



## LouisianaREBUILDS.info Contractor Fraud Survey

### Survey Results<sup>1</sup>

Contractor fraud has become a major challenge in our community's recovery from disaster. LouisianaRebuilds.Info is partnering with the LSU Sociology Department in Baton Rouge to survey how widespread contractor fraud is and more importantly, what we can do to stop it.

Whether or not you've been a victim of contractor fraud, please take this important survey. Getting information from all residents will give us better insight on how to fight this issue.

The survey takes an average of 5 minutes to complete. Your answers are completely confidential, and you are free to skip any question or to end the survey at any point. We will report results only in aggregate, percentaged form. We will not release data with personally identifying information. The results will be used only for community recovery planning and scholarly research.

If you have questions about this survey, you may contact the LSU Sociology Department at 126 Stubbs Hall, Baton Rouge, LA 70803, 225-578-1645. If you have questions about respondents' rights, you may contact Dr. Robert C. Mathews, Chairman of the Institutional Review Board at LSU, at 203 B-1 David Boyd Hall, tel. 225-578-8692.

With your help – whether or not you have experienced contractor fraud – we can work together to help fix this devastating problem.

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<sup>1</sup> Results are weighted (adjusted) by joint Age-Sex-Race distribution for Greater New Orleans Parishes.

## Place of Residence

Please tell us the location of the storm-damaged house being renovated.

**1. On what street is the house located, and what is the nearest cross street?**

1. Street the house is on
2. Nearest cross street

**2. In what ZIP Code is the house?**

1. ZIP/Postal Code

## Damage & Repair

**3. How much physical damage did the storm-damaged house suffer as a result of hurricane Katrina and the subsequent flooding? [If apartment or condo: the unit being renovated.]**

- |     |  |
|-----|--|
| 1%  | 1. None or almost none                 |
| 13% | 2. Some physical damage                |
| 75% | 3. Major physical damage               |
| 11% | 4. Complete destruction, unsalvageable |

**4. How complete is the rebuilding/repair of this house now?**

- |     |                                     |
|-----|-------------------------------------|
| 32% | 1. Done (or never had storm damage) |
| 38% | 2. Almost done                      |
| 15% | 3. Halfway done                     |
| 6%  | 4. Just started work                |
| 7%  | 5. No work started                  |

**5. What parts of the rebuilding/repair are already completed? (check all that apply)**

- |     |                     |
|-----|---------------------|
| 31% | 1. Demolition       |
| 74% | 2. Interior Gutting |
| 65% | 3. Mold Remediation |
| 72% | 4. Roof             |
| 68% | 5. Dry Wall         |
| 62% | 6. Ceilings         |
| 58% | 7. Floors           |
| 56% | 8. Fixtures         |
| 63% | 9. Electrical       |
| 60% | 10. Plumbing        |
| 18% | 11. Elevation       |
| 4%  | 12. None            |

### Experience of Fraud

**8. Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?**

- 21% 1. Most people can be trusted
- 78% 2. Can't be too careful

**9. How about Building Contractors, Construction Workers? How much do you trust Building Contractors, Construction Workers?**

- 3% 1. Trust them a lot
- 28% 2. Trust them some
- 38% 3. Trust them only a little
- 29% 4. Trust them not at all
- 2% 5. Don't Know

**10. Do you know anybody who has been victimized by contractor fraud?**

- 18% 1. Yes, one case
- 69% 2. Yes, more than one case
- 13% 3. No

**11. [If yes] Has their situation been resolved?**

- 2% 1. Yes
- 53% 2. No
- 19% 3. Some resolved, Some not resolved
- 15% 4. Don't Know

**12. Have you yourself been victimized by contractor fraud?**

- 57% 1. Yes [continue to Q 13]
- 42% 2. No [skip to Q 34]

### About the Fraud

**13. How did the contractor defraud you? Check any that apply.**

- 61% 1. Took payment but did not perform services
- 24% 2. Stole materials
- 70% 3. Performed shoddy work
- 34% 4. Used poor quality materials
- 62% 5. Started work, but did not complete it

**14. About how much money did you lose?**

- 23% 1. \$1-\$10,000
- 15% 2. \$10,001-30,000
- 7% 3. \$30,001-\$50,000
- 6% 4. \$50,001-\$100,000
- 4% 5. \$100,001-\$150,000
- 1% 6. \$150,001-\$300,000
- 0% 7. More than \$300,000

**15. Was a lien put on your home?**

- 6% 1. Yes
- 51% 2. No

**16. [If there was a lien] Was it a fraudulent/unfair lien (e.g., an attempt to make you pay for shoddy/incomplete work; a result of the contractor not paying subcontractor, etc...)?**

- 27% 1. Yes
- 73% 2. No

**17. [If there was a lien] Has it been removed yet?**

- 38% 1. Yes
- 62% 2. No

**18. Has being victimized by contractor fraud prevented you from completing your rebuilding/renovations?**

- 41% 1. I am unable to finish rebuilding/renovating my home
- 41% 2. I was temporarily stalled but was able to finish
- 18% 3. I was able to finish without being stalled, despite the fraud

**Reporting Fraud****19. Did you report the contractor to the authorities?**

- 54% 1. Yes
- 46% 2. No

**20. [If yes] Who exactly did you report it to? Check any that apply.**

- 24% 1. Louisiana state Contractor Licensing Board
- 32% 2. Attorney General's Office
- 25% 3. Local parish authority
- 26% 4. Better Business Bureau

**21. What if any action was taken by the authorities? Check all that apply.**

- 3% 1. They were fined
- 4% 2. They went to jail
- 1% 3. They were made to return my monies
- 0% 4. They were made to finish the renovation work on my house
- 41% 5. No action was taken
- 17% 6. The case is still pending

**22. Did you take any legal action against the contractor?**

- 23% 1. Yes
- 77% 2. No

**The Contractor****23. What were your primary reasons for hiring this contractor? Check any that apply.**

- 41% 1. Because his/her price was in line with what I could afford
- 64% 2. She/he was someone I know/ referred by someone I know
- 47% 3. They seemed trustworthy
- 17% 4. I felt pressured and I really needed the work done so I signed
- 19% 5. I checked their license and references
- 27% 6. I saw other renovation work they performed which was well done

**24. What steps did you take in deciding how to hire a contractor? Check any that apply.**

- 16% 1. Used the guidelines outlined by the Licensing Board
- 46% 2. Asked for the advice of a friend or family member
- 34% 3. Allowed the contractor to tell me what I needed to do

**25. Was the contractor from Louisiana?**

- 78% 1. Yes
- 22% 2. No

**26. Was the contractor licensed in Louisiana?**

- 76% 1. Yes
- 24% 2. No

**27. [If yes] Did you confirm the license by:**

- 4% 1. Calling the LA state contractor licensing board
- 17% 2. Checking on the LA state contractor licensing board's website
- 28% 3. He/she showed me the license
- 39% 4. I didn't confirm the license existed
- 12% 5. Other [please explain]

**28. Was the contractor insured?**

- 82% 1. Yes
- 18% 2. No

**29. Did you get a written contract?**

- 81% 1. Yes
- 19% 2. No

**Resolution and Going Forward****30. Did you recoup your lost money?**

- 3% 1. Yes
- 97% 2. No

**31. Has your situation been resolved?**

- 18% 1. Yes
- 82% 2. No

**32. If so, how was it resolved?**

- 6% 1. I got additional funds to rebuild
- 1% 2. The contractor gave me my money back
- 1% 3. The contractor is now finishing the job
- 25% 4. I found and hired another contractor who is doing a good job
- 6% 5. An organization is helping me rebuild with volunteer labor
- 30% 6. I'm acting as the contractor, hiring subcontractors, and overseeing the work myself.
- 32% 7. Other: please explain

