



Home repair and home warranty “rip-offs” still target the elderly

Unscrupulous contractors are nothing new, but homeowner warranties are a new twist

BY MICHAEL PANISH

During the past couple of years, with the downturn in the economy and the significant slowdown in the construction trades, I have consulted on several significant cases relating to contractor misconduct and construction fraud. It has become apparent that dishonest practices have begun to dominate the businesses of many low-end contractors and home-improvement companies. Contractors offering specials because they’re “working in the neighborhood” is a scam as old as time, but home-owner warranties are a relatively new problem. Seniors are a prime target for these construction and home-warranty scams. Here are some examples from my own experience.

A/C fails and so does the warranty

During a heat spell, an elderly woman’s almost-brand-new air conditioning system failed to adequately cool her home. She had hired a contractor to install a completely new system less than 18 months ago. The system came with a two-year-all-inclusive labor and materials warranty, and a five-year-materials-only warranty. So, she called the contractor that installed the new system. When the service repairman came to her home, he told her that the warranty did not include the materials for the multiple problems he found. He told her that he needed \$100 cash for the purchase of materials and that the repair necessary



would cost her approximately \$2,500. She gave the repairman the \$100 in cash, and wrote a check for \$2,500 to the service repairman and then called her son to ask his advice.

Whole-home repair programs

Another popular service offered today is a “blanket” home insurance policy that is supposed to cover all repairs needed to your house, from top to bottom, as long as you pay a small deductible fee at the time of the service call. For a predetermined price, monthly installment payments are sent to a central location. For example, whenever you need an appliance serviced, have a leaky faucet or need major rework to your roof, all appropriate service contractors are supposed to be dispatched for the small deductible, as per the master policy plan.

Apparently, several senior-lifestyle magazines and senior associations are advertising and endorsing the benefits of purchasing this type of policy for elderly homeowners.

An elderly gentleman bought one of these whole-home policies, and later needed his attic ventilation fan serviced because the fan had been squealing and was driving him crazy. He was happy because he had just purchased a blanket policy for repairs in his home.

When he contacted his insurance plan, they sent a local electrician to identify the problem. The electrician climbed into his attic and instantly made his assessment. The electrician came down from the attic, digital camera in hand and told the gentleman that he had major problems with the fan motor unit. It needed to be completely replaced. The electrician had taken a picture showing the homeowner that there was some problem with the structure of the attic. According to the electrician, he would have to remove a structural beam in order to gain access to the fan motor so he told the homeowner that it would cost an additional \$250 cash to do work to the attic obstruction, and he would also have to pay the deductible for him to get started. The owner thought that was the only way he could get the fan serviced and gave the electrician the requested cash. The electrician would not take a check, credit card or invoice the homeowner for this work and wanted immediate payment prior to any work being performed.



A few days later, the owner's son noticed that the stucco around the fan location had been broken, the fan was no longer in the proper place and debris was dangling from the side of the house. After his father related what had transpired, the son contacted the blanket insurance company and was read the following script by the customer service rep: "All of our contractors referred through this policy are licensed and insured independently from our agency. They are individually responsible for any and all damages created on your property, and we as the insurance providers make no warranty or assurance that the quality of the work performed under this policy is appropriate or done correctly. We are an out-of-state business and hold policies nationally, and all of our referred contractors have been checked out and verified as licensed contractors in the state where they are performing work. We assume absolutely no liability for their actions and are uninvolved in all transactions other than to put you in touch with an appropriate service contractor."

The roofing fiasco

An older woman found a flyer included in a mailing packet advertising that a roofing contractor was having a special re-roof promotion in her area. All she had to do was call the phone number on the flyer, and a salesman would visit her home, take all needed measurements and bring samples for her to choose her new roof material. The work would be completed in two days from signing of the work agreement. The woman, in need of a new roof, made the phone call, a salesman came to her home, she picked the roof material that she wanted for her home, and gave the man the requested 50 percent deposit. The salesman arranged for work to start in 10 days instead of immediately, as he claimed that all of his crews were busy working in her area until then. Twenty

days passed: the roofer never came to install her roof, the check cleared her bank, and nobody was answering the phone number on the flyer.

