

CONTRACTORS STATE LICENSE BOARD

California Department of Consumer Affairs

Contracting for Success

A CONTRACTOR'S GUIDE TO
HOME IMPROVEMENT CONTRACTS





TABLE OF CONTENTS

| | |
|--|----|
| > Introduction | 1 |
| > Contracts –The Ground Rules | 2 |
| > Nuts and Bolts – Putting the Contract Together | 3 |
| > Description of Work to be Done | 5 |
| > Progress Payment Schedule Worksheet | 7 |
| > Sample Contract | 10 |
| > Notifications and Disclosure Statements | 11 |
| > Change Orders | 11 |
| > Three-Day Right to Cancel | 15 |
| > Seven-Day Right to Cancel | 17 |
| > Common Problems With Home Improvement Contracts | 19 |
| > Service and Repair Contracts | 20 |
| > Resources | 22 |



NOTE: This booklet contains legal guidelines for “home improvement” and “service and repair” contracts. It does not contain definitive statements of the law or a precise copy of a legal contract. If you have questions about the application of the law for specific situations, you should contact an attorney who is familiar with the construction business.

Dear Contractor,

A contract is one of the most important tools you have to help you have a successful business. A well written contract can help open the lines of communication between you and your client. A badly written contract can quickly lead to miscommunication and misunderstandings; problems that could land you in court or under investigation by the Contractors State License Board (CSLB).

Contracting for Success was written to help you understand the different elements that are required to be in all home improvement contracts. It also explains the state requirements for Service and Repair contracts. Please review this booklet closely and make sure your contracts follow California law. We also encourage you to use the other materials available to you for free on the CSLB website: www.cslb.ca.gov.

The CSLB hopes that by making this information available, we can help you strengthen your management and service skills. Please help us by doing your part to protect California consumers.

Sincerely,

CONTRACTORS STATE LICENSE BOARD

CONTRACTS – THE GROUND RULES

There are several basic elements that all Home Improvement Contracts must legally contain:

- > A home improvement contract and any changes to the contract must be in writing and signed by all parties. The writing must be legible and printed forms must be readable.
- > Before any work is started, the contractor must give the buyer a copy of the contract signed and dated by both the contractor and the buyer.
- > Unless a larger typeface is specified in the law (*Business and Professions Code 7159*), text in any printed form shall be in at least 10-point typeface and the headings shall be in at least 10-point boldface type. (Example of 10-point bold)
- > Except for a down payment, a contractor can't demand or accept payment for work or materials until the work is actually done or the materials are delivered. The down payment may not exceed \$1,000 or 10 percent of the contract amount, whichever is less.
- > If the contract includes a salesperson's commission in the contract price, the payment to the salesperson shall be made on a pro rata basis in proportion to the schedule of payments made to the contractor.
- > The contract must also contain the name and registration number of the salesperson.

[A] NUTS AND BOLT - PUTTING THE CONTRACT TOGETHER

Contracts can vary according to personal and business needs. California law (*Civil Code: 1689.7*) does require the following elements in all home improvement and swimming pool contracts. Service and Repair Contracts are different. (For details on those differences see page 20.)

[A.1] CONTRACTOR INFORMATION

The name, business address, and license number of the contractor. If applicable, the name and registration number of the home improvement salesperson that solicited or negotiated the contract.

Example:



1234 Address – Santa Sierra, CA 90000 – License # 12345 (Earthwork and Paving)

[A.2] IDENTIFY THE CONTRACT

Identify the type of contract in at least **10-point boldface type**: “Home Improvement”. (Also see “Service and Repair Contracts” on page 20.)

Example:

CONSTRUCTION CONTRACT (Home Improvement)

This Construction Contract entered into by and between EFG and...

[A.3] CONSUMER NOTIFICATION

Insert the following statement in at least **12-point boldface type**:

“You are entitled to a completely filled in copy of this agreement, signed by both you and the contractor, before any work may be started.”