**33. What type of help, if any, do you need or want moving forward?**

**About You****34. Are you male or female?**

- 40% 1. Male
- 60% 2. Female

**35. In what year were you born? [Converted to Age]**

- 27% 18-45
- 40% 46-60
- 28% 61 and Over

**36. Do you consider yourself to be:**

- 55% 1. White
- 35% 2. Black
- 10% 3. Other

**37. Are you currently married, living with a partner, separated, divorced, widowed, or have you never been married?**

- 51% 1. Married
- 3% 2. Living with partner
- 2% 3. Separated
- 17% 4. Divorced
- 8% 5. Widowed
- 16% 6. Single, never married

**38. Do you have children? How many?**

- 24% 0 None
- 16% 1. One
- 28% 2. Two
- 17% 3. Three
- 12% 4. Four or more

**39. What is the highest grade of schooling that you have completed?**

- 1% 1. 8th Grade or less
- 3% 2. Some high school
- 11% 3. High School Diploma
- 5% 4. Vocational/Technical school
- 25% 5. Some College
- 23% 6. College degree
- 7% 7. Some graduate school
- 23% 8. Graduate degree

**40. What was the total income that you and all other members of your household earned before taxes last year, from all sources.**

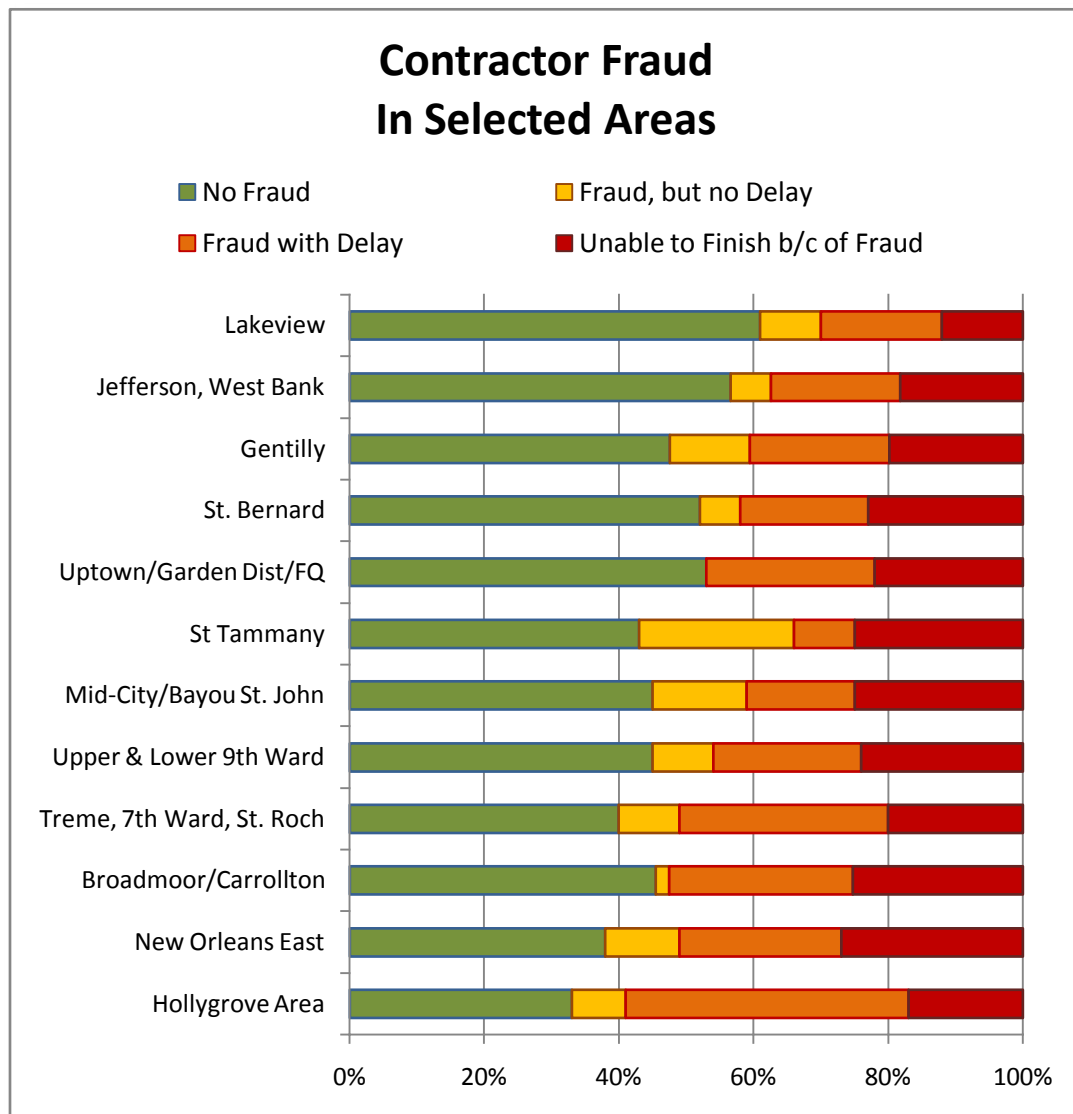
- 15% 1. Under \$25,000
- 29% 2. \$25,000 to \$50,000
- 20% 3. \$50,000 to \$75,000
- 11% 4. \$75,000 to \$100,000
- 10% 5. \$100,000 to \$200,000
- 3% 6. More than \$200,000

