



## **New Home Improvement Contract Requirements Now in Effect**

Information from the California Contractors State License Board (CSLB)

New home improvement contract requirements went into effect January 1, 2006. The changes are designed to make contracts more informative to consumers, and easier for both the contractor and consumer to understand.

The new requirements create a contract document that notifies consumers of their rights and their contractor's responsibilities. Following are some of the most significant changes for home improvement contracts:

- The contract must include a list and description of all documents required to be incorporated into the document.
- The contract must specify whether or not the contractor is exempt from workers' compensation insurance requirements.
- Finance charges must be listed separately from the contract total and under a specific heading.
- The contract must specify the three-day and seven-day "right to cancel" begins when the buyer receives a copy of the written agreement.
- Requires statement that the contractor must provide Lien Release notices to the consumer on request after payment is made in the contract.
- "Agreed Consideration for the Work" is now called the "Contract Amount."

The same legislation also:

- Raises the down payment for swimming pool construction to \$1,000 or 10 percent of the contract amount, whichever is less — the same as for other home improvement contracts;
- Provides a new notice about general liability insurance that replaces the previous notice required under the old law; and
- Allows for development of a "Service and Repair Contract" for projects that are \$750 or less, when the buyer initiates contact. Under the guidelines, the consumer's right to cancel ends when work begins. (See article below.)

"CSLB worked closely with Assembly Member Alan Nakanishi and industry representatives in developing these new contract guidelines," said CSLB Registrar Steve Sands. "They will go a long way toward protecting consumers and contractors from disagreements and misunderstandings.

The CSLB has produced a new guide to the changes for contractors as well as a brochure for consumers. Both are available on the CSLB website at <http://www.cslb.ca.gov/laws/newlawsoverview.asp>.

### **New Service and Repair Contract Provisions Effective January 1**

Legislation now in effect has created a new contract for "emergency" home repair jobs and allows jobs to be started sooner because the right to rescind the contract expires when the work begins. Very specific rules must be followed when using a service and repair contract. If the contract and situation do not conform to all of the requirements, the contractor must use a standard home improvement contract for home improvement work.

The requirements include the following:

- The contract amount must be \$750 dollars or less;
- The prospective buyer (homeowner or tenant) must have initiated contact with the contractor to request the work;
- The contractor does not sell the buyer goods or services beyond what is reasonably necessary to take care of the particular problem for which the buyer contacted the contractor in the first place; and
- No payment is due, or accepted by the contractor, until the work is completed.

If all the requirements above are not met, the contract for home improvement projects covered in Section 7159 of the Business and Professions Code shall apply.