



CONSUMER EDUCATION SERIES

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Nailing Down Home Improvement Contracts

Just as blueprints are required for construction, a legal and fair written contract must be nailed down for all home improvement projects of \$500 or more in combined labor and material costs. The [Contractors State License Board](http://www.cslb.ca.gov) (CSLB) recommends listing all expectations and agreements in the contract you sign with your licensed contractor, and actively following your construction project. Every step in the process is important, and clear communication could make the difference between a disaster and a dream.

What a Contract Should Include:

- ✓ Text that you can easily read (at least a 10-point typeface)
- ✓ A complete listing of contractor contact information and the contractor's license number
- ✓ Homeowner contact information
- ✓ Who will be responsible for obtaining local building permits and associated fees (contractors generally pull the permits)
- ✓ Warranties from the contractor for labor and materials, specifying which part of the work is covered and the length of the warranty; and manufacturer warranties, if applicable
- ✓ [Home improvement salesperson](#) name and registration number if the contract is being presented by the contractor's representative
- ✓ Detailed costs that include the agreed-upon down payment amount (The legal down payment is \$1,000 or 10% of the contract price, whichever is *less* – unless the contractors has a blanket performance and payment bond on file with CSLB.) and a detailed payment schedule

(It is important that you don't pay for work prior to completion. For example, if you are remodeling your kitchen, pay for the portion of work that is being completed first. If the contractor is installing cabinets and then countertops, pay for the cabinets first. After the cabinets are completed to your satisfaction, pay for the countertops. These construction phases and the costs involved should be spelled out in your contract so there are no surprises.)
- ✓ Realistic timelines to complete the job that include adjustment for unforeseeable delays
- ✓ Descriptions of work and materials that detail specifics such as quality, quantity, weight, color, size/dimensions, and brand name (For example: "Install 12 cherry kitchen cabinets manufactured by Company XYZ; model ABC; color; hardware brand, style #, color, etc.")
- ✓ Responsibility for debris removal and special requests by the homeowner, such as saving lumber for firewood or saving certain materials or appliances
- ✓ Documentation of homeowner labor, if the homeowner will be working on the project

Legal Information and Notices Required in a Contract:

1. Workers' compensation insurance or Certificate of Self-Insurance is required if a contractor has employees. **C-39 Roofing contractors must carry WC insurance even if they do not have employees.** Ask to see the policy.
2. Performance of "Extra Work" or "Change Order Work Notice" documents are required for **any** changes to the original contract, and need to be signed by all parties.
3. Information about the Preliminary Notice that provides information about mechanics liens, which are claims made against the property and recorded with the county, need to be in the contract. You can avoid mechanics liens by paying with a joint check written to both the contractor and the subcontractor or material supplier to make sure all people and businesses are paid.
4. A Contractors State License Board Notice must be included that explains the Board's role if there is a dispute.
5. A Three-Day Right to Cancel Notice must be provided *unless* the contract is:
 - Negotiated at the contractor's place of business,
 - Subject to the "Seven-Day Right to Cancel (disaster situations),"
 - Subject to licensure under the Alarm Company Act (applies if your contract involves alarm company operators and alarm agents), or
 - A service and repair contract. (These are contracts of \$750 or less for work that is needed immediately, such as for plumbing or air-conditioning system repairs.)

To cancel a contract within the three-day right to cancel guidelines, the homeowner can email, mail, fax, or deliver 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. In the written cancellation, include your name, address, and the date you received the signed copy of the contract and the notice.

Note: Commercial general liability insurance is recommended but not required. Find out if your homeowner policy will cover liability and damages if the contractor is not covered.

A detailed home improvement contract will protect both you and the contractor. You can find CSLB's publications and resources at www.cslb.ca.gov, CheckTheLicenseFirst.com, or by calling (800) 321-CSLB (2752).