**This concludes the survey. Thank you for participating and giving so generously of your time.**

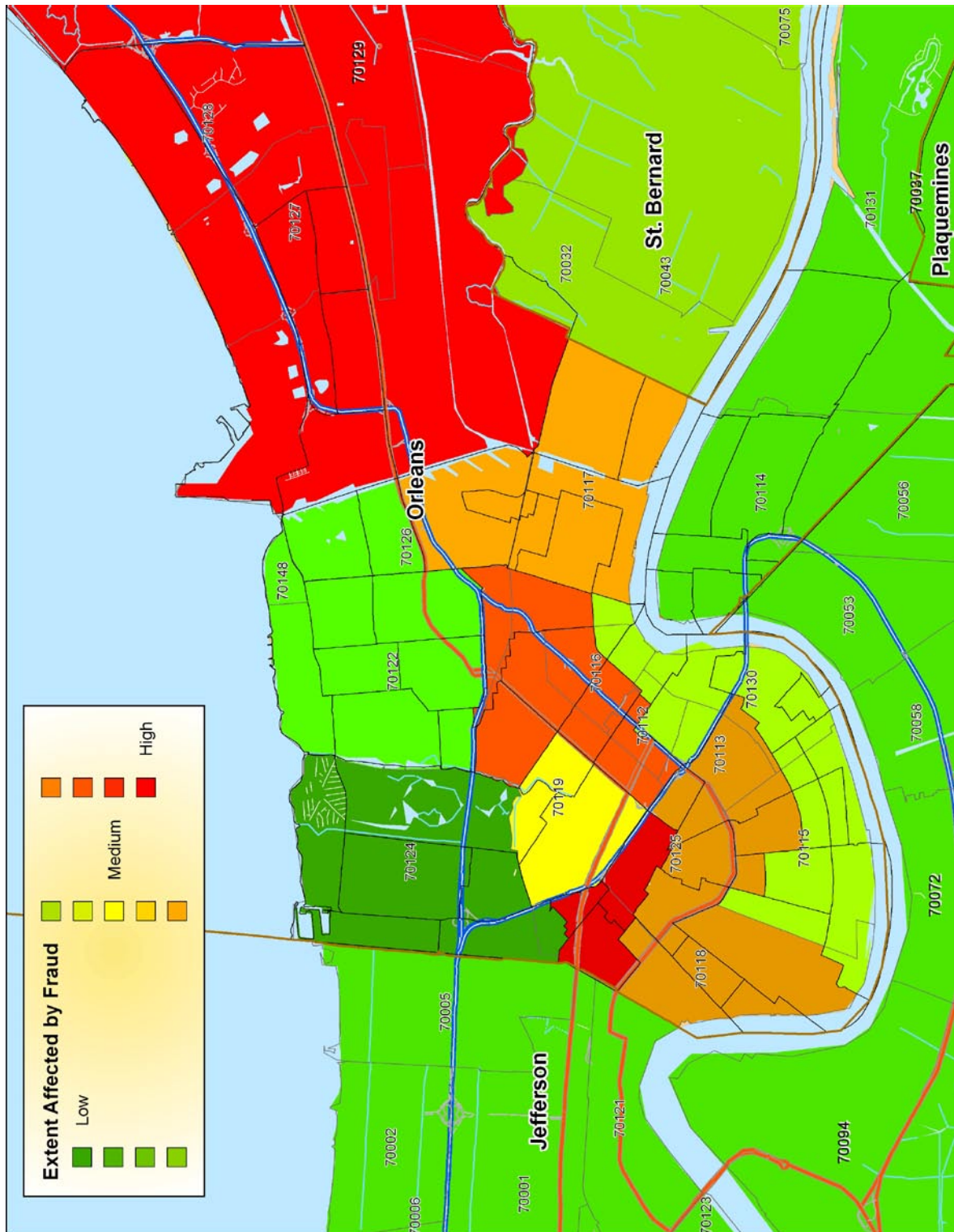


## LouisianaRebuilds.Info/LSU Contractor Fraud Survey 2008/09 Results<sup>1</sup>

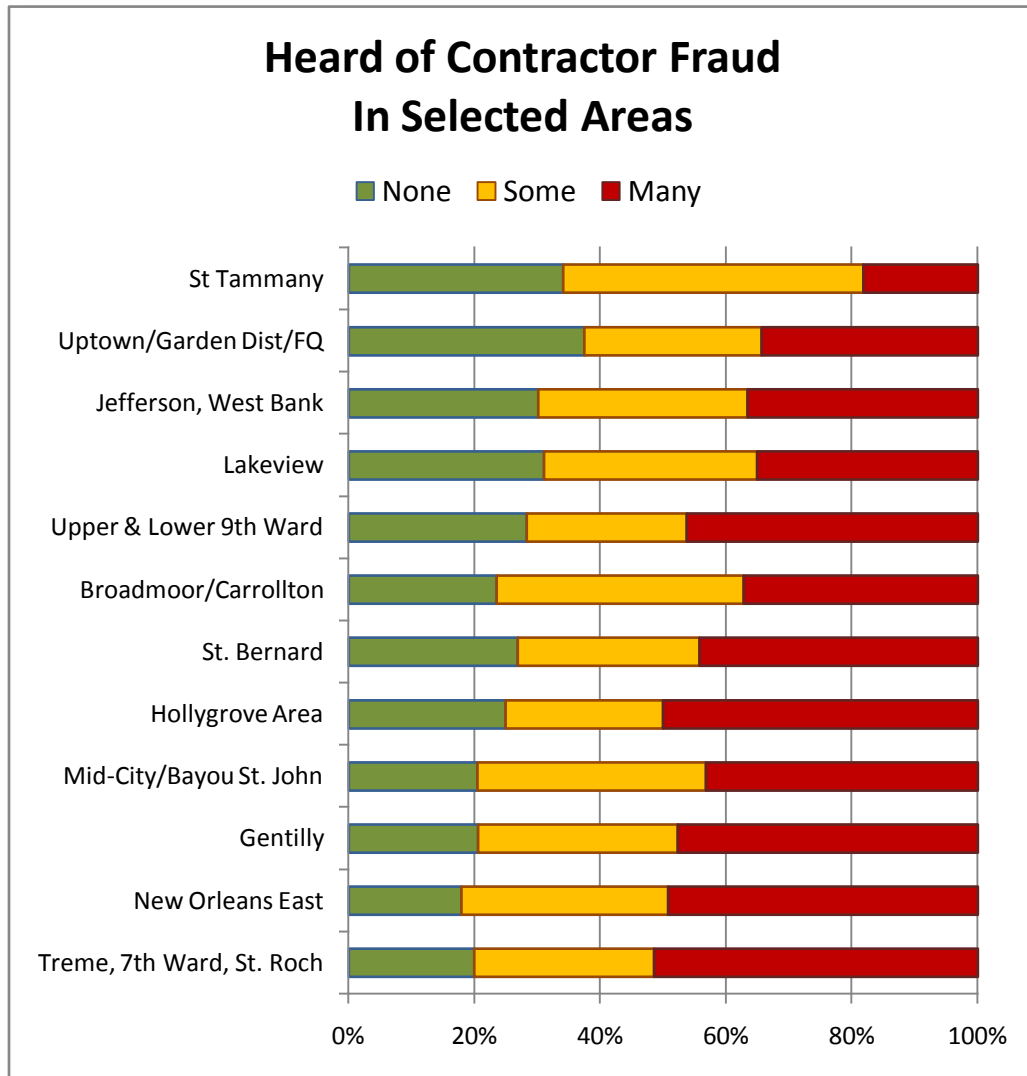
Contractor Fraud is heavier in certain areas



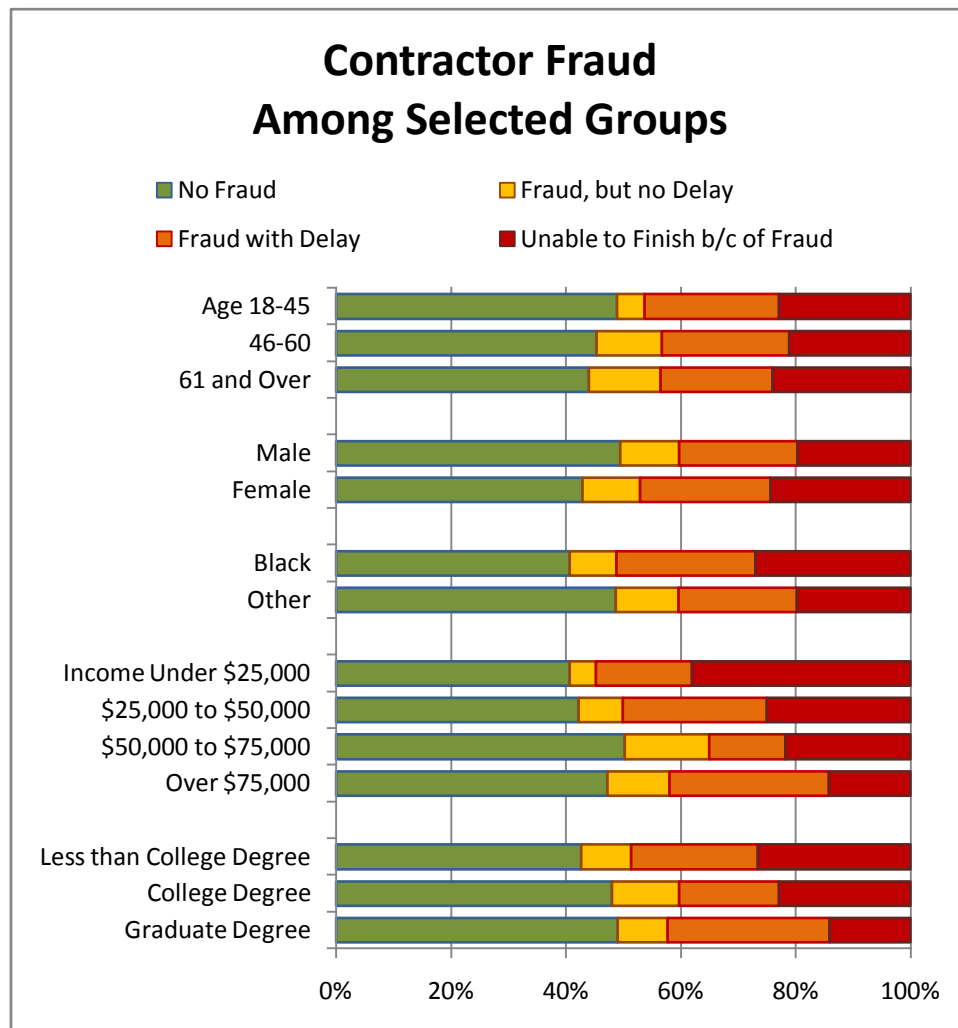
<sup>1</sup> Data are weighted (adjusted) by joint Age-Sex-Race distribution for Greater New Orleans Parishes.