Seniors can be easy marks

These are just three examples of the many calls that I have received during the past couple of months. It appears in each case that a specific targeted market was chosen. In these cases and many more, the average age of the homeowner has been 80+ years old.

Most homeowners have a sense of anxiety over any home renovation project, including young, well-educated professionals. There is a sense of helplessness that homeowners have, and they want to trust someone, anyone, to realize their vision. The difference in these elder cases is a sense of urgency that they must act upon. They are sometimes lonely, vulnerable and looking for something to entertain them. They need an immediate sense of relief from their perceived problems. A friendly con-man contractor is just the sort of companionship that they are looking for. A convincing salesman, spending a few minutes or hours with them, appeals to their need for belonging to something. The graphic promises and descriptions of how the project will unfold draw them in, ripening them up for the quick score.

The basic rules

In the State of California, where these calls originated and these incidents took place, the law states that every home improvement contract must contain a three-day right-of-rescission clause. It is unlawful for any contractor to take any deposit in excess of 10 percent or \$1,000 (whichever is greater), for securing a contracted project. The homeowner has a right to cancel the contract within the three-day period without any monetary penalty and any further recourse. All contractors must specifically disclose all labor and

materials required for the project contract and provide a homeowner with materials and labor lien releases at the completion of the project prior to receipt of payment for that project.

In the first example, the homeowner had a written contract furnished to her at the time of the completed HVAC installation indicating that all labor and materials were under warranty for the first two years after the installation of her system. As the system failed only 18 months after the installation, all repairs and materials needed for those repairs were the sole responsibility of the installation contractor, not the homeowner. Per the homeowner's contract, the serviceman had absolutely no business asking the homeowner for any fees associated with this service repair.

In the second example, the home warranty company attempted to claim that they had no responsibility to indemnify the homeowner for defective workmanship or inappropriate behavior of their referred contractors. Wrong! In the State of California, the blanket insurance company still retains responsibility for any contracted services, even if they are out-of-state. If you sell contracts in California, you must follow the laws of the State of California. So, the claim that they were out-of-state but doing business within California without responsibility was invalid.

The electrician who did the work on the fan was, in fact, unlicensed, uninsured and using the license of another contractor, allegedly without the other contractor's knowledge. While all funds were returned to the owner of the house, corrective actions and legal issues are still pending through the State Contractors Board against the electrician that was unlicensed. The complete lack of knowledge and experience on the part of the bogus electrical contractor created significant damages to the home and the homeowner had to hire additional tradesmen to repair the house.



SEPTEMBER 2010

In the third example, the elderly homeowner has lost her money. No trace of the roofing contractor has been found; however, reports of fraud were made to the police department and investigation is pending, but this is little solace to the elderly homeowner.

Today, even more so than in the past, older people appear easy targets to unscrupulous contractors and salesmen. They are quick to react with their wallets and easily satisfied even though the work may not be as promised. However, they are generally slow to realize that they have been taken advantage of. They appear to be afraid that their problems will not be solved unless they make an attempt to pay for services in advance or prior to any formalization of contractual obligation. In many circumstances, perhaps relating to pride or shame, they

will not report their problems and many are “ripped off” as a result of their hesitation to report what has happened to them.

From my experience, it appears that many of the home warranty companies are incompetent to assess the quality of the referred contractors that are sent to do home repairs. Their lack of knowledge about the referral network contractors should act as a “red flag” to anyone seeking these types of services. Some homeowners seek “peace of mind” from these home warranty policies, however, in most cases are let down by the responses that are given when actual warranty claims arise. Many home warranty companies are happy to take your annual premium, but do little to help you when you have a claim.



Panish

Michael Panish is an expert witness, forensic analyst, and consultant in the field of construction. He is licensed in the State of California as a General Building Contractor, Cabinet & Millwork Contractor, Door, Lock & Security Equipment Contractor, and Electrical Contractor. He has over 30 years of hands-on experience in the construction industry and has provided testimony in construction defect, poor workmanship, product liability, and personal injury cases relating to most construction trades, doors, locks, automatic doors, cabinetry, and custom casework. He can be reached at (818) 429-1963 or (818) 992-1975. Please visit <http://www.constructionwitness.com> for more information.