[A] PUTTING THE CONTRACT TOGETHER *Continued*

[A.4] DESCRIBE WORK

“Description of the Project and Description of the Significant Materials to be Used and Equipment to be Installed”

This should be followed by a description of the project along with what materials will be used and what equipment will be installed. Swimming pools go further, requiring a plan and scale drawing showing the shape, size, dimensions, construction and equipment specifications. The more details that are included, the less chance there is for misunderstandings. (Get more details about putting together accurate work descriptions on the next page.)

Example:

Description of the Project and Description of the Significant Materials to be Used and Equipment to be Installed.

Contractor will furnish all labor, materials, equipment, supervision, and contract administration to complete in a good and workmanlike manner the following: Alterations to home of Owner, located at [address] (the “Project”), as described more fully in the drawings prepared by [design professional], Sheets 1-___, dated_____. By this reference, those drawings are incorporated in and made a part of this Contract. Contractor’s scope of work under this Contract does not include any of the following items:_____.

2. DESCRIPTION OF MATERIALS AND EQUIPMENT.

The materials and equipment to be used in the construction of the Project are described more fully in the specifications prepared by [designer name], dated _____. By this reference, those specifications are incorporated in and made part of this contract.





DESCRIPTION OF WORK TO BE DONE

(THE SIGN OF A WELL-BUILT CONTRACT)

The best way to avoid disputes over what is or isn't expected from a home improvement job is to write out the details in a contract.

The contract should be as specific as possible regarding all materials to be used, such as the quality, quantity, weight, color, size, or brand name as it may apply.

For example, the contract should say "Install oak kitchen cabinets, manufactured by Company XYZ, model 01381A, as per the plan," not just "Install kitchen cabinets."

| DESCRIBING THE JOB – THE GOOD, THE BAD AND THE UGLY | | |
|--|--|--------------------------|
| THE GOOD | THE BAD | THE UGLY |
| Install kitchen cabinets manufactured by Company XYZ, model ABC, per plan. | Install oak country style kitchen cabinets | Install kitchen cabinets |
| Paint indoor entry (per plan) using brand X paint, color ABC, two coats, with preparation described in next paragraph. | Prep and paint entryway with blue paint | Paint the entry |
| Install brand X kitchen faucet in style ABC and color BCS. | Kitchen faucet replaced if necessary | Replace kitchen fixtures |

Swimming pool contracts must include a plan and scale drawing showing the shape, size dimensions, and construction and equipment specifications.

Make sure the contract includes everything that is agreed to, up to and including complete cleanup and removal of debris and materials, and special requests, like saving lumber for firewood or saving certain materials or appliances. Also, note any work that will be done by the homeowner.

[A] PUTTING THE CONTRACT TOGETHER *Continued*

[A.5] THE PRICE

Use the heading: **“CONTRACT PRICE”** followed by the amount of the contract in dollars and cents. If a finance charge will be charged, the heading: **“FINANCE CHARGE”** followed by the amount in dollars and cents. The finance charge must be separate from the contract amount. (The contract amount must include the entire cost of the contract, including profit, labor, and materials, but excluding finance charges.)

Example:

THE CONTRACT PRICE

Owner shall pay Contractor the fixed sum of \$_____ (the “Contract Price”) for the work to be performed under this Contract, subject to additions and deductions pursuant to change orders agreed upon in writing by the parties, and subject to “allowances” as provided in this Paragraph 3.

The Contract Price can include specific dollar amounts that are set aside for certain materials, finishes, fixtures, and other items that have not been selected or decided upon by the Owner. These allowances from the Contractor include all overhead and profit, plus all applicable sales taxes. If the final cost of any item covered by the allowance is more or less than the dollar amount listed, the Contract Price will be increased or decreased by a written change order from the Contractor.

[A.6] DOWN PAYMENT

If a down payment is charged, the details of the down payment shall be stated in the following form:

- (A) The heading: **“DOWN PAYMENT”**
- (B) A space where the actual down payment appears.
- (C) The following statement in at least **12-point boldface type**:

“THE DOWN PAYMENT MAY NOT EXCEED \$1,000 OR 10 PERCENT OF THE CONTRACT PRICE, WHICHEVER IS LESS.”