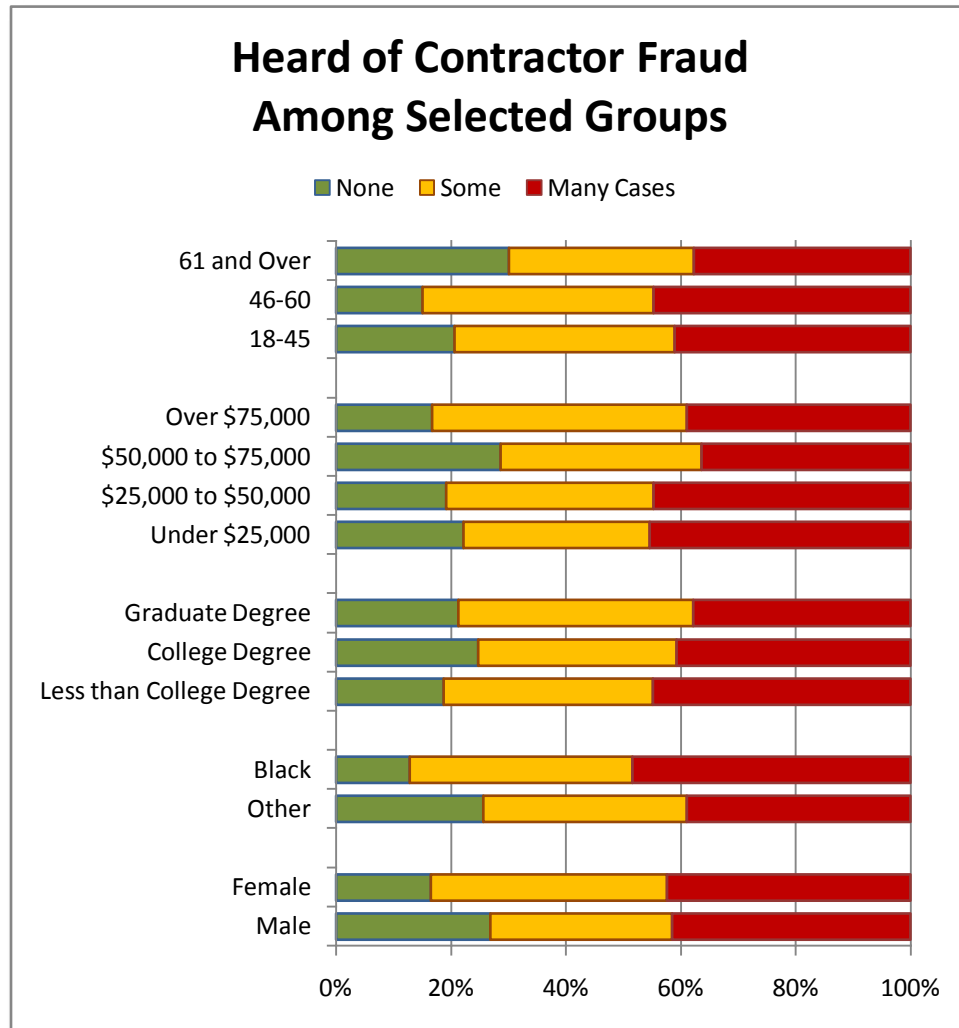
Hearing of Contractor Fraud is highest in some of the same areas



The impact of Contractor Fraud is highest among lower income/education groups, minorities, and women. Age differences are moderate.

