

HOME EQUITY FRAUD

and the Role of the Contractors State License Board

California Contractors State License Board

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Contractors State License Board

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HOME EQUITY FRAUD

and the Role of the Contractors State License Board

“The Board shall conduct a comprehensive study of the issues surrounding home improvement contracts that involve home equity lending fraud and scams, and provide recommendations to deal with this problem.”

SB 2029, (CHAPTER 1005, STATUTES OF 2000)

Home Equity Scams and Predatory Lending

The Contractors State License Board (CSLB) investigates many forms of home improvement fraud—ranging from cases of contractors who deliberately exaggerate the amount of work to be done, charge excessively for materials, and perform shoddy work—to the seasonal invasion of “the Travelers,” a roaming band of scam artists who claim to have leftover supplies from another job that they’ll use to fix someone’s roof or someone’s driveway cheap, using high pressure or scare tactics to convince the homeowner of the need for urgent repairs. They demand cash payments, spray useless “sealants” on roofs, fences, and driveways, or put a few new wood shakes on roofs.

A majority of the 27,000 consumer complaints filed with CSLB every year are attributable to home improvement construction projects. Of these, the most egregious cases are those involving scams accomplished through the use of a mortgage loan to finance expensive, sometimes unneeded—sometimes desperately needed—home repairs. The aggressive sales tactics used to make these home equity-based loans are referred to as “predatory lending” tactics.

Although there is no official definition of predatory lending, federal regulators define it as involving one or more of the following elements:

- Offering unaffordable loans based on the borrower’s assets rather than his or her ability to repay.
- Inducing a borrower to repeatedly refinance a mortgage so the lender can charge high fees or points.
- Engaging in fraud or deception to hide some of the costs of a loan.

In some cases, these practices are openly fraudulent, but they can also be aggressive sales tactics that are technically legal. Whatever the tactics used, if a homeowner can’t make the increased payments required to pay for the expanded loan, the home may be subject to foreclosure.

“ The profile of a typical victim is an individual (often minority or elderly) in an older home with a legitimate need, such as a new roof. With limited cash flow, but with accumulated equity in their home, the borrower is approached by a lender with a loan to repair the roof. Through confusion or fine print, the borrower often finds out after it’s too late that their loan contains added costs that have escalated the monthly payment to the point of unmanageability. Even if suspicion is raised at the time of loan closing, borrowers may go through with the deal because of the overwhelming need as well as the perception they have no other options.”

ASSEMBLY COMMITTEE
ON BANKING AND
FINANCE ANALYSIS,
PREDATORY LENDING
PRACTICES HEARING,
FEBRUARY 21, 2001

Outright fraud can be criminally prosecuted. Harder to prosecute are those situations in which borrowers are pressured into high-cost loans but are provided with all the technical and legal notices required by law to advise them of their rights. The borrowers may not understand the terminology; they may never be told what their new payments will be; or they may be misled by a salesperson that glosses over the loan requirements while “helping.”

The Prevalence of Home Equity Fraud

According to the *L.A. Times*, the high-risk (subprime) loan business “has grown hot nationwide,” accounting for \$268 billion in mortgages in 1997. (Abusive practices in the subprime loan industry are referred to as predatory lending.) A recent report for a U.S. Senate committee hearing estimated that predatory lending costs borrowers \$9.1 billion a year in excessive interest rates and fees. The California Consumers Union estimates that predatory lending cases in Los Angeles in 1997 amounted to about \$300 million in losses for homeowners and investors. Further, it is difficult, if not impossible, to estimate the full extent of predatory lending and home equity fraud because unsophisticated consumers may not be aware they had other, better options or they may not report the incident because they are too embarrassed that they got “taken.” The lack of a uniform definition for predatory lending also makes it difficult to keep agency and interagency records, much less exchange information in a useful way.