[A.7] PROGRESS PAYMENTS

If any payments (other than the down payment) are required before the project is completed, the details must be spelled out in the following format:

- (A) A schedule of progress payments shall be preceded by the heading: **“SCHEDULE OF PROGRESS PAYMENTS.”**

PROGRESS PAYMENT SCHEDULE WORKSHEET

This worksheet is to help you determine the progress payment schedule you will use in your Home Improvement Contract.

The information should be transferred to the actual contract.

Note: *This worksheet should NOT be included with the contract.*

| | | | | |
|----|--|---|----|--|
| 1. | Total Contract Price | | \$ | _____ |
| 2. | Down Payment (10 percent or \$1,000, whichever is less) | - | \$ | _____ |
| 3. | Amount Remaining to be Billed to Customer (Subtract Line #2 from Line #1 above) | = | \$ | <input style="width: 100px; height: 40px;" type="text"/> |

Remember: *Except for the original down payment (Line #2 above), it is against the law for you to get paid before you do the work, or for materials before they have been delivered.*

In the left column below list the work or services that you will perform for a particular phase of the project. In the right column show the amount of money the customer should pay you when that portion of the project is complete.

| | Work or Service Performed | | Amount Due on Completion |
|-----|--|---|---|
| 4. | _____ | | \$ _____ |
| 5. | _____ | + | \$ _____ |
| 6. | _____ | + | \$ _____ |
| 7. | _____ | + | \$ _____ |
| 8. | _____ | + | \$ _____ |
| 9. | _____ | + | \$ _____ |
| 10. | _____ | + | \$ _____ |
| 11. | Amount of Progress Payments (This should equal the figure in Line #3 above) | = | \$ <input style="width: 100px; height: 40px;" type="text"/> |

(B) Each progress payment shall be stated in dollars and cents and specifically reference the amount of work or services to be performed and any materials and equipment to be supplied.

(C) The section of the contract reserved for the progress payments shall include the following statement in at least **12-point boldface type**

"The schedule of progress payments must specifically describe each phase of work, including the type and amount of work or services scheduled to be supplied in each phase, along with the amount of each proposed progress payment. IT IS AGAINST THE LAW FOR A CONTRACTOR TO COLLECT PAYMENT FOR WORK NOT YET COMPLETED, OR FOR MATERIALS NOT YET DELIVERED. HOWEVER, A CONTRACTOR MAY REQUIRE A DOWN PAYMENT." (12-point bold)

[A.8] THE WORK TIME FRAME

The contract should describe the work schedule in the following form:

- A statement that describes what the “start of work” consists of, a heading of **"APPROXIMATE START DATE"** and the approximate date when the work will start.
- Under the heading: **"APPROXIMATE COMPLETION DATE"**, put in approximate date of completion.

Example:

START AND COMPLETION OF WORK

The work to be performed under this Contract shall be commenced on approximately [date], as long as any required building permits are received and any agreed upon funds are paid to Contractor. The Project shall be completed by approximately [date], subject to permissible delays as defined in this contract.

[A.9] CONSUMER NOTICES

"LIST OF DOCUMENTS TO BE INCORPORATED INTO THE CONTRACT"

Use this statement followed by the list of papers if additional documents need to be added into the contract.

[A] PUTTING THE CONTRACT TOGETHER *Continued*

[A.9] CONSUMER NOTICES *Continued*

Insert: “Note about Extra Work and Change Orders”
followed by the following statement:

“Extra Work and Change Orders become part of the contract once the order is prepared in writing and signed by the parties prior to the commencement of any work covered by the new change order. The order must describe the scope of the extra work or change, the cost to be added or subtracted from the contract, and the effect the order will have on the schedule of progress payments.”

ADDITIONAL CONSUMER NOTICES

All of the following notices must be provided to consumers in the contract or, in some cases they can be added as an attachment if the law allows.

- > *Commercial General Liability Insurance*
- > *Workers’ Compensation Insurance*
- > *Performance of Extra or Change-order Work Notice*
- > *Mechanics’ Lien Warning*
- > *Contractors Board Notice*

CANCELLATION NOTICE

More information about these notices and how they should be presented is outlined in pages 15-18.

[A.10] THE BOTTOM LINE

Places for signatures of contractor, salespersons and representatives, consumers, along with today’s date.