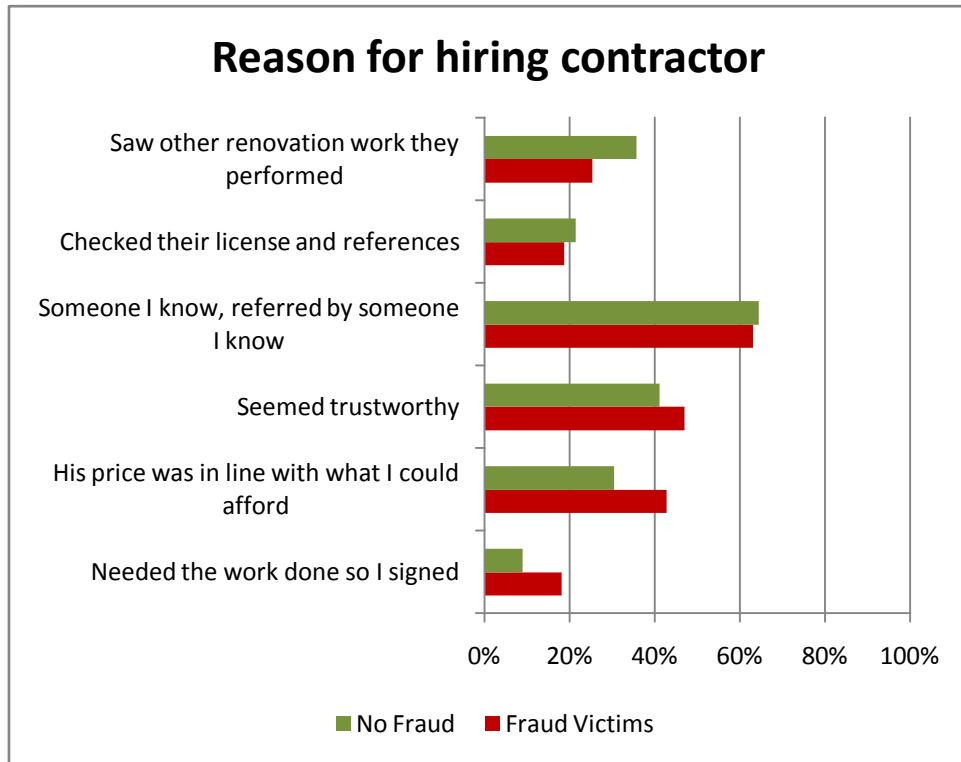


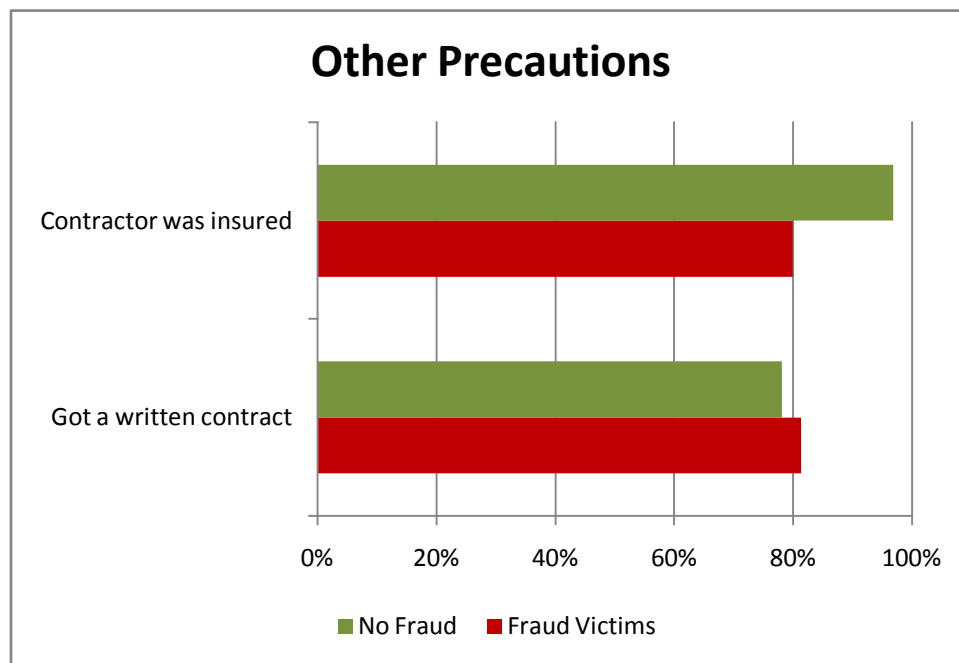
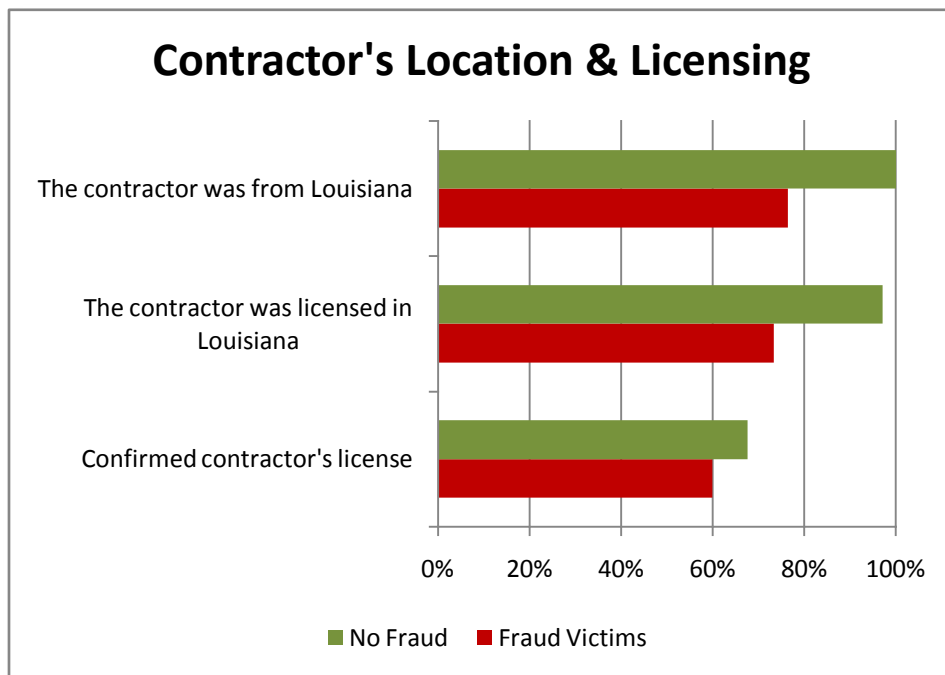
Hearing of Contractor Fraud follows similar patterns, but not as strongly.



## LouisianaRebuilds.Info/LSU Contractor Fraud Survey 2008/09

A comparison of people who did and didn't experience fraud shows that those who followed careful practices and hired known, local contractors had safer experiences. However, using guidelines from the Licensing Board did not seem to help.





## LouisianaRebuilds.Info/LSU Contractor Fraud Survey 2008/09 Results<sup>1</sup>

### Bivariate Correlations

|                       | Extent of<br>Damage due<br>to Contrator<br>Fraud | Financial<br>Fraud<br>Factor | Experienced<br>Financial<br>Fraud | Shoddy<br>Work<br>Fraud<br>Factor | Experienced<br>Shoddy Work |
|-----------------------|--|------------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Female                | .072   | .104*                        | .110**                            | -.007                             | .071                       |
| Black                 | .101**   | .147**                       | .119**                            | -.012                             | .058                       |
| Education             | -.078*   | .036                         | -.062                             | -.019                             | -.080*                     |
| Income                | -.139**  | -.112*                       | -.140**                           | -.004                             | -.102*                     |
| Age - full range      | -.012  | -.129*                       | .012                              | -.056                             | .034                       |
| Married               | -.120**  | -.198**                      | -.182**                           | -.033                             | -.124**                    |
| Children              | -.123**  | -.037                        | -.135**                           | -.072                             | -.137**                    |
| Married with Children | -.127**  | -.143**                      | -.162**                           | -.046                             | -.125**                    |
| Road Home Funds       | -.003  | .044                         | .047                              | -.082                             | -.004                      |

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<sup>1</sup> Data are weighted (adjusted) by joint Age-Sex-Race distribution for Greater New Orleans Parishes. Weighted N = ca. 700, but lower in some multivariate models.



**Multiple Regressions**

|                       | Extent of Damage due to Contractor Fraud |        |        |
|-----------------------|--|--------|--------|
| Black                 | .070+                                    | .064   | .085+  |
| Income                | -.098*                                   | -.074  | -.084  |
| Age - full range      | -.042                                    | -.041  | -.069  |
| Married with Children | -.085+                                   | -.083+ | -.114* |
| Female                |  | .035   | .017   |
| Education             |  | -.048  | -.042  |
| Road Home Funds       |  |        | -.073  |
| Adjusted R Square     | .027                                     | .027   | .032   |

|                       | Financial Fraud Factor |        |        | Experienced Financial Fraud |         |         |
|-----------------------|------------------------|--------|--------|-----------------------------|---------|---------|
| Black                 | .107+                  | .111*  | .113+  | .087*                       | .081+   | .090+   |
| Income                | -.031                  | -.050  | -.093  | -.063                       | -.040   | -.073   |
| Age - full range      | -.135*                 | -.122* | -.128* | -.014                       | -.006   | -.024   |
| Married with Children | -.157**                | -.144* | -.121+ | -.134**                     | -.125** | -.134** |
| Female                |                        | .038   | .003   |                             | .068    | .036    |
| Education             |                        | .055   | .067   |                             | -.039   | -.026   |
| Road Home Funds       |                        |        | .012   |                             |         | -.008   |
| Adjusted R Square     | .056                   | .053   | .043   | .037                        | .040    | .040    |

|                       | Shoddy Work Fraud Factor |       |       | Experienced Shoddy Work |        |        |
|-----------------------|--------------------------|-------|-------|-------------------------|--------|--------|
| Black                 | -.084                    | -.088 | -.084 | .013                    | .003   | .009   |
| Income                | .006                     | .032  | -.031 | -.054                   | -.014  | -.053  |
| Age - full range      | -.047                    | -.058 | -.064 | .014                    | .015   | -.007  |
| Married with Children | -.083                    | -.091 | -.059 | -.103*                  | -.101* | -.115* |
| Female                |                          | -.014 | -.031 |                         | .055   | .034   |
| Education             |                          | -.063 | -.040 |                         | -.080+ | -.067  |
| Road Home Funds       |                          |       | -.072 |                         |        | -.042  |
| Adjusted R Square     | -.001                    | -.003 | -.008 | .013                    | .018   | .017   |

