



State of New Mexico

Office of the Governor

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For Immediate Release
September 22, 2006

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Governor Bill Richardson and Attorney General Madrid Move to Protect Flood Victims from Contractor Fraud

(Santa Fe, NM) -- Governor Bill Richardson and Attorney General Patricia Madrid announced today that they have begun a crackdown on unlicensed and unscrupulous contractors seeking to exploit victims of the recent flood damage.

“Unfortunately, natural disasters often attract con artists who promise quick repairs to victims eager to restore their homes and lives,” said Governor Bill Richardson, “I want residents in these flood affected areas to know they can prevent rip offs by taking a few simple precautions.”

“As you begin to put your life back in order after the damaging floods, please be on the alert for scam artists,” Attorney General Patricia Madrid warned. “Unfortunately, there are also those who prey on victims of tragedy in an attempt to victimize them yet again. You are your own best line of defense against fraud.”

New Mexico has many reputable licensed homebuilders and contractors, however, in times of crisis consumers are advised to be especially vigilant against unlicensed, unqualified and underfunded contractors as well as outright scam artists who will take money and perform no work. From the post-disaster scam experience of other states, Attorney General Madrid’s Office and per Governor Richardson’s instruction, Regulation and Licensing Superintendent Ed Lopez and his Construction Industries Division compiled the following list of possible construction scams that may target Alamogordo, Hatch, Rio Rancho and other areas of New Mexico ravaged by floods:

- The adjuster/contractor collusion. In one example of this scam an insurance adjuster refers a homeowner or business to a contractor for a fee. The insurance adjuster has a pre-arrangement with the contractor for approval of inflated adjustments for a kickback.
- Vendor fraud. Vendor fraud includes persons representing themselves as professional intermediaries who claim that for a fee they can arrange low-interest loans, expedite relief grants and loans, expedite insurance adjustments and claims, and act as representatives in immediately arranging repair services from reputable contractors. Unscrupulous vendors will also sell substandard or below-code materials to victims.

Fraudulent building contractors normally fall into two categories:

Unlicensed Contractors. Because these contractors may represent themselves as having a license or steal a license, it is imperative to check the status of a contractor's license to avoid this scam. These scam artists attempt to obtain large amounts of deposit monies up front, and do little, if any, work.

Anyone who offers to undertake contracting activities must be licensed in the state of New Mexico.

Unlicensed contractors may offer to work at a reduced rate if the homeowner will take out a Homeowner's Permit. Unless you are an experienced contractor, hiring your own subcontractors is risky. A Homeowner's Permit greatly limits the type of construction you can legally do. Anyone contemplating this approach to home building should contact the Construction Industries Division to better understand the responsibilities involved.

Licensed contractors who are well-intentioned and honest, but get in over their heads, may create the most difficult problems. In this case, a contractor takes on more jobs than normal. This may lead to the contractor buying more equipment and expanding his workforce. With a limited pool of experienced workers, the newly hired subcontractors may not be highly skilled and experienced. The result tends to be poor quality work that might not meet code requirements and may need to be redone, which reduces profit and provides further incentive for shoddy work. Homeowners may experience delays, budget overruns and ultimately the contractor may run out of money and abandon work in progress, leaving the homeowner without the completed work but having spent the money. In addition, the contractor may not have paid the subcontractors or suppliers who will in turn place a lien on the homeowner's property, burdening the homeowner with the responsibility of paying off the debts.

Major building contractor scams include:

- Contractor explains a low price by stating the material is left over from another job. The contractor begins work, says he needs more money to buy additional material, but then disappears with the money, leaving the job unfinished. Licensed New Mexico contractors should not have to seek work in this manner. Be suspicious call Construction Industries Division to verify the contractor's good standing.
- Contractor takes an advance deposit on a job and never returns. Typically, it is discovered that the contractor used fake documents to appear to be a local or licensed contractor. It is best not to entrust large sums of money to a contractor. A drawdown system should be set up to front money to a contractor only for each specific step in the construction project.
- Contractor quotes a low price for a needed repair then uses below-grade or fake material to make the repair. Local Building Inspectors should help prevent use of material that falls below code standards.
- Contractor charges a fee to inspect a job and write up an estimate. The homeowner is told the fee will apply to the cost of the work. The contractor doesn't return with the estimate.
- Contractor quotes a low price for a repair, does the work, then presents a bill that is much larger than the original quote. When the homeowner protests the contractor maintains the homeowner misunderstood the agreements and threatens legal action. Before work begins, contracting agreement must in writing and clearly specify out what work will be done, timelines and costs and include a comprehensive cost breakdown. In other words, no surprises.

Attorney General Madrid's office and RLD's Construction Industries Division advise that the best way to avoid construction fraud is to:

1. Thoroughly investigate a contractor before hiring one: check the state license type and status of the contractor making sure you have the contractor's physical address and how long he or she has been in business; check the contractor's references and try to personally inspect work they have done; and get a complete complaint history on the contractor (with RLD's Construction Industries Division 982-9541; Better Business Bureau 800 873-2224; and the Attorney General's Office 800 678-1508 or 827-6060).
2. Insist on a detailed written contract. Make certain any and all promises made are in writing along with a proposed timeline for the work to be done and when and how much money is to be paid. Carefully read the contract. You may wish to have a lawyer review any contract before you sign it.

Last month Superintendent Lopez dispatched Lisa Martinez, Director of the Construction Industries Division, and Wayne Dotson, Acting Director of the Manufactured Housing Division to meet with local officials and

victims of the recent floods in Hatch, as part of the Governor's plan to protect New Mexicans seeking to rebuild and repair their homes and businesses damaged by recent storms.

“Remember, offers that sound too good to be true probably are too good to be true. It is human nature to wish for a bit of good luck particularly after experiencing a tragedy. But scam artists are preying on vulnerability. It is understandable to want to get your life back in order as quickly as possible, but don't allow yourself to be rushed. When a deal can't wait, that is a clear warning sign that it is a deal you can and should live without,” Attorney General Madrid and Superintendent Lopez warned.

Attorney General Madrid and Superintendent Lopez remain committed to working with local and state law enforcement to investigate and prosecute any cases of contractor fraud to the fullest extent of the law.

If you believe you have been approached by a scam artist, you may report this information to the Attorney General's Office (800) 678-1508 or (505) 827-6060 or the Construction Industries Division (505) 222-9804 or (505) 222-9807.

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