EFG CONSTRUCTION, INC.

PROPERTY OWNER

DATED: _____

DATED: _____

By: _____

Arnold W. Mason, President or Salesperson

Owner’s Name

Registration#

NOTE: You can get sample contracts from trade associations, off the Web, and through other legal publications. It is always advisable to have an attorney or legal expert check out your contracts to make sure they are accurate and up-to-date. There have been a number of recent changes in contract law that could affect the validity of older forms.



1234 Address – Santa Sierra, CA 90000 – License # 12345 (Earthwork and Paving)

CONSTRUCTION CONTRACT (Home Improvement)

This Construction Contract ("Contract") is entered into by and between EFG Construction, Inc. ("Contractor") and _____ ("Owner"), whose residence address is _____, and whose project address is _____.

"You are entitled to a completely filled in copy of this agreement, signed by both you and the contractor, before any work may be started."

1. DESCRIPTION OF WORK.
2. DESCRIPTION OF MATERIALS AND EQUIPMENT.
3. THE CONTRACT PRICE. Gue elis eu feum ing elis nim vulluptat
4. PAYMENT SCHEDULE. El et eu feugait utatetum dolore consequat. Ut ulla consed dolor inciduisim aut iustisseniam nonum zzrilit vel ute magnissi exeraes tisis: \$_____ upon signing this Contract;
5. START AND COMPLETION OF WORK. Put wissequis doloborem nosto consequat
6. PERMITS AND TESTS. Vulputat praestie velenibh euissim volorpe rcilit ver irillum volor
8. PERMISSIBLE DELAYS. Facinci liquisl essim dolorpe raesse faciduisi
9. EXTRA WORK. Exerat nonse ero commy numsandre molor accum et am do cor
10. RELEASE OF MECHANICS' LIENS. Sum quipit veros ent in ullam, consequam veril
11. ATTORNEY'S FEES. quis dolore dolobore feugiat incil init alit iliquam consed moluptat ipit erat, quat, core tis enisisi smolobore mincilis at la commy nim dit lut.
12. CONTRACTORS REQUIRED TO BE LICENSED. Irit acidunt eugait acilis accum dui tion
13. COMPLETE AGREEMENT. Ure tis nullamet, commy niscidunt praestie veniat
14. OWNER'S RIGHT OF CANCELLATION. Ut ulla consed dolor inciduisim aut iustisseniam nonum zzrilit vel ute magnissi exeraes tisis ad tet, sim quis duipis acipit nit accum velit augiat

EFG CONSTRUCTION, INC.

PROPERTY OWNER

DATED: _____

DATED: _____

By: _____

Arnold W. Mason, President or Salesperson

Owner's Name

Registration#

[B] NOTIFICATION AND DISCLOSURE STATEMENTS

Home improvement and swimming pool contracts in California are required to have a number of notices for consumers. Some of these notices must be in the main body of the contract and others may be attached as a separate piece of paper.

Service and Repair contracts are slightly different. See page 20 for details about notifications in Service and Repair contracts.

The following is a list of notifications and how they should be presented.

[B.1] EXTRA WORK AND CHANGE ORDERS

On the contract insert the heading: **“NOTE ABOUT EXTRA WORK AND CHANGE ORDERS,”** followed by the following statement:

“Extra Work and Change Orders become part of the contract once the order is prepared in writing and signed by the parties prior to the commencement of any work covered by the new change order. The order must describe the scope of the extra work or change, the cost to be added or subtracted from the contract, and the effect the order will have on the schedule of progress payments.”



CHANGE ORDERS

Disputes frequently arise over “changes” or “extras”. First of all, in order to determine if something is extra or outside the scope of the original agreement, contractors must see what the original contract says. If the original agreement is well defined, it will be easier to determine if something is extra.

Change orders are required to perform extra or changed work. Change order forms become a part of the contract once the contractor and the homeowner sign them. The order must describe the scope of the extra work or change, the cost to be added or subtracted from the contract, and the effect the order will have on the schedule of progress payments. Change orders can also be written for the removal of items from the original agreement. All change orders must be in writing.