## Findings

### Variable Definitions

1. Extent of Damage due to Contractor Fraud – Summary scale: whether R experienced fraud, and if so, how much it stopped him/her from completing recovery
2. Financial Fraud Factor – A factor from a factor analysis: experienced financial fraud
3. Experienced Financial Fraud – An additive scale: how much financial fraud experienced, incl none
4. Shoddy Work Fraud Factor – A factor from a factor analysis: experienced shoddy work
5. Experienced Shoddy Work – An additive scale: how much shoddy work experienced, incl none
  - a. Note: the Additive Scales seem more reliable than the Factors
6. Road Home Funds – How much of money paid for repair & recovery came from Road Home Funds

### Factors Accounting for Vulnerability to Fraud

#### 1. Demographics

- a. *Race*. Blacks are somewhat more vulnerable to fraud, overall, especially financial fraud, but not to shoddy work
- b. *Gender*. Women are somewhat more vulnerable to financial fraud, but not when other factors are taken into account in the regressions.
- c. *Age* makes little difference, except that younger people are somewhat more vulnerable to financial fraud.
- d. *Family structure*. Married people with children are generally less vulnerable to fraud in all respects.

#### 2. Social Status

- a. *Income*. Richer people seem less vulnerable to fraud in all respects, in the correlations, but this effect mostly disappears in the multivariate regression models.
- b. *Education*. The same pattern appears with education, but much more weakly.

#### 3. Dependence on Road Home funding

- a. Dependence on *Road Home funding* has little effect on vulnerability to fraud.

## LouisianaRebuilds.Info/LSU Surveys 2007-09: Funding Gaps in Rebuilding

### Results<sup>1</sup>

### Disaster Recovery Varied by Damage and Resources

|                                    | Income  | Source<br>of \$ -<br>My own<br>money | Source of<br>\$ -<br>Insurance | Source of<br>\$ - Road<br>Home<br>Program | Source of<br>\$ - Other<br>Govt<br>Programs | Physical<br>damage<br>due to<br>Katrina | Rebuilding-<br>Repair/Own<br>Recovery | Have<br>Enough<br>Money (or<br>no<br>damage) |
|------------------------------------|---------|--------------------------------------|--------------------------------|---|---|---|---------------------------------------|--|
| Income                             | -       | .001                                 | .279**                         | -.241**                                   | -.016                                       | -.089**                                 | .195**                                | .192**                                       |
| Source of \$ - My own money        | .001    | -                                    | -.333**                        | -.192**                                   | -.019                                       | .012                                    | -.015                                 | -.183**                                      |
| Source of \$ - Insurance           | .279**  | -.333**                              | -                              | -.103**                                   | -.089**                                     | -.130**                                 | .252**                                | .348**                                       |
| Source of \$ - Road Home Program   | -.241** | -.192**                              | -.103**                        | -   | .054  | .128**                                  | .029                                  | .210**                                       |
| Source of \$ - Other Govt Programs | -.016   | -.019                                | -.089**                        | .054                                      | -   | .102**                                  | -.053*                                | .028   |
| Physical damage due to Katrina     | -.089** | .012                                 | -.130**                        | .128**                                    | .102**                                      | -                                       | -.238**                               | -.447**                                      |
| Rebuilding-Repair/Own Recovery     | .195**  | -.015                                | .252**                         | .029                                      | -.053*                                      | -.238**                                 | -                                     | .491**                                       |
| Have Enough Money (or no damage)   | .192**  | -.183**                              | .348**                         | .210**                                    | .028  | -.447**                                 | .491**                                | -  |

<sup>1</sup> Data are weighted (adjusted) by joint Age-Sex-Race distribution for Greater New Orleans Parishes.  
Total N = 2,500 in most analyses.

## **Disaster Recovery Varied by Damage and Resources**

(see Table above)

### **A. Income**

1. Higher income people needed to spend less of their own money.
2. Rather, higher income people mostly paid for their repairs with insurance money.
3. Higher income people relied less on the Road Home and other government programs.
4. Higher income people also suffered less damage, probably because they lived in less vulnerable areas.
5. They also are more recovered and have enough money for repairs (or had no damage).

### **B. Source of money for repairs/recovery**

1. People who had adequate insurance needed to draw on less money from other sources, especially out of their own pockets. They also had less damage (presumably because they had more money in the first place and could live in safer areas), better recovery, and adequate money for rebuilding if needed.
2. People who had to spend their own money had less insurance money or Road Home support. They also generally did not have enough to cover their repairs/recovery.
3. People who got Road Home money generally did not have as much insurance, and they did not have to spend as much of their own money. They tended to have high damage, but they generally had enough to repair and rebuild.

