



*The Maryland Minority Contractors
Association, Inc.*

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House Bill 1290: Consumer Protection - Home Improvement Contractors - Home Improvement Contracts

The Maryland Minority Contractors Association, Inc. (“MMCA”) requests a **favorable** report on House Bill 1290: Consumer Protection - Home Improvement Contractors - Home Improvement Contracts (HB 1290).

The Maryland Minority Contractors Association (MMCA) is a non-profit corporation, composed of minority and women business groups and individuals within the State of Maryland. MMCA’s mission is to provide professional assistance to MBEs and WBEs with respect to the development of their businesses, including, but not limited to, taking an active role in the review of legislation and programs that affect their well-being.

MMCA supports House Bill 1290: Consumer Protection - Home Improvement Contractors - Home Improvement Contracts (HB 1290). A home improvement contractor’s continued financial health throughout a home improvement project, especially in terms of his/her business’ liquidity, is a basic requirement for successful project completion. Late or non-payments by consumers under Maryland’s current partial payment structure for home improvement contracts jeopardize a contractor’s financial health. Throughout a project, home improvement contractors must maintain solvency, pay creditors, and meet payroll. For minority-owned businesses, these problems are sometimes compounded as discrimination in the credit market against minority-owned and women-owned small businesses still exists. From MMCA’s perspective, minority home improvement contractors go out of business not because they run out of work, but because they run out of money.

Cash flow planning for a home improvement contractor is the charting of cash movement into the production process, then into accounts receivable, and back into cash. By compressing this cycle into the shortest period possible, a company can create more leverage for every dollar of working capital in the company. HB 1290 does just that. With the safeguard of an irrevocable line of credit to the Maryland Attorney General’s Office Consumer Protection Division, home improvement contractors can accept full payment at the outset of a contract. For those minority-owned and women-owned contractors who have established the resources to post the irrevocable line of credit, HB 1290 will reduce the number of unpaid balances and thus improves their cash flow and compete with other established home improvement contractors in the industry.

For the reasons stated above, MMCA asks for a favorable report on HB 1290.