[B.2] COMMERCIAL GENERAL LIABILITY INSURANCE

This notice may be provided as an attachment to the contract if the contract includes the following statement: “A notice concerning commercial general liability insurance is attached to this contract.”

The notice shall include the heading: **“COMMERCIAL GENERAL LIABILITY INSURANCE (CGL)”** followed by whichever of the following statements is correct:

- (A) “(The name on the license or ‘This contractor’) does not carry commercial general liability insurance.”
 - (B) “(The name on the license or ‘This contractor’) carries commercial general liability insurance written by (the insurance company). You may call the (insurance company) at _____ to check the contractor’s insurance coverage.”
 - (C) “(The name on the license or ‘This contractor’) is self-insured.”
-

[B.3] WORKERS’ COMPENSATION INSURANCE.

This notice may be provided as an attachment to the contract if the contract includes the statement: **“A NOTICE CONCERNING WORKERS’ COMPENSATION INSURANCE IS ATTACHED TO THIS CONTRACT.”**

The notice shall include the heading: **“WORKERS’ COMPENSATION INSURANCE”** followed by whichever of the following statements is correct:

- (A) “(The name on the license or ‘This contractor’) has no employees and is exempt from workers’ compensation requirements.”
 - (B) “(The name on the license or ‘This contractor’) carries workers’ compensation insurance for all employees.”
-

[B.4] PERFORMANCE OF EXTRA OR CHANGE-ORDER WORK NOTICE

- (A) A statement telling the buyer that a contractor is not required to perform additional work or changes without written approval in a “Change Order” before any of the new work is started.
 - (B) A statement informing the buyer that extra work or a change order is not enforceable against a buyer unless the change order also identifies all of the following in writing prior to the commencement of any work covered by the new change order:
 - (i) The scope of work encompassed by the order.
 - (ii) The amount to be added or subtracted from the contract.
 - (iii) The effect the order will make in the progress payments or the completion date.
-

[B] NOTIFICATION AND DISCLOSURE STATEMENTS *Continued*

[B.4] PERFORMANCE OF EXTRA OR CHANGE-ORDER WORK NOTICE *Continued*

(C) A statement informing the buyer that the contractor's failure to comply with the requirements of this paragraph does not preclude the recovery of compensation for work performed based upon legal or equitable remedies designed to prevent unjust enrichment.

[B.5] MECHANICS' LIEN WARNING

All contracts must contain the following statement and heading:

"MECHANICS LIEN WARNING:"

"Anyone who helps improve your property, but who is not paid, may record what is called a mechanics' lien on your property. A mechanics' lien is a claim, like a mortgage or home equity loan, made against your property and recorded with the county recorder.

Even if you pay your contractor in full, unpaid subcontractors, suppliers, and laborers who helped to improve your property may record mechanics' liens and sue you in court to foreclose the lien. If a court finds the lien is valid, you could be forced to pay twice or have a court officer sell your home to pay the lien. Liens can also affect your credit.

To preserve their right to record a lien, each subcontractor and material supplier must provide you with a document called a '20-day Preliminary Notice.' This notice is not a lien. The purpose of the notice is to let you know that the person who sends you the notice has the right to record a lien on your property if he or she is not paid.

BE CAREFUL. The Preliminary Notice can be sent up to 20 days after the subcontractor starts work or the supplier provides material. This can be a big problem if you pay your contractor before you have received the Preliminary Notices. You will not get Preliminary Notices from your prime contractor or from laborers who work on your project. The law assumes that you already know they are improving your property.

PROTECT YOURSELF FROM LIENS. You can protect yourself from liens by getting a list from your contractor of all the

subcontractors and material suppliers that work on your project. Find out from your contractor when these subcontractors started work and when these suppliers delivered goods or materials. Then wait 20 days, paying attention to the Preliminary Notices you receive.

PAY WITH JOINT CHECKS. One way to protect yourself is to pay with a joint check. When your contractor tells you it is time to pay for the work of a subcontractor or supplier who has provided you with a Preliminary Notice, write a joint check payable to both the contractor and the subcontractor or material supplier.

For other ways to prevent liens, visit CSLB’s website at www.cslb.ca.gov or call CSLB at 1-800-321-CSLB (2752).