Responsible Agencies

In efforts to remedy predatory lending, these fraudulent activities are typically defined as *fiscal* issues because of the threat to the mortgage, the loss of money involved, and, sometimes, the consolidation of other debts into the home equity loan. The fraudulent or overly aggressive tactics of a contractor (or the home improvement salesperson) and the quality of the construction involved are secondary issues in the face of imminent foreclosure. Accordingly, reform efforts are generally directed to the regulatory arenas of various federal home financing agencies, and, in California, to the Departments of Corporations, Real Estate, Financial Institutions, and the Attorney General. In major pieces of legislation introduced on this subject in the 2001-02 legislative session, AB 489 (Migden) and SB 608 (Dunn), those departments were referenced as the responsible regulatory agencies.

There are numerous federal and state statutes that provide protections, rights, and remedies to borrowers, and regulate lenders and the transactions. In Federal law there are several acts including but not limited to:

- Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2601).
- Fair Credit Reporting Act (15 U.S.C. 2801).
- Home Owners’ Loan Act (12 U.S.C. 1461).
- Home Ownership and Equity Protection Act of 1994 (HOEPA) within the Truth in Lending Act (U.S.C. 1601).

(HOEPA, the most frequently cited federal program, does not prohibit loans with high interest rates or fees or cap rates. Instead, it subjects certain loans, the rates or fees for which exceed specified rates or fees, to enhanced disclosures, restrictions, and private and administrative consumer remedies for violations of the act.)

In California some of the relevant laws are:

- Home Equity Sales Contracts (CC 1695-1695.17).
- Deceptive Practices (CC 1770).
- Home Equity Loan Disclosure Act (CC 2970-2971).
- Mortgage of Real Property (CC 2947-2955.5).
- Real Property Loans (B&P 10240-10248.3).
- Transactions in Trust Deeds and Real Property Sales Contracts (B&P 10230-10236.6).

Various representatives of private financial institutions say that the many laws already on the books are sufficient to protect against predatory lending practices. Sponsors and supporters of legislative reform efforts argue that existing laws cover only a fraction of the loans in which abuses occur and, further, that enforcement is so fragmented among the federal, state, and local agencies that many cases simply fall through the cracks.

“At the end of 1997, the outstanding home equity debt of U.S. homeowners was an estimated \$420 billion. In a recent AARP study, 31 percent of persons 18 and older reported they had taken out a home improvement or home equity loan; 50 percent of respondents aged 50-64 reported they had done so.

Predatory mortgage lenders often target older homeowners, who frequently have substantial equity in their homes. Moreover, older homeowners are more likely to live in homes in need of repair, and are less likely to do the work themselves.

Many predatory loans are initiated by fraudulent home improvement contractors who, working as agents of subprime (i.e., less than prime, or ‘A’) mortgage lenders, offer and arrange financing secured by the borrower’s home.”

HOME IMPROVEMENT FINANCING, AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP) PUBLIC POLICY INSTITUTE, OCTOBER 2000

“ The California Residential Mortgage Act, for example, prohibits only generally described acts of fraud and material omissions, and leaves enforcement of all but the most egregious acts up to the Commissioner of Real Estate or to civil suits for unconscionability.

The Federal HOEPA law does not apply to purchase money home loans or open ended home equity loans, but only to refinanced home mortgages with interest rates more than 10 percent above the prime rate or costs exceeding eight percent of the loan.”

SENATE JUDICIARY
COMMITTEE ANALYSIS OF
SB 608 (DUNN),
APRIL 24, 2001

Current Legislation

2001 Legislation

Although there have been numerous (largely failed) legislative attempts to remedy home equity lending fraud in the past, there is currently a mounting effort in response to public and consumer calls for reform by such groups as AARP, which recently announced a campaign to stem predatory lending, “They Didn’t Tell Me I Could Lose My Home.” In June 2000, HUD and the U.S. Department of Treasury issued a report, *Curbing Predatory Lending*. Federal Reserve Chairman Alan Greenspan raised the issue in a speech, calling it “abusive” and saying it can damage poorer neighborhoods by targeting low-income, minority, and elderly borrowers.

