealing with a contractor.

## AUTO REPAIR

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- If your car was damaged by a natural disaster, have the car checked out by a car dealer or a repair shop. Even if the car runs, there may be hidden damage that could pose serious problems at a later date.
- Be sure to get detailed written estimates, and keep copies of all receipts and invoices.

## JOB REFERRAL SCAMS

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Most disaster-related job scams involve advertising job opportunities, such as floor clean up or other labor. The scammers require a payment in advance, but then they don't offer a job. Job listings from 800 and 900 numbers are of special concern. Classified ads telling you to call a 900

phone number for a job referral are an expensive way for someone to read you classified ad listings. Report job scams to the Tennessee Division of Consumer Affairs: <http://www.tn.gov/commerce/section/consumer-affairs> or (615) 741-4737, or contact the FTC at [ftc.gov](http://ftc.gov), or 1-877-FTC-HELP.

## **DOOR-TO-DOOR SALES (COOLING OFF RULE)**

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After a natural disaster, you may find salespeople at your door offering a variety of home-repair products or services. You may have certain cancellation rights when sales occur in your home, from the back of a truck, or anywhere but the seller's established place of business.

- If the sale is more than \$25, you can cancel within three days and still get a full refund. The salesperson is required to tell you about your three-day right to cancel and give you a form to use.
- You can cancel for any reason, but you have to do it in writing. Sign and mail the form the salesperson gave you at the sale. Make sure it is post-marked before midnight on the third business day after the sale.
- Under Tennessee law if you request the seller to provide the goods or services without delay because of an emergency and you agree in writing that you are waiving your right to cancel due to the emergency, you will not be able to cancel the transaction.
- Report any problems with door-to-door sales to the Tennessee Division of Consumer Affairs at [tennessee.gov/consumer/index.shtml](http://tennessee.gov/consumer/index.shtml) or (615) 741-4737 and the Federal Trade Commission at [ftc.gov](http://ftc.gov), or 1-877-FTC-HELP.

## **IDENTITY THEFT**

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- If you are recovering from the effects of a natural disaster, you will need to share your personal information to get relief benefits from government agencies or other organizations, or replacement identification documents. But be cautious. Identity thieves may be posing as government officials or representatives for government agencies. Ask for identification, and when possible, initiate contact yourself using information posted on official websites or in official information dissemination areas.

- If you find that you inadvertently gave out your personal information to a thief, if your wallet was stolen, or if you are concerned that your information may be accessible to thieves, contact your financial companies about closing your accounts. When you open new accounts, place passwords on them. Avoid using your mother's maiden name, your birth date, the last four digits of your Social Security number or your phone number, or a series of consecutive numbers.
- If your personal information has been compromised, you may want to place a fraud alert on your credit reports. Fraud alerts can help prevent identity thieves from opening new accounts. But note that when you place a fraud alert on your credit file, companies take certain steps to verify your identity before they issue you credit. You may experience a delay in getting credit, especially if you have lost some or all of your identification documents. If you decide that placing a fraud alert is appropriate, call the toll-free fraud number of one of the following credit bureaus:
  - Experian: 1-888-397-3742
  - TransUnion: 1-800-680-7289
  - Equifax: 1-866-640-2273
- If you're concerned that you may be a victim of disaster-related identity theft, you can check your credit report. If an identity thief is opening new credit accounts in your name, these accounts are likely to show up on your credit report. You can get your report free from [annualcreditreport.com](http://annualcreditreport.com), or 1-877-322-8228. Check your report to make sure it is accurate.
- For more information about guarding against identity theft and resolving problems, visit [ftc.gov/idtheft](http://ftc.gov/idtheft), or call 1-877-IDTHEFT.

## **CHARITIES**

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After a disaster, some scammers attempt to solicit donations for victims while pocketing the money themselves. If you are solicited to contribute to a natural disaster relief charity, do your research before you give and make sure the charity is real.

Research the charity online to see if it is legitimate. See if it is ever described as a scam or listed on a scam tracker website.

- Contact the Tennessee Secretary of State's Division of Charitable Solicitations to determine whether the entity is registered as a charitable solicitor. Go to <http://sos.tn.gov/charitable> or call 615-741-2555.
- If you are solicited by telephone, ask if the caller works for a professional fund-raiser. Tennessee law requires this disclosure.

Ask any solicitor who contacts you how your contribution will be spent. For example, what portion of your contribution would go to salaries and administrative costs?



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