Remember, if you do nothing, you risk having a lien placed on your home. This can mean that you may have to pay twice, or face the forced sale of your home to pay what you owe.”

[B.6] CONTRACTORS BOARD NOTICE

The following notice shall be included in at least 12-point typeface under the heading:

**“INFORMATION ABOUT THE CONTRACTORS
STATE LICENSE BOARD (CSLB)”**

“CSLB is the state consumer protection agency that licenses and regulates construction contractors. Contact CSLB for information about the licensed contractor you are considering, including information about disclosable complaints, disciplinary actions and civil judgments that are reported to CSLB. Use only licensed contractors. If you file a complaint against a licensed contractor within the legal deadline (usually four years), CSLB has authority to investigate the complaint. If you use an unlicensed contractor, CSLB may not be able to help you resolve your complaint. Your only remedy may be in civil court, and you may be liable for damages arising out of any injuries to the unlicensed contractor or the unlicensed contractor’s employees.

For more information:

VISIT CSLB’s website at www.cslb.ca.gov

CALL CSLB at 1-800-321-CSLB (2752)

WRITE CSLB at P.O. Box 26000, Sacramento, CA 95826”

[B.7] “THREE-DAY RIGHT TO CANCEL

A “Three-Day Right to Cancel,” notice must be provided to the buyer unless the contract is: negotiated at the contractor’s place of business, subject to the “Seven-Day Right to Cancel,” or subject to licensure under the Alarm Company Act, or is a Service and Repair Contract. This notice should be in **12-point boldface type**. There should be a place near the notice for the consumers signature. It should be written in the same language (e.g., Spanish) that was used in any oral sales presentation.



“THREE-DAY” RIGHT TO CANCEL

“You, the buyer, have the right to cancel this contract within three business days. You may cancel by e-mailing, mailing, faxing, or delivering a written notice to the contractor at the contractor’s place of business by midnight of the third business day after you received a signed and dated copy of the contract that includes this notice. Include your name, your address, and the date you received the signed copy of the contract and this notice.

If you cancel, the contractor must return to you anything you paid within 10 days of receiving the notice of cancellation. For your part, you must make available to the contractor at your residence, in substantially as good condition as you received it, any goods delivered to you under this contract or sale. Or, you may, if you wish, comply with the contractor’s instructions on how to return the goods at the contractor’s expense and risk. If you do make the goods available to the contractor and the contractor does not pick them up within 20 days of the date of your notice of cancellation, you may keep them without any further obligation. If you fail to make the goods available to the contractor, or if you agree to return the goods to the contractor and fail to do so, then you remain liable for performance of all obligations under the contract.”

The notice may be attached to the contract if the contract includes, in at least **12-point boldface type**, a check box with the following statement:

- “The law requires that the contractor give you a notice explaining your right to cancel. Initial the check box if the contractor has given you a ‘Notice of the Three-Day Right to Cancel.’”**

The notice shall be accompanied by a completed form in duplicate, captioned “Notice of Cancellation,” which shall also be attached to the agreement or offer to purchase and be easily detachable, and which shall contain the following statement written in the same language, e.g., Spanish, as used in the contract on the next page.

NOTICE OF RIGHT TO CANCEL

Notice of Cancellation

(Enter date of transaction)

You may cancel this transaction, without any penalty or obligation, within three business days from the above date.

If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within 10 days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence, in substantially as good condition as when received, any goods delivered to you under this contract or sale, or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

If you fail to make the goods available to the seller, or if you agree to return the goods to the seller and fail to do so, then you remain liable for performance of all obligations under the contract.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice, or any other written notice, or send a telegram to:

(Name of seller)

at _____
(Address of seller's place of business)

not later than midnight of _____
(Date)

I hereby cancel this transaction _____
(Date)

(Buyer's signature)

[B.8] “SEVEN-DAY RIGHT TO CANCEL”

This notice is to be provided to the buyer for any contract that is written for the repair or restoration of residential premises damaged by any sudden or catastrophic event for which a state of emergency has been declared by the President of the United States or the Governor, or for which a local emergency has been declared by the executive officer or governing body of any city, county, or city and county:



“SEVEN-DAY RIGHT TO CANCEL

You, the buyer, have the right to cancel this contract within seven business days. You may cancel by e-mailing, mailing, faxing, or delivering a written notice to the contractor at the contractor’s place of business by midnight of the seventh business day after you received a signed and dated copy of the contract that includes this notice. Include your name, your address, and the date you received the signed copy of the contract and this notice.

