



The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

Testimony in Support

of

HB 408 - Business Regulation – Home Improvement Contracts – Payments

Over the interim, I personally experienced some of the challenges that consumers can face when working with home improvement contractors. The interaction prompted me to reexamine an issue that is familiar to the committee, thanks to our colleague, Delegate Adams: payment for performance of home improvement contracts.

As many of you know, under current law, a home improvement contractor may not receive a deposit of more than one-third of the home improvement contract price before or at the time of execution of the contract. The law does not place a limitation on the timing or amount of payments due after an initial deposit.

The Attorney General's Office confirmed in a July 15, 2020 letter that "*a contractor may not demand any payment prior to the signing of the contract, Business Regulation § 8-617(a), and that they may not receive a deposit greater than 33% of the contract price at the time of execution of the home improvement contract, BR § 8-617(b). Nothing in the language of either provision purports to regulate the schedule of payments once the contract has been executed. Nor is there anything in the language that would provide a standard for when payments could be required.*"

In my case, this meant that the contractor could lawfully require me to tender one-third of the payment immediately after we signed the contract and the remaining two-thirds five days later.

House Bill 408 changes the law to instead authorize a home improvement contractor to receive a deposit of up to one-half (instead of one-third) of a home improvement contract price after the contract has been signed. A contractor would not be allowed to collect the remaining amount of the contract price until completion of the work.

I believe that this legislation better balances the needs of home improvement contractors and consumers. Notably, there is a letter of support in your file from the Consumer Protection Division of the Office of the Attorney General.

I request a favorable report on HB 408.