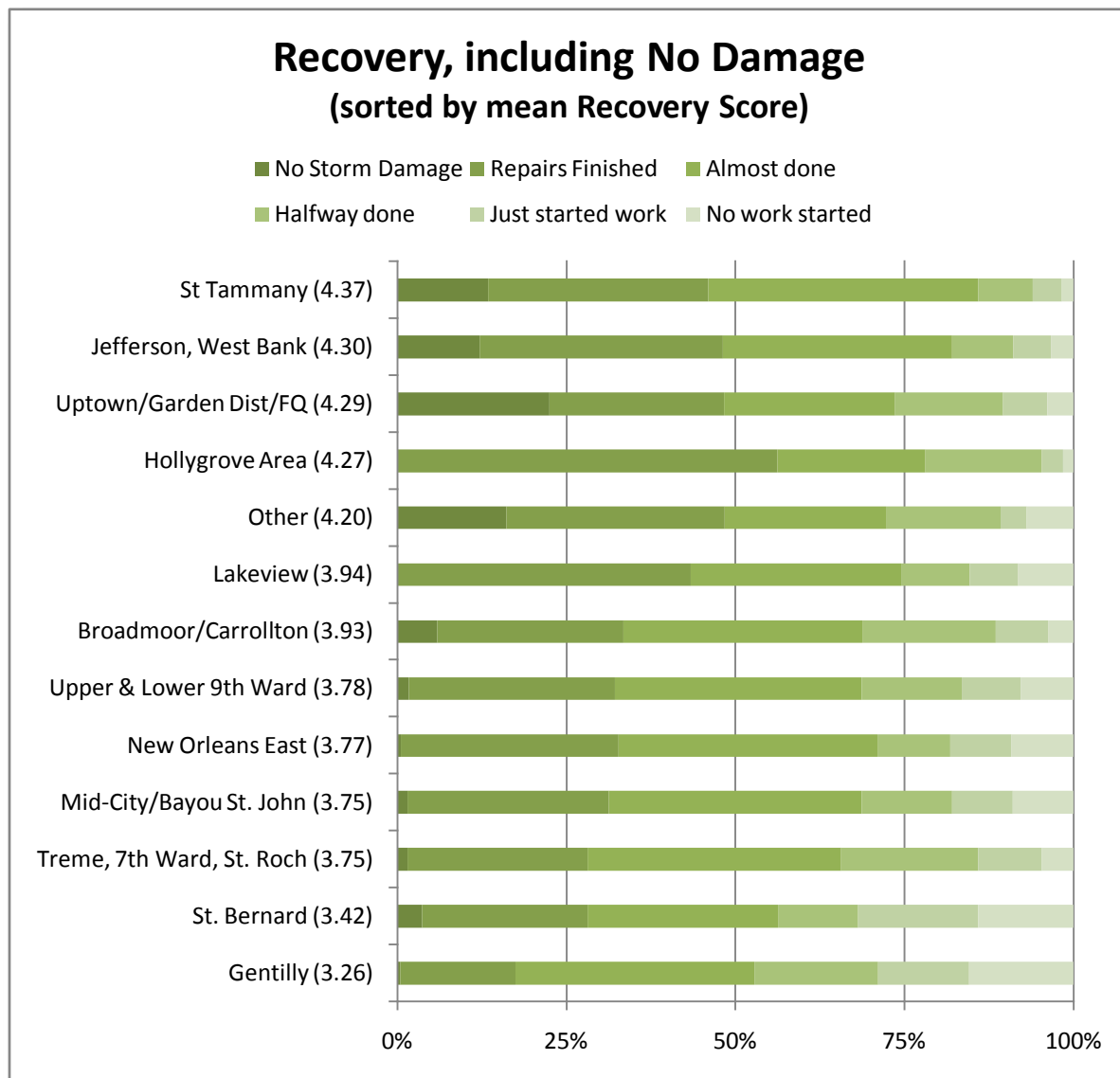
### **C. Damage to Residence**

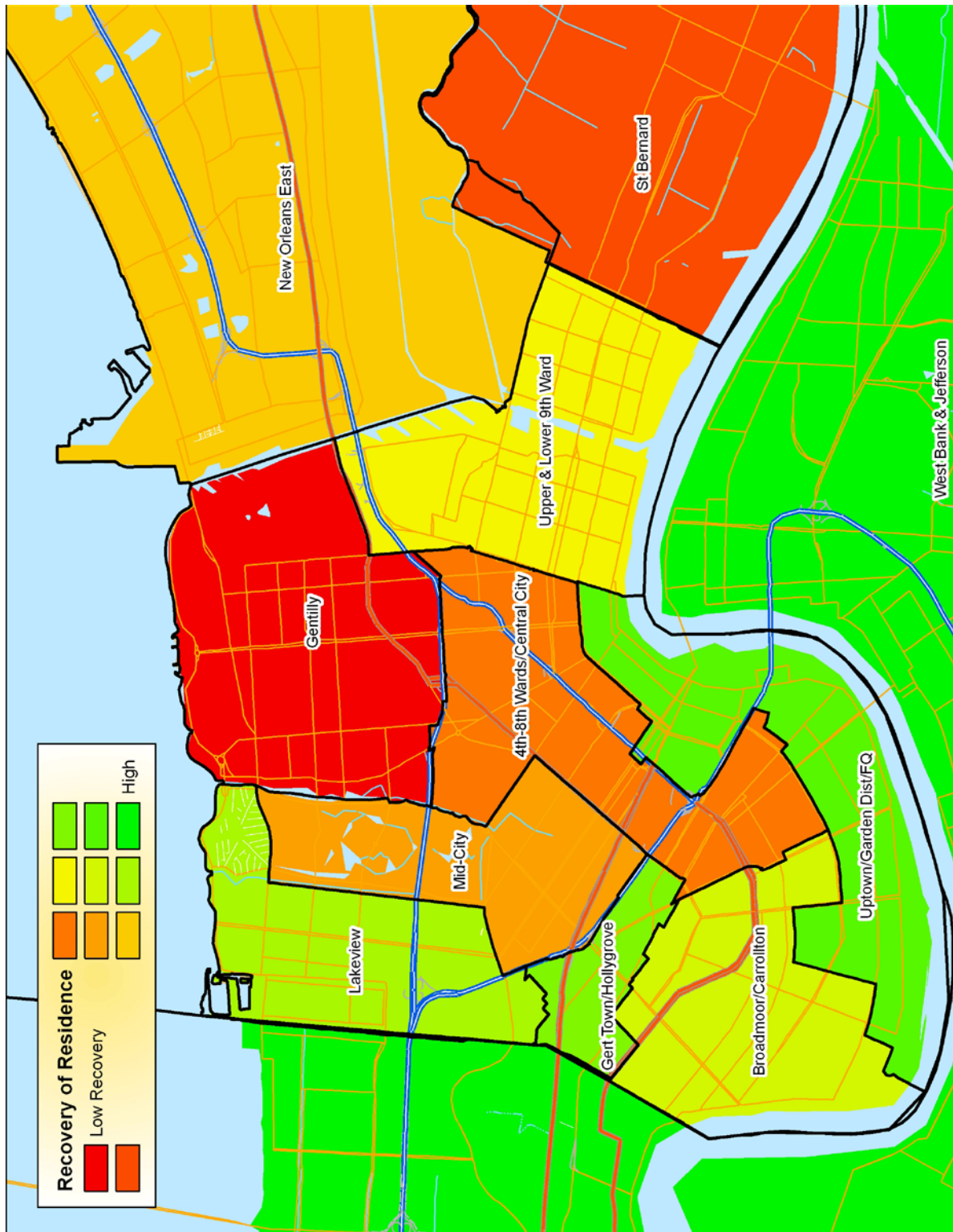
1. People who sustained a lot of damage to their homes generally had somewhat lower income and less insurance. They relied more on government assistance. They lagged far behind in recovery and did not generally have enough money to rebuild.

## Recovery Varied by Area

Generally:

1. Recovery is stronger in richer, suburban, and western areas
2. Recovery is weaker in minority and eastern areas, though not only in poor areas