If you cancel, the contractor must return to you anything you paid within 10 days of receiving the notice of cancellation. For your part, you must make available to the contractor at your residence, in substantially as good condition as you received it, any goods delivered to you under this contract or sale. Or, you may, if you wish, comply with the contractor’s instructions on how to return the goods at the contractor’s expense and risk. If you do make the goods available to the contractor and the contractor does not pick them up within 20 days of the date of your notice of cancellation, you may keep them without any further obligation. If you fail to make the goods available to the contractor, or if you agree to return the goods to the contractor and fail to do so, then you remain liable for performance of all obligations under the contract.”

The “Seven-Day Right to Cancel” notice must have text that is at least **12-point boldface type**, in immediate area next to consumer’s signature, is in the same language, that was used in sales presentation.

The notice may be attached to the contract if the contract includes, in at least **12-point boldface type**, a check box with the following statement:

- “The law requires that the contractor give you a notice explaining your right to cancel. Initial the check box if the contractor has given you a ‘Notice of the Seven-Day Right to Cancel.’”**

The notice shall be accompanied by a completed form in duplicate, captioned “Notice of Cancellation,” which shall also be attached to the agreement or offer to purchase and be easily detachable, and which shall contain the following statement written in the same language, e.g., Spanish, as used in the contract on the next page.

NOTICE OF RIGHT TO CANCEL

Notice of Cancellation

(Enter date of transaction)

You may cancel this transaction, without any penalty or obligation, within seven business days from the above date.

If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within 10 days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence, in substantially as good condition as when received, any goods delivered to you under this contract or sale, or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation. If you fail to make the goods available to the seller, or if you agree to return the goods to the seller and fail to do so, then you remain liable for performance of all obligations under the contract.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice, or any other written notice, or send a telegram

to _____,
(Name of seller)

at _____ not later than midnight of _____.
(Address of seller's place of business) (Date)

I hereby cancel this transaction. _____
(Buyer's signature) (Date)

More information about notifications and contracts is available in section 7159 and 7159.5 of the business and professions code.



NATURAL DISASTERS

Any person who schemes to defraud an owner or tenant of a by offering repairs to damage caused by a natural disaster, can be ordered to make full restitution to the victim (*Section 1203.1b of the Penal Code*) Plus they can face jail time and fines ranging from \$500 to more than \$25,000 This law applies to natural disasters where a state of emergency is proclaimed by the Governor or President of the United States.

COMMON PROBLEMS WITH HOME IMPROVEMENT CONTRACTS



1. Notice regarding CSLB Registrar's address is missing
2. Excessive down payment requested or received
3. Equipment to be used or installed is not detailed, and materials to be used not described specifically enough
4. Notice to owner regarding liens is not included
5. Job to be completed is not clearly stated and described
6. "Right to Cancel" notice missing
7. Bid not figured out carefully and/or completely
8. Change Orders are not included
9. Old notices used with old addresses and noncompliant language
10. Start and Finish dates are not included
11. Home Improvement Salesperson's Registration Number is missing
12. Failure to get required building permits
13. No Payment Schedule



[C] SERVICE AND REPAIR CONTRACTS

Service and Repair Contracts are limited and apply only when all four of the following criteria below are met:

1. The contract amount is seven hundred fifty dollars (\$750) or less;
2. The buyer must have initiated contact with the contractor to request the work;
3. The contractor does not sell the buyer goods or services beyond those reasonably necessary to take care of the particular problem that caused the buyer to contact the contractor; and
4. No payment is due until the work is completed

Any residential remodeling contract that does not fit within all four of the above mentioned items must be written as a Home Improvement or Swimming Pool Contract.

