



## Senior Legal Hotline

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### **SENIOR LEGAL FACT SHEET**

## **Save energy dollars – but don't get scammed**

The soaring costs of electricity and natural gas have caused severe hardship for millions of Californians statewide. Scam artists are always looking for ways to take advantage of situations such as our energy crisis to separate you from your hard-earned cash.

### **DON'T PAY ANYONE TO GET DISCOUNTS ON YOUR BILLS**

Seniors and others have received phone calls and mailers promising a utility cost discount of up to 15% – for a one time fee of around \$25.

This is a scam! All you will get for your \$25 fee is an **application for reduced energy rates, which you can receive directly from your local utility, at no charge.**

If you are low income and/or elderly or disabled, you qualify for an ongoing discount on your energy rate. See our Senior Legal Fact Sheet: [Special Programs for Reduced Energy Rates](#).

If you need help completing the application, you can ask the contact person at your utility or call the Senior Legal Hotline.

### **DON'T SIGN WITH JUST ANY CONTRACTOR**

There are numerous home repairs and improvements that can dramatically reduce your home energy use, and, therefore, lower your bills. But be careful whom you hire to do the work. Some less than reputable contractors will provide shoddy workmanship, some will use substandard materials, some will overcharge or take your money and disappear – some will do all of the above and more!

Your utility company can do a free energy audit and recommend which repairs and improvements will really help you save money. If you decide to go ahead, get several bids from licensed contractors. Ask for references and check the contractor out! Demand a detailed written contract. Make sure you understand it before you sign and that it includes everything that you want done. If you ask for changes or extras after signing, the price will go up and misunderstandings can quickly develop.

### **Basic Contractor Requirements**

- ▶ A home improvement contractor must be licensed by the California Contractors State License Board (CSLB) to do work worth \$500 or more, including labor and materials. You can verify a license by calling CSLB at (800) 321-3752 or by visiting <http://cslb.ca.gov>.
- ▶ An unlicensed contractor can be liable for serious fines and cannot sue you for payment for the

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work he does. You can file a complaint with CSLB in writing either online or by mail.

- ▶ If you know of unlicensed activity and just want to report it, you can do so with the Statewide Investigative Fraud Team (SWIFT) by calling (562) 345-7600 for Southern California and (916) 255-2924 for the rest of California.
- ▶ A contractor cannot demand an advance payment for a home improvement contract larger than 10 percent of the contract price or \$1,000, whichever is less.
- ▶ The CSLB can help you resolve disputes with a licensed contractor over contract violations or poor workmanship or materials.

### **Three Days to Change Your Mind**

The California Home Solicitation Sales Act allows the buyer in almost any consumer transaction involving \$25 or more, which takes place in the buyer's home or away from the seller's place of business, to cancel the transaction within three *business days after* signing the contract. You do not need any reason to cancel, but you must do so in writing.

## **FINANCING HOME IMPROVEMENTS WITH CONTRACTORS**

Be very wary of contractors who offer to help you obtain financing to pay for home improvements, especially when they solicit your business. Many of these contractors are associated with lenders who prey on seniors or people with limited income, offering very high-interest loans with obscene fees.

Frequently, these lenders will want you to secure the loan with a deed of trust (mortgage), or may try to convince you to consolidate your unsecured debt (such as credit card balances) into the new loan secured by your home. This could result in a large mortgage you are unable to pay, and could lead to foreclosure and loss of your home.

If you get a home improvement loan secured by your principal dwelling, federal truth-in-lending laws apply. They require certain disclosures about the loan terms and two copies of a notice of the right to cancel. The consumer has three business days to cancel the the loan from the time she receives the required notices and disclosures, but must do so in writing. Separate California laws may offer additional protections.

### **Alternate Home Improvement Loans for Energy Efficiency**

If you are considering a loan to pay for improvements to increase energy efficiency, check first with your city or county housing authority. You may qualify for a program with a low interest rate and/or deferred payments. If you are not eligible for such a program, shop wisely; there may be a non-profit lender willing to finance your home improvement; or try a bank you use regularly, where you are known.

You may also want to consider a reverse mortgage, which allows you to borrow against the equity in your home but postpone repayment until you die, sell or move from the home.

For any loan, review all documents carefully to make sure you understand them and that the loan terms are the same as those the lender promised. If you have any doubts or unanswered questions, **don't sign the papers. Seek legal advice from the Senior Legal Hotline or your local senior legal services office.**

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**If you are over 60 in California, you can get free advice by phone from the Senior Legal Hotline regarding these or any other legal issue. Call (916) 551-2140 in Sacramento or (800) 222-1753 toll-free in California, Mon.-Fri. 9 to 12 and 1 to 4, and until 7 p.m. on Thursdays. Or submit your question by e-mail from our web site, [www.seniorlegalhotline.org](http://www.seniorlegalhotline.org).**