Two bills introduced in 2001 are representative of legislative efforts and the support and opposition which tends to coalesce around such bills: SB 608 (Dunn) and AB 489 (Migden). (At this writing, SB 608 has been held in the Senate Banking, Commerce, and International Trade Committee with apparently no prospect of moving forward, and AB 489, which was amended to incorporate some of the issues contained in SB 608, has been sent to the Governor for signature.)

SB 608

The following bill description is excerpted and synthesized from the analysis by the Senate Banking & Finance Committee for a May 2 hearing:

SB 608 (which would have amended the Financial Code) would have enacted the Home Loan Protection Act, imposing various requirements on lenders and home loans and defining a “covered loan” as one that exceeds specified interest rates. It prohibited lenders from: financing credit insurance as part of a loan; encouraging default on an existing loan or other debt prior to a refinance; making a loan when the lender reasonably believes at the time the loan is consummated that the borrower will not be able to repay the loan; including a prepayment penalty; denying similarly situated borrowers access to the same loans at the same rates; refinancing a loan within four years of its origination; and aiding, assisting, or counseling borrowers to misstate income for purposes of obtaining a home loan.

SB 608 provided that a violation of its provisions would constitute a violation of any state law prohibiting unfair or deceptive trade practices. A person found to have violated the provisions would be liable to the borrower for actual damages, including loan fees and finance costs; statutory damages equal to 10 percent of the loan; injunctive relief; punitive damages; or any other remedies provided by law. Any violation of its provisions would have been grounds for disciplinary action, including license revocation.

The bill required the Attorney General to create a standard form to be used by consumers to detail complaints to be distributed to the Department of Real Estate, Department of Corporations, Department of Financial Institutions, and county district attorneys and Adult Protective Services.

Opponents of the bill argued that it was too overreaching and would cover loans that are not considered predatory, but just have a high rate of interest that is reasonable and an acceptable business practice for risky loans. Supporters contended that the current federal HOEPA law covers only a fraction of loans in which abuses generally occur and a wider “net” is needed to capture the predatory loans.

The committee analyst commented that it is important to note there is a legitimate market for subprime loans and that many of these loans are not abusive. There are many circumstances in which a borrower needs to refinance a mortgage and, because of his or her credit history, might get a higher rate than if it was a prime loan. Without a lender willing to finance a subprime loan, the individual might not be able to buy a home or consolidate loans to put the consumer in a better financial situation.

The long list of supporters for SB 608 included AARP, California Rural Legal Assistance Foundation (CRLA), Consumers’ Union, the Teamsters, United Farm Workers, Western Center on Law and Poverty, and many others.

The opposition included the California Bankers Association, California Financial Services Association, California Mortgage Association, California Mortgage Brokers Association, and individual mortgage and banking companies.

AB 489

The following bill description is excerpted from the Legislative Counsel digest:

“The bill would prohibit various acts in making covered loans, including the following: failing to consider the financial ability of a borrower to repay the loan, financing specified types of credit insurance into a consumer loan transaction, recommending or encouraging a consumer to default on an existing consumer loan in order to solicit or make a covered loan that refinances the consumer loan, and making a covered loan without providing the consumer a specified disclosure.”

A violation of the bill’s provisions would allow a civil penalty.

Supporters for AB 489, in an earlier version, included Consumers Union and Housing California. The California Mortgage Association was listed in opposition, with concern expressed by California Financial Services. As amended, the bill was anticipated to garner support and opposition similar to that of SB 608.

Local Ordinances

Oakland recently became the first city in California to ban predatory lending under an ordinance passed by the City Council, who commented that the state legislature and Congress have been too slow to act. The new law takes effect November 1, 2001 and prohibits lenders from refinancing mortgages without a benefit to borrowers. It limits penalties for early payment of loans and requires that borrowers receive financial counseling before agreeing to a high-cost loan. Sacramento, California is also examining any actions that city might take to address the issue.