One significant difference between Service and Repair Contracts and others is the Three-Day cancellation notice. Before January 1, 2006, when a consumer wanted immediate/emergency services he/she needed to sign a waiver of the Three-Day cancellation notice.

When a contract falls within the Service and Repair parameters, then the right to cancel ends when contractor provides a fully signed contract complying with the law, and starts work.

[C] SERVICE AND REPAIR CONTRACTS *Continued*

[C.1] THE FINE PRINT

Service and Repair Contracts have many of the same elements as the standard Home Improvement Contracts. Some of the differences are listed below. (*Business and Professions Code 7159.10*)

[C.1a] REPLACEMENT PARTS

The heading: **“The law requires that the contractor offer the consumer any parts that were replaced during the service call. If they do not want the parts, they initial the check box labeled ‘OK for contractor to take replaced parts.’”**

[C.1b] SERVICE CHARGES

If a service charge is charged, the heading **“AMOUNT OF SERVICE CHARGE”** followed by the service charge, and the statement

“You may be charged only one service charge, including any trip charge or inspection fee”.

[C.1c] RIGHT TO CANCEL

The contractor lets the consumer know that the right to cancel, expires when the contract is signed and work starts. The contract, or an attachment to the contract must include, in immediate proximity to the space reserved for the buyer’s signature, the following statement, in a size equal at least to 12-point boldface type (**12-point bold**), which shall be dated and signed by the buyer:

“YOUR RIGHTS TO CANCEL BEFORE WORK BEGINS

(A) You, the buyer, have the right to cancel this contract until:

- 1. You receive a copy of this contract signed and dated by you and the contractor; and**
- 2. The contractor starts work.**

Alarm company operators fall under different rules. See *Civil Code Chapter 11.6 (commencing with Section 7590)*, provided the person complies with Sections 1689.5, 1689.6, and 1689.7 of the Civil Code, as applicable.

[D] RESOURCES

[D.1] CSLB WEBSITE

The CSLB website, www.cslb.ca.gov, provides a wealth of information and services, including:

- The status of a contractor's license
- The status of a license application
- Licensing and exam information
- How to file a complaint
- Information for disaster victims
- Forms and applications for contractors and consumers
- CSLB office locations
- CSLB publications and pamphlets
- *"California Contractors License Law and Reference Book"*
- New topics, new laws, pending legislation

Also, search engines available online are an excellent resource for construction related information, including online bookstores for contractors.

[D.2] CSLB HEADQUARTERS CONTACT INFORMATION

Mailing Address:

P.O. Box 26000,
Sacramento CA 95826-0026

Street Address:

9821 Business Park Drive,
Sacramento CA 95827-1703

Licensing Fax:

(916) 366-9130

[D.3] TRADE ASSOCIATIONS

Printed standard forms of agreements used in the industry are available from Contractor associations (i.e., *Associated General Contractors*), Associations for specialized trades (i.e., *California Landscape Contractors Association*); and Builders' Exchanges.

[D] RESOURCES *Continued*

[D.4] STATIONERY & BOOK STORES

Printed standard forms are also available from various stationery and contractors' book stores. When purchasing or obtaining a standard form, you should carefully check it to make sure it contains all the current legal requirements.

[D.5] LEGAL ASSISTANCE

A continuing relationship with an attorney familiar with the construction business is helpful. It is a good idea to have an attorney check arrangements for individual jobs which might not quite fit a standard form.

The CSLB cannot and does not give legal advice as to how the courts or an arbitrator would regard a specific matter. CSLB staff can only provide information about how the CSLB interprets the law for its own purposes. For example, the CSLB staff can give an interpretation on whether a particular action by a contractor would constitute a violation that might lead to action by the CSLB. Any other questions should be researched through other sources.

[D.6] AUTOMATED PHONE RESPONSE SYSTEM (APRS)

The Automated Phone Response System (APRS) is an automated, toll-free number, 1-800-321-CSLB (2752), for obtaining information, forms, publications and other valuable assistance pertaining to contracting and the Contractors State License Board.



www.cslb.ca.gov





CONTRACTORS STATE LICENSE BOARD

P.O. Box 26000
Sacramento, CA 95826-0026
1-800-321-CSLB (2752)
www.cslb.ca.gov