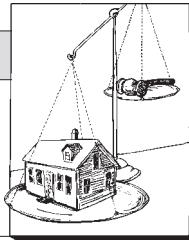


Home Improvement Laws and You

by Leny K. Wallen-Friedman



In the past few years, a number of states have adopted laws specifically governing agreements between contractors and homeowners. These Home Improvement Acts generally require that all contracts be in writing and contain certain specific provisions and information. Failure to include these items in a contract can put you at risk of losing your entire payment over what may seem like a technicality.

Even if you live in a state without a Home Improvement Act (HIA), you may run these same risks if your contracts don't include certain information. If the parties, work, and compensation aren't clearly specified, both client and contractor are put unnecessarily at risk if disagreements arise. For that reason it pays to review the provisions required by HIAs, since they can be applied to construction contracts in general.

The Basics

Home Improvement Acts typically require the contract to contain the following:

- The name and address of the contractor.
- The date the contract is executed by the parties.
- The entire agreement between client and contractor. This would include, but not be limited to, a description of the work to be performed, the fee or other compensation agreed upon, the materials to be used, and the address of the residence.
- The approximate starting and completion dates.
- A clause giving the client the

right to cancel (usually within three days of signing the agreement).

In addition, the contract must be signed by both owner and contractor.

Depending on the state, other provisions may include:

- A notice that failure to pay the contractor may give the contractor a claim that can be enforced in accordance with the applicable lien laws.
- Notice to the owner that the contract can contain no blanks and should not be signed if any exist.
- Notice that the contractor must be licensed.
- A statement of contingencies that would materially change the completion date.
- A provision that no changes can be made unless a written agreement is signed by owner and contractor.

Some states also have explicit provisions for contracts that provide for installment payments.

Exemptions

Depending on the state, some contracts between homeowners and contractors may be exempt from the HIA. Some states provide that if you earn less than \$1,000 per year from home improvement work, you are exempt. Some also exempt contracts where the fees for labor and materials are less than a certain amount, generally somewhere between \$150 and \$500. Keep in mind that even if such provisions exempt you from

your state's HIA, other state laws may still require a written contract of some sort.

Failure to Comply

Most states with HIAs provide penalties for contractors who fail to use written contracts. Penalties may include fines from \$100 to \$5,000; revocation or suspension of your license; or imprisonment. While the more severe penalties are likely to be reserved for cases of fraud, the best way to protect yourself is to always use a written contract.

The state is not the only thing to fear if you don't use an HIA-approved contract; failure to comply can mean not getting paid for the work. For example, in one case, the court held that the contractor could not collect for work done because the contract did not include the name of the contractor, the starting and completion dates, or a notice of the owner's right to cancel the contract. In another case, the court held that the contractor could not collect over \$200,000 owed him because there was no written agreement — even though the contractor fully performed the services requested.

Summary

The price of not complying with a Home Improvement Act or other contract laws can be extreme. While not every state has such an act, those that exist are very detailed and noncompliance can lead to harsh results. In other states, working without a contract still carries risks. Your best bet is to find out if your state has a specific statute and if it does, what it requires. When in doubt, put it in writing, and make it detailed. ■

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