



ASSEMBLYMEMBER TIM GRAYSON

2993

Consumer Protections in Home Improvement Lending

Summary:

AB 2993 establishes consumer protections in the home improvement lending industry.

Background:

Existing law licenses home improvement contractors and establishes special consumer protections for the solicitation of contracts and related financing sold through so-called “home solicitation contracts” negotiated through door-to-door solicitation or phone sales. For example, the law requires the contract to include specific information on the financial terms, and the consumer has the right to rescind the contract within a specified period of time.

When consumers need to use financing to pay for a home improvement project, they can choose from a variety of options. These financing options, including Property Assessed Clean Energy (PACE) financing or a home equity line of credit or an unsecured personal loan, pose different risks and are subject to different rules and regulations. For those lenders licensed under the California Financing Law, there are no tailored rules for when a consumer loan is used to fund a home improvement project.

Problem:

Consumers remain vulnerable to unscrupulous actors in the home improvement lending industry. Using aggressive marketing and door-to-door solicitation tactics, salespeople convince a consumer to agree to a home improvement project they may not even need. These projects are funded by a costly unsecured consumer loan with terms the borrower may not fully understand. Even worse, the project may not be completed properly or not completed at all.

In some cases, the lender is part of the problem. The lender works hand-in-hand with the contractor and develops relationships with contractors who specialize in these predatory strategies. When the consumer cannot resolve a dispute with the

contractor because the contractor cannot be located, the consumer must deal with a lender who disclaims any responsibility over what has transpired.

Solution:

AB 2993 enacts changes to the home improvement lending market that will protect homeowners from dishonest actors. These changes will ensure greater transparency and accountability in the home improvement industry and reward those contractors and lenders who work in good faith on a consumer’s behalf.

Specifically, AB 2993 does the following:

- Extends, by two days, the “right to rescind” timeline for any home improvement contract, giving consumers additional time to evaluate the agreement.
- Requires a finance lender to first communicate with the borrower the terms of the home improvement loan, ensuring the consumer understands the financing arrangement.
- Prohibits the lender from releasing funds until the property owner has certified orally certain conditions, such as that the project has been approved by relevant permitting agencies.
- Allows in specified situations a consumer to assert against the finance lender the claims and defenses relating to the contractor’s failure to resolve the dispute, ensuring greater accountability within the home improvement lending industry.

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