

# Public Service Announcement: Contractor and Construction Fraud

Posted on January 10, 2018

*Source: North Bay Disaster Fraud Task Force, Federal Bureau of Investigation, Contractors State License Board*

The North Bay Disaster Fraud Task Force has received indications that contractor and/or construction fraud could be occurring in the North Bay Area, as part of the recovery efforts following the wildfire disaster. Contractor fraud involves illegal acts committed by unlicensed or unscrupulous contractors and includes performing substandard repairs, offering services that deliberately cheat a consumer, or contracting without a license. Contractors may also attempt to commit construction fraud, which includes knowingly obtaining money, property, or labor by false pretense.

Therefore, before signing a contract with a contractor for any wildfire-related repairs or rebuilding, consumers are encouraged to follow these guidelines:

- Do not do anything based only on a handshake. For both home improvement projects and new construction of single family homes, there must be a contract in writing signed by both parties and the consumer must be furnished a copy of the written agreement (signed by the contractor) before work starts. Additionally, all changes to the original contract must be made in writing and signed by both parties. After a disaster, consumers have seven business days to cancel a contract, as long as it was not signed in the contractor's place of business.
- Be cautious when making a down payment because it is common for fraudsters who receive a big down payment to then disappear without completing any of the contracted work. For a home improvement job in California the down payment can total no more than 10% of the contract price or \$1,000, whichever is less.
- It is illegal for an unlicensed person to advertise that they can do construction work unless the person clearly states that they are "not a licensed contractor." The person must be licensed by the Contractors State License Board (CSLB) to contract for work that costs \$500 or more (labor and materials).
- The contractor's license number and business name must be displayed on all commercially registered vehicles used in the course of business. Additionally, the contractor's license number must be listed on any contract, bid, or advertisement for construction work.
- Fraudsters may steal a business name and/or license number and represent it as their own or say that they work for a licensed contractor even though they are actually not affiliated with that contractor. For a home improvement project, only someone with a contractor's license, or an employee of a licensed contractor who is a registered Home Improvement Salesperson on file with the CSLB, is allowed to give a bid and/or sign a contract.
- Consumers can use the "Instant License Check" feature on the CSLB website (<http://www.cslb.ca.gov/>) to look up a contractor or Home Improvement Salesperson by name, license number, or doing business as (DBA), to verify that they are in fact a licensed contractor or registered Home Improvement Salesperson. Consumers can also get a wealth of information on rebuilding after a disaster by visiting the "Disaster Help Center" on the CSLB website (<http://www.cslb.ca.gov/>).

**It is a felony to contract without a license in a declared disaster area.** Additionally, any person involved in a scheme to defraud a consumer of a residential or nonresidential structure in connection with the offer or performance of repairs to the structure for damage caused by a natural disaster could be ordered to make full restitution to the victim and/or pay a fine of up to \$25,000 and could also be imprisoned.

If you believe you have been the victim of disaster-related contractor or construction fraud, please contact the FBI San Francisco Division at 415-553-7400 or <https://tips.fbi.gov> (<https://tips.fbi.gov>) or the Contractors State License Board at 800-321-2752 or [www.cslb.ca.gov](http://www.cslb.ca.gov) (<http://www.cslb.ca.gov>).

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