



Legal Requirements for Home Improvement Contracts

The California Business and Professions Code contains legal requirements for home improvement contracts. These requirements are enforced by the Contractors State Licensing Board. CSLB reviews contracts for the installation of solar and storage as part of the consumer protection rules developed by the CPUC. Of particular concern are requirements for HIS registration, estimated commencement and completion dates, and payment schedules.

Home Improvement Salespersons

According to California Business and Professions Code Section 7152, a Home Improvement Salesperson (HIS) registration is required for individuals "... engaged in the business of soliciting, selling, negotiating, or executing contracts for home improvements, for the sale, installation or furnishing of home improvement goods or services ... on behalf of a home improvement contractor." Solar installations are classified as home improvements by the CSLB.

A salesperson's HIS registration is affiliated with the licensed contractor they currently represent. A contractor hiring a new salesperson should notify CSLB prior to employing the salesperson.

Not every person involved in sales is required to have a HIS registration. According to Section 7152(C), an individual is exempt in the following circumstances:

- (1) An officer of record of a corporation... or a manager, member, or officer of record of a limited liability company.
- (2) A general partner listed on the license record of a partnership
- (3) A qualifying person, as defined in Section 7025 (this is the license holder)
- (4) A salesperson whose sales are all made pursuant to negotiations between the parties if the negotiations are initiated by the prospective buyer at or with a general merchandise retail establishment that operates from a fixed location where goods or services are offered for sale.
- (5) A person who contacts the prospective buyer for the exclusive purpose of scheduling appointments for a registered home improvement salesperson.
- (6) A bona fide service repairperson who is in the employ of a licensed contractor and whose repair or service call is limited to the service, repair, or emergency repair initially requested by the buyer of the service."

Does a HIS registration expire?

Yes. A HIS registration expires either two years from the last day of the month when the registration was issued or two years from the date on which the renewed registration last expired.

Can a HIS work for multiple contractors?

A HIS may work for multiple contractors so long as the contractor's license is active, but the contractor must notify the CSLB prior to employing the HIS and also notify the CSLB within 90 days of their employment ceasing.

Is it enough to put the final contract in the name of the contractor that will install the system?

No. Any quotes or presentations must be in the name of a licensed contractor, in addition to the contract. The salesperson that negotiated the contract must be listed on the contract unless it is someone exempted by Section 7152(C) as noted above.

Does a salesperson need a HIS registration if their interactions are solely over the phone and never in person?

Yes. Where the negotiation takes place is irrelevant to needing a HIS registration. The only relevant factor is whether or not someone is engaged in the activities for which a HIS is required.

If I use HIS as part of the sales process, does this need to be reflected in the contract?

Yes. If a HIS was involved in the soliciting or negotiating of a solar contract, their name and HIS registration must be in the contract.

How does a HIS become associated with a contractor?

Contractors must complete and submit a [form¹](