

Findings of Survey Cite the Impact of Contractor Fraud on Homeowners Rebuilding After Katrina and Rita

*This brief presents the results of a survey conducted through a collaboration between LSU, LouisianaREBUILDS.info, and PolicyLink. This survey data was gathered between November 2008 and February 2009 using an online survey program (Survey Monkey) targeting members and subscribers to LouisianaRebuilds.info. The sample size represents 864 completed interviews. A broader sample includes the LouisianaREBUILDS.info respondents & adds data from the LSU Katrina Recovery survey, together totaling 3,217 interviews. Extrapolating from this sample together with reports from the Better Business Bureau, **we project that approximately 9,000 households were affected by contractor fraud over the past three years.***

Contractor fraud is a major obstacle facing many area homeowners as they strive to rebuild after Hurricane's Katrina and Rita. While numerous anecdotes have circulated about contractor fraud undermining renovation efforts, there has been no real hard data to date to demonstrate how significant a role contractor fraud plays in inhibiting our area's recovery. For this reason, LSU, LouisianaREBUILDS.info, and PolicyLink conducted a survey to ascertain what impact contractor fraud is making on the recovery.

On Tuesday, May 27, 2009, Senator Lydia Jackson will introduce SB 249 to address Contractor Fraud by stiffening penalties for contractors who defraud Louisiana property owners. LouisianaREBUILDS.info Editor In Chief Deborah Cotton will provide testimony on the effects contractor fraud is having on our area's recovery. Below are some of the findings of the LSU/LouisianaREBUILDS.info/PolicyLink contractor fraud survey:

Major Findings

Contractor fraud has affected many who are rebuilding after the 2005 storms.

- For some, this fraud has not delayed the rebuilding process.
- But for many homeowners, becoming the victims of contractor fraud has either forced delays in rebuilding or has completely halted the rebuilding process.

Rebuilding was more likely to be delayed or halted as a result of fraud in certain areas more than others. The areas of highest incidence of contractor fraud preventing homeowners from being able to rebuild include:

- Hollygrove
- New Orleans East
- Broadmoor/Carrollton

- Treme, 7th Ward, St. Roch
- Upper & Lower 9th Wards

Vulnerable demographic groups most likely to be delayed or completely unable to rebuild if they were victimized by fraud Included:

- Low income homeowners
- African Americans
- Homeowners with less than a college degree
- Older homeowners
- Women

A comparison of property owners who did and did not experience fraud shows that those who followed best practices outlined by watchdog organizations—such as hiring known, locally licensed contractors—had better experiences than those that didn't. People that were defrauded had a higher incidence of:

- Utilizing contractors unlicensed in Louisiana
- Failing to verify validity of the contractor's license
- Failing to secure proof of contractor insurance.

Property owners citing high incidences of fraud used more informal ways of evaluating a potential contractor than those who did not experience fraud.

- The highest number of fraud victims reported relying on the advice of a friend or family member in hiring the contractor.
- Fraud victims generally relied on perception that the contractor 'seemed trustworthy', rather than on a verification of qualifications.
- Contractor was often selected on the basis of the price quote being more in line with what the property owner could afford than on qualifications.
- Property owners needed the work done in an environment of scarcity of contractors, so they signed contracts
- Property owner did *not* view other renovation work the contractor had performed.

This survey was sponsored by LouisianaREBUILDS.info, a public service web portal created immediately after Hurricanes Katrina and Rita to help residents find information and resources to assist them in rebuilding their lives, homes and neighborhoods. LouisianaRebuilds.info's 'Contractor Guide' is a unique one-stop location for property owners to find all the information they need to locate licensed, reputable contractors, create a contract agreement that protects their interests as they rebuild, and detect and avoid contractor fraud.