

HOME IMPROVEMENT FACT SHEET

State law regulates the sale of home improvement goods and services and applies to most types of improvements costing more than \$500 purchased by homeowners, co-ops owners and tenants. Some important provision of the law are summarized below:

Progress Payments: Any schedule of progress agreed to in the contract must bear a "reasonable relationship" to the work done, materials purchased or other project-related costs.

Escrow Accounts: Any contract payments received by a contractor from a customer prior to substantial completion of the job must be put into a trust (escrow) account in a bank located in New York State within five business days and the customer must be informed where the money is being held within ten business days. The contractor can withdraw the deposit only in the following circumstances:

- Under the terms of the payment schedule agreed on by the contractor and the customers;
- Upon substantial completion of the job; or
- If the customer violates the contract, but only to the extent that the amount covers the contractor's reasonable costs.

Alternative Surety Bond: As an alternative to the escrow account, the contractor must deliver to the customer a "bond" or "contract of indemnity," guaranteeing that the customer's money will be properly used or returned. The bond must be delivered within ten business days after the contractor receives the customer's money.

Other Contract Requirements: Home improvement contracts must be in writing, legible and in plain English. A copy must be given to the customer before any work is done. The contract must contain:

- The contractor's name, address and telephone number;
- The approximate start and completion dates, including any contingencies which would change the completion date;
- A specific description of the work and materials, including brands, model numbers and other identifying information, along with the price;
- A consumer notice that reads as follows:

The customer has an unconditional right to cancel the contract until midnight of the third business day after the contract was signed. Cancellation must be done in writing.

The contractor is legally required to deposit all progress payments received prior to completion in an escrow account or post a bond to protect these payments.

If the contractor or subcontractor who does the work is not paid, he may have a claim against the customer's property under the Lien Law.

Penalties Against Contractors: A customer may sue for actual damages, plus a \$500 penalty and reasonable attorneys' fees if the contractor has used fraudulent written statements to get the customer to sign the contract. The Attorney General is also authorized to go to court to stop illegal practices and order contractors to compensate defrauded customers. Contractors can also face \$100 civil fines for violating the Home Improvement Contract Law, and fines from \$250 to \$2,500 for violating provisions of the law dealing with the protection of a customer's payments.

Local Licensing Laws: A contractor must also continue to comply with any local licensing laws. For further details, refer to Article 36-A of the General Business Law and Section 71-a(4) of the Lien Law.