“ Two California remodeling construction companies, working together, used a data software program to identify elderly homeowners and target them for remodeling jobs. CSLB dealt with about 10 victims taken by these guys. The companies would start by securing a small contract with the victims, most in their 70s and 80s. They would talk the victims into additional contracts for remodeling work and build the contractual obligations up to as much as \$80,000. At this point, they would bring in a loan document, most often from the same financial agency, and secure the loan with the house. Often the construction was either not needed, or there was poor workmanship and it was overpriced. We got involved when the poor workmanship and overpricing were brought to our attention through the complaint process. After we investigated, we revoked the license through an Interim Suspension Order and have referred the case to the Los Angeles District Attorney for criminal prosecution.”

CRUZ REYNA, CSLB FRAUD INVESTIGATION PROGRAM MANAGER

CSLB's Role in Home Equity Fraud

Sometimes predatory mortgage lenders use home improvement contractors to solicit business for them. In other cases, a home improvement contractor originates the mortgage loan and then sells it to a predatory mortgage lender.

In some of these cases, home improvement salespersons, who are required to work for a licensed contractor and who also must register with CSLB, go door-to-door targeting likely victims.

Because of the involvement of home improvement contractors and salespersons, it would appear that CSLB would play a major role in the monitoring and prosecution of contractor-related home equity fraud, but that is not the case. While the majority of the 27,000 complaints the Board investigates annually deal with home improvements, it is unknown how many actually involve home equity fraud. The Board does not track these cases individually, so, other than a case-by-case survey of files, there is no way to determine the relative frequency of occurrence, other than anecdotally.

CSLB investigates complaints predominately based on poor workmanship or contractor fraud. When proven, the Board can revoke a contractor's license and impose citations and fines. The Board refers cases with criminal charges to local district attorneys. The district attorney decides whether there is sufficient evidence or if a strong enough case exists to take to trial. There is no interagency network to notify other departments having authority over fraudulent lending practices of criminal referrals by CSLB. Likewise, there is no network to notify CSLB when a home improvement contractor is involved in fraudulent lending activity. In short, as the Board currently functions, home equity fraud is another factor to add to a case under investigation, but CSLB would not be investigating unless there was an initial construction complaint to bring the fraud to its attention.

How Home Equity Fraud Fits into CSLB's Mission

Many home equity fraud schemes involve loans used to fund home improvement services. But not all of these schemes involve the CSLB. Complaints to the CSLB are normally triggered by problems with the home improvement itself, usually poor workmanship, delay and abandonment. Unless there is a problem with the work itself, the CSLB does not usually become involved.

Even when a workmanship complaint is filed with the Board, the CSLB may not uncover a predatory loan issue. When the CSLB receives a complaint about the quality of work or a violation of law, the CSLB usually seeks to mediate these complaints, often closing the case after getting the contractor to correct the problem. If mediation fails, the complaint is referred for investigation. During the investigation, the investigator focuses on the home improvement complaint: What is the scope of work in the contract? Was the work performed in a timely, workmanlike manner?

The way the consumers pay for the work is not necessarily relevant to the CSLB. CSLB looks at the roof—was it properly installed? Are the windows properly flashed? Unless the price is egregiously out of line, CSLB may not question whether the homeowner was overcharged, focusing instead on whether the project meets trade standards and contract requirements. This is not just a Board policy choice. Section 129 (c) of the General Provisions of the Business and Professions Code provides: “. . . Nothing in this subdivision shall be construed as authorizing or requiring any board to set or modify any fee charged by a licentiate.”

Sometimes issues arise about whether the contractor or home improvement salesperson lured consumers into unnecessary repairs or improvements. These may be difficult to prove since CSLB is not usually called in until after the fact—the roof has already been ripped off and replaced. The water heater is on the junk pile. Where unnecessary repairs can be proven, however, CSLB can take disciplinary action against the licensee and/or salesperson. And, if the licensee doesn't file for bankruptcy and remains in business, the CSLB can use the license as leverage to get restitution. In very serious cases, the CSLB may recommend criminal action against these individuals. But, if the project was funded by a predatory loan, as discussed below, CSLB has very little power to undo the loan or revise its terms.

This does not mean CSLB washes its hands of the problem. In the course of gathering evidence about the quality of work and the contractor's business practices, the CSLB may find evidence of some classic home equity fraud scams:

- The contractor (or registered home improvement salesperson or unregistered representative) negotiated a predatory loan designed to strip equity.
- The contractor “helped” the homeowner qualify for a loan by misrepresenting the terms of the loan and the homeowner's ability to pay.
- The contractor “helped” the homeowner to qualify for a loan by enticing the buyer/borrower to sign an incomplete document that the contractor completes later with false information. The false information makes the homeowner appear to qualify.

Adding insult to injury, sometimes the work the contractor recommends was unnecessary or the contractor significantly overcharged the homeowner.

When these charges can be proven, the CSLB can take disciplinary action against the contractor or the registered home improvement salesperson. In more serious cases, the CSLB can recommend criminal action.

CSLB does not have jurisdiction over unconscionable loan provisions. But, when the kinds of charges listed above constitute a pattern of doing business, the CSLB can assist a District Attorney or the Attorney General's Office in prosecuting the mortgage brokers and lenders for unfair or deceptive practices and these civil actions can result in loan forgiveness.

CSLB Has Limited Expertise in Home Equity Fraud

CSLB has limited expertise to investigate home equity fraud. With extended training and more focused hiring, however, CSLB could prepare more complete documentation for the appropriate agencies to pursue these cases.

Last year (2000), CSLB submitted a Budget Change Proposal (BCP) requesting spending authority in the amount of \$300,000 to provide for forensic auditors . . .

“to thoroughly investigate cases of illegal construction activities where fraudulent activities have far-reaching effects. In order to pursue civil or criminal prosecution the CSLB will use specialized forensic auditors to provide court-ready fiscal documentation of contractor fraud.”

“Unlicensed construction salesmen often work directly with unscrupulous mortgage companies to obtain funds, based on the home's equity, which cannot be paid back by the homeowner. Forensic auditors would be used to examine records of both the mortgage companies and the construction operations. Based on past experience, it is estimated that the cost of forensic auditors will average \$30,000 per case.

“Currently the CSLB is facing significant hardship in investigating illegal activity involving financial crimes due to the lack of funding for forensic auditors.”

The BCP was withdrawn because of concerns expressed that the request was premature and that the issue was to be addressed in the SB 2029 report.

Home Improvement Certification Exam

Because so many of the complaints filed with CSLB are attributable to home improvement construction, in an effort to remedy the harm being done to consumers, a home improvement certification exam requirement was passed by the Legislature in 1997. As the bill was originally proposed, in addition to the open book exam, it would have required continuing education or a blanket payment and performance bond of \$250,000. All that remained, when the bill passed, was the exam.

Consequently, if licensed contractors wish to engage in home improvement projects either as a prime contractor or a subcontractor, they must obtain home improvement certification from the Board. To do this, the qualifier of the license must pass an open book exam focusing on laws and problems common to most home improvement contracts and projects, including the Home Solicitation Sales Act, the Truth In Lending Act, and pertinent Business & Professions Code Sections. Of the 278,000 licensed contractors in California, approximately 130,000 licensees (and 10,000 applicants) have passed the home improvement certification exam as of March 2001. The home improvement certification requirement, B&P Code Section 7150.2, has only been in effect since July 1, 2000, and there is insufficient data to determine its impact, if any, at this time. (It remains in effect only until January 2004, unless extended by the Legislature.)

Having better-informed contractors, however, which may be helpful to consumers in some aspects, does not address the issue of fraudulent contractors. Brushing up on home improvement laws is not going to deter a predator.

Home Improvement Salesperson Registration

A home improvement salesperson (HIS) is defined in law as someone employed by a licensed contractor to solicit, sell, negotiate, or execute contracts under which home improvements may be performed, a swimming pool constructed, or home improvement goods or services installed or furnished. There are no experience, residency or educational requirements, nor is there an exam. There is a one-page application which must be signed by the HIS applicant and by the contractor with whom the salesperson is registering, since he is held responsible for the salesperson. Applicants are asked to disclose any judgments, liens, or claims on bond or cash deposits, and whether or not they have any criminal convictions. These are not checked for veracity, however. When a salesperson's actions are the subject of complaints to the Board, it is the contractor that the Board goes after, because it is the contractor that the Board has regulatory authority over. An errant contractor can be cited, fined, have his or her license suspended or revoked, can be made to pay restitution, and can be jailed or imprisoned. Salespersons can have their registrations revoked or they can be part of a case referred for criminal action by the D.A.

There are 6,000 active home improvement salespersons currently registered with CSLB. A salesperson can be registered with more than one contractor; there are no limitations. Registrations must be renewed every two years and the fee is \$75. (The initial registration fee is \$50.)

In 1997, a bill was introduced (AB 771 Margett) which attempted to repeal the HIS registration requirement. This language was dropped due to opposition from a number of contractor and consumer groups because of concerns that protections enacted in 1994 would be nullified by the repeal of the HIS registration requirement. Specifically, the 1994 legislation amended B&P 7153 to preclude a contractor from taking a security interest under a home improvement contract unless the salesperson is registered by the Board.

Community Outreach

CSLB is making an aggressive effort to reach out to the public through continuous contacts with organizations such as AARP and other senior organizations and community groups, and by frequent press communications regarding current scams in progress and information about dealing with contractors and contract rights. Recent Senior Scam Stopper Seminars held in Covina, Riverside, Carlsbad, Stockton, Antioch, and Corona Del Mar teamed CSLB with AARP and local law enforcement to discuss home improvement scams and predatory lending. A similar program was conducted in Chinese. Other recent efforts have included the "Féria Informativa de Protección al Consumidor" in Los Angeles which drew 2,500 attendees, plus various consumer and senior "fairs" and information forums.

The Board recently formed a 15-member Consumer Advisory Council with representatives from all over the state and from diverse backgrounds to advise CSLB on the best ways to bring important information to communities. The committee meets quarterly, on a volunteer basis, to provide advice on specific issues identified by them as important to their communities. The main issue the Advisory Council identified as of key importance for the Board to pursue is consumer education and outreach, specifically more outreach and education in minority and senior communities. As these are the same communities frequently targeted by home improvement scammers, the topic of home improvement fraud and predatory lending will continue to be priority issues.

Recommendations:

- *Identify and document home equity fraud incidences in the course of CSLB field investigations.*
- *Promote interagency cooperation.*
- *Fund CSLB forensic auditors.*
- *Check home improvement salespersons for criminal backgrounds.*
- *Increase public information and outreach on the subject of home equity fraud.*

Recommendations

Identify and document home equity fraud incidences in the course of CSLB field investigations.

This recommendation will require training CSRs and investigating deputies to question homeowners about the manner in which their home improvements were financed, when applicable. The documentation and collection of this information will provide an estimate of how many cases of home equity fraud occur (although they would typically be those cases initiated by construction issues, not *all* cases), and could provide early information identifying scam operators who are preying on multiple homeowners. It would assist in the identification and preparation of cases to be referred for further investigation or legal action.

Cost estimate: This proposal would require initial and ongoing training for 180 enforcement staff at an estimated cost of \$500 per 2-day training course, biennially, (including per diem) for a total Board cost of approximately \$90,000 per training session.

Promote interagency cooperation.

There are many public and consumer agencies and organizations interested in, and responsible for, aspects of predatory lending. The inherent problems are:

- Ascertaining which ones are responsible for the different facets of the problem;
- Establishing common terminology and systems for communication between agencies and groups; and,
- Systematizing and clarifying the laws already extant on the subject.

The Board recommends that the Governor or the Legislature convene a Task Force on the subject and name a lead agency to explore the issues. This would be useful to organize and promote a coordinated approach to future legislative efforts. In the meantime, CSLB will continue to strengthen its existing network of communications, which is extensive although informal in nature, and does not include interdepartmental communications.

Cost estimate: No cost.

Fund CSLB forensic auditors.

Local district attorneys often do not have the resources to prosecute financial crime because of the mass of fiscal documentation needed to obtain a successful conclusion. CSLB does not have the expertise necessary for complex financial investigations, in this area or for other purposes. Forensic auditors are necessary for the Board to thoroughly investigate cases of illegal construction activities (diversion of funds, “cash pay” to employees, fraudulent bankruptcies) where fraudulent activities have far-reaching effects. In order to pursue civil or criminal prosecution the CSLB would use specialized forensic auditors to provide court-ready fiscal documentation of contractor fraud in all forms.

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Cost estimate: Based on a prior BCP requesting spending authority for contracts for forensic auditors, the estimated cost is \$300,000 annually (an average of \$30,000 per case).

Check home improvement salespersons for criminal backgrounds.

At its April 17, 2001, meeting, the CSLB members adopted a motion that staff initiate the implementation of a licensee applicant screening process, contingent upon resources and approval. Specifically, the Board was looking at the capabilities of ChoicePoint, a leading gatherer and provider of public records to law enforcement and other investigative agencies. ChoicePoint has over 3.5 billion records in more than 1,600 databases through which they can screen an applicant's background for past criminal activity. Although the impetus for the Board's directive to implement a screening process was to screen applicants for licenses, this type of resource could also be used to screen home improvement salespersons when they apply for registration. Because the type of salespersons who perpetrate door-to-door and telephone scams tend to move around to different areas and different states, such a process could help identify people who had records elsewhere and lied on their registration applications.

Cost estimate: A Budget Change Proposal has been submitted to augment the Board's budget to attain the resources of ChoicePoint. Another alternative is to require applicants to be fingerprinted.

There are 6,000 home improvement salespersons registered with CSLB, and they must re-register biennially (\$75 currently). The estimated cost to submit a name for a record search by ChoicePoint is \$20 per request. The approximate cost for fingerprinting by DOJ and the FBI is \$68 per request. Legislation would be required to add either of these costs to the applicants' registration fees in order to cover these expenditures at no cost to the Board.

In addition, there would be one new personnel position required to review the incoming reports and to follow through on referrals for further investigations for an annual cost of approximately \$42,000.

Increase public information and outreach on the subject of home equity fraud.

The Board's Public Affairs Office takes an aggressive approach to public outreach, issuing booklets, brochures, fact sheets, newsletters, and public service television spots at a rapid clip. The Board's web site is also very professional and informative. The Public Affairs unit is scheduled to attend two or more home and garden shows a month in 2001 for a total of approximately 75 days, because the Board's target audience attends home and garden shows. The unit also participates in consumer protection information fairs, community outreach programs, and puts on "Senior Scam Stopper" seminars all over the state. CSLB staff hands out free materials, provides tips, and gives seminars. The Board has a Speakers Bureau with 30 staff members trained as public speakers, addressing organizations such as Kiwanis, Rotary, Lions, senior center organizations, and trade groups. Videos on hiring a licensed contractor and rebuilding after a disaster are aired on cable stations, used in presentations, and are in the process of being placed in libraries and video rental stores as distribution outlets. One hundred of the disaster videos were distributed to Napa earthquake and San Diego wildfire victims.

Because home equity fraud has not been a primary focus of the Board, the information the Public Affairs unit disseminates has not been tailored to this issue. Given a directive to address this subject, all future materials and outreach efforts could contain this information to increase preventive measures.

Cost estimate: For staff time and materials, five more Scam Stopper seminars could be added for an approximate cost of \$40,000.