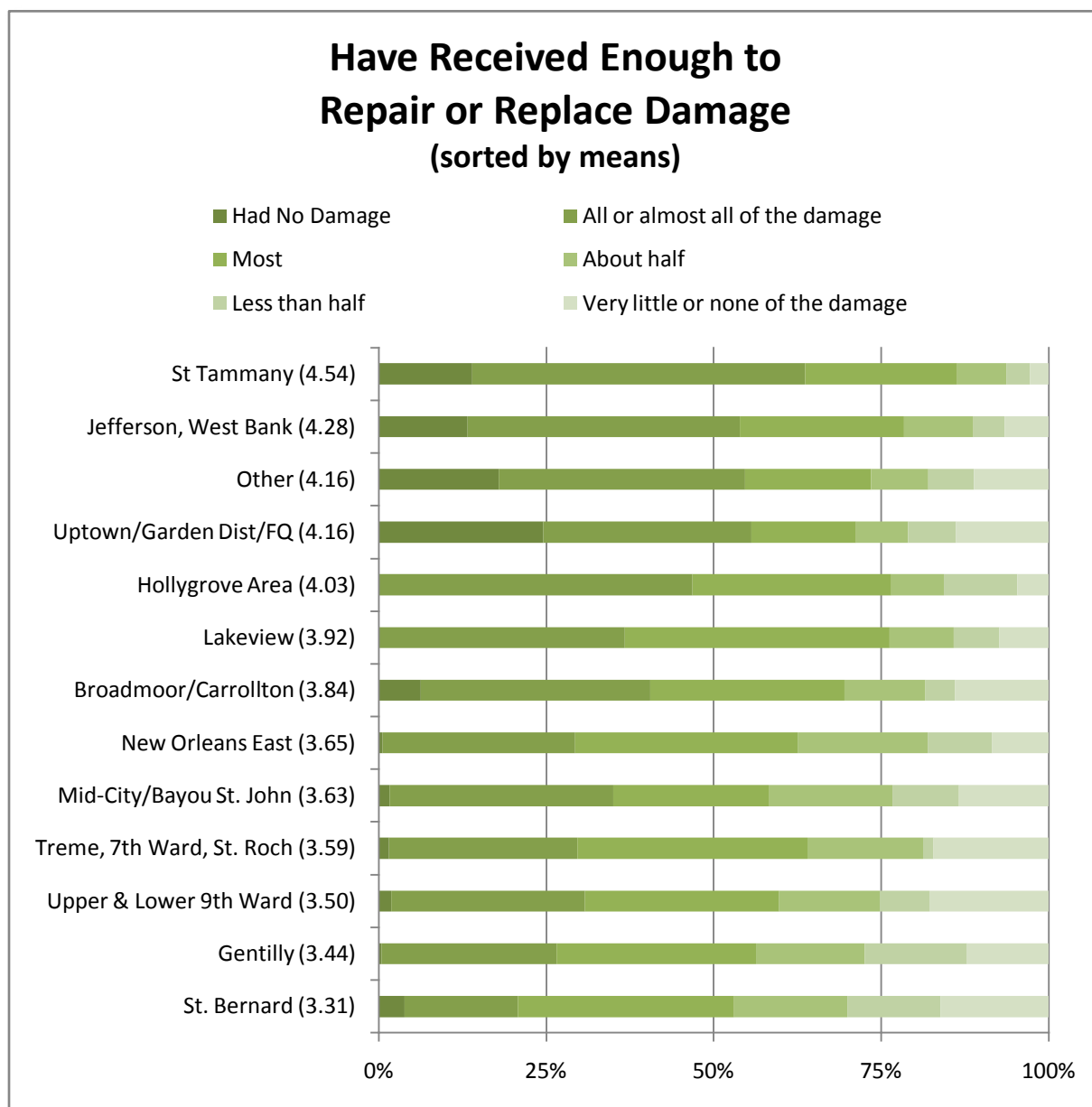


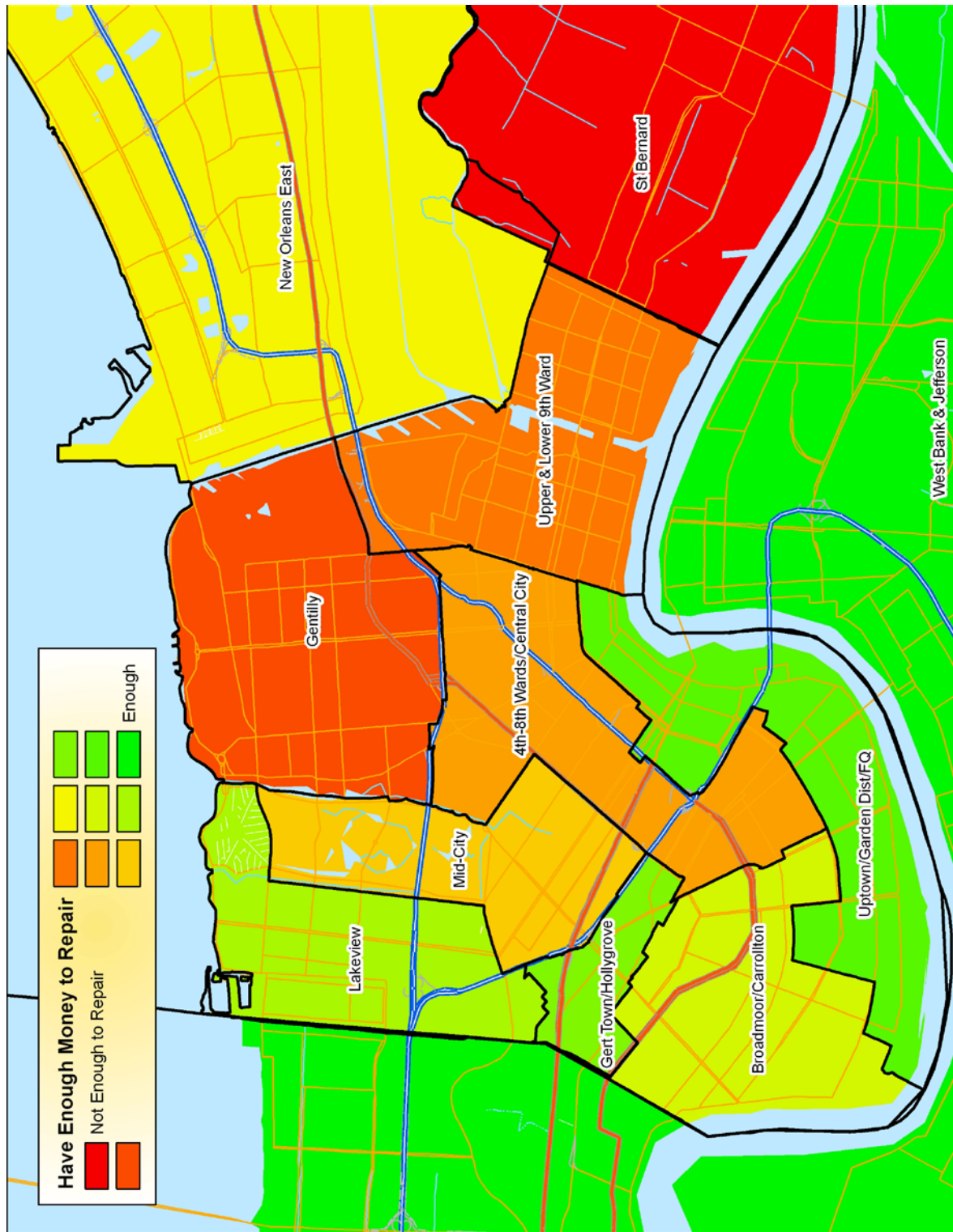


## Sufficient money for Recovery Varied by Area

Generally:

1. People in richer, suburban, and western areas are more likely to have enough money for recovery
2. People in minority and eastern areas – though not only in poor areas – are less likely to have enough money for recovery







**Of Respondents who experienced Fraud, how many reported it to the authorities? To which authorities did they report fraud?**

**On the LouisianaRebuilds.Info/LSU Contractor Fraud Survey, Respondents ...**

**...Reported the contractor to the authorities - 54.0%**

|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 215       | 54.0    |
| No    | 183       | 46.0    |
| Total | 398       | 100.0   |

**...Reported fraud to Louisiana state Contractor Licensing Board - 24.2%**

|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 97        | 24.2    |
| No    | 305       | 75.8    |
| Total | 402       | 100.0   |

**...Reported fraud to Attorney General's Office - 32.2%**

|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 130       | 32.2    |
| No    | 273       | 67.8    |
| Total | 403       | 100.0   |

**...Reported fraud to Local parish authority - 25.0%**

|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 101       | 25.0    |
| No    | 301       | 75.0    |
| Total | 402       | 100.0   |

**...Reported fraud to Better Business Bureau - 26.4%**

|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 106       | 26.4    |
| No    | 296       | 73.6    |
| Total | 402       | 100.0   |

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**Preliminary analysis indicates:**

- If the Better Business Bureau reports a Total of 2,399 complaints filed from January 2006 - January 2009,
- And 26.4% of our respondents said they reported their fraud to the BBB,

**Then there may have actually been over 9,000 cases of Contractor Fraud during this period, that is, almost 4 times as much as reported.**