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DEPARTMENT OF CONSUMER AFFAIRS BROKERS DEAL WITH 'BETTER HOMES DEPOT' TO PAY MORE THAN \$600,000 IN RESTITUTION AND FINES TO THE CITY

New York City Department of Consumer Affairs (DCA) Commissioner Gretchen Dykstra today announced a settlement of more than \$600,000 in consumer restitution and fines in the agency's lawsuit against Better Homes Depot, a New York-based real estate company, for allegedly misleading many first time homebuyers and engaging in deceptive trade practices. As part of the settlement, Better Homes Depot will pay over \$525,000 in consumer restitution to 36 New York City customers in amounts ranging from \$5,000 to \$40,000, and pay \$100,000 in fines to the City.

"Buying a home is a big deal, a monumental time in most of our lives," said DCA Commissioner Gretchen Dykstra. "It is unconscionable to target and deceive homebuyers, playing off the complexity of the process and excitement of the purchase just to make a quick buck. We are thrilled to get money back for dozens of consumers. Moving forward, we're hopeful that our agreement with Better Homes Depot will ensure business practices that both protect and educate consumers."

Spurred by a pattern of complaints and an undercover investigation, DCA filed suit against Better Homes Depot in July 1999 charging that the company violated the New York City Consumer Protection Law and other related laws by misleading homebuyers throughout the purchasing process.

The alleged deceptive practices at this "one-stop shop" included:

- Promises of repairs and renovations performed below industry standards, or not at all.
- An inflated sale price justified by the promise that the homes would be free of defects.
- Steering consumers to attorneys paid for by the company without making it clear to consumers that they had the right to retain their own attorney.
- Failure to obtain required permits for the repairs.

Typically, Better Homes Depot purchased properties in foreclosure, commonly one and two family homes, and advertised "No Closing Costs" to generate interest. Once a contract was negotiated, Better Homes arranged financing through Madison Home Equities, a New York State mortgage bank authorized to deal with government insured loans through the U.S. Department of Housing and Urban Development/Federal Housing Administration (HUD/FHA).

In addition to paying restitution and fines, Better Homes Depot has agreed to:

- Disclose clearly - verbally and in writing - that all prospective homebuyers have the right to retain their own choice of attorney, real estate appraiser, and independent inspector.
- Conduct a "walk-through" with all prospective homebuyers prior to the closing date and create a 'punch list' of all remaining home improvement work, to be completed within seven business days after the closing date.
- Allow homebuyers to cancel their contracts within 72 hours of the closing date and receive a full refund of any down payment.



- Utilize only New York City licensed home improvement contractors and obtain all necessary building permits.
- Distribute the most recent edition of FHA/HUD's "Buying Your Home - Settlement Costs and Helpful Information" brochure, as well as the FHA/HUD "Homebuyer Bill of Rights" to all potential homebuyers prior to visiting a property.

Headquartered in Ozone Park, Queens, Better Homes Depot has a satellite office in the Bronx.

"In addition, it is absolutely imperative to check if a contractor is licensed, their complaint history and references, and to read DCA's 'Consumer Guide to Home Improvements' before committing to any contracts," urged Commissioner Dykstra.

The attorneys handling the case for DCA and the City were Susan Kassapian, General Counsel and Assistant Commissioner at DCA, Nicholas James Fengos, Assistant General Counsel at DCA, Nancy Brown, Assistant General Counsel at DCA, Gabriel Taussig, Chief of the New York City Law Department's Administrative Law Division, and Amy J. Weinblatt, Assistant Corporation Counsel, New York City Law Department.

DCA enforces the consumer protection laws and other related laws at thousands of businesses throughout New York City. Fostering a marketplace where consumers are protected and businesses can thrive, DCA licenses more than 60,000 businesses in 55 different categories in New York City. Through free community seminars, licensing forums, and other informational materials, DCA educates consumers and businesses alike about their rights and responsibilities.

To file a complaint or obtain more information, contact DCA at 3-1-1, the City's 24-hour citizen service hotline, or online at www.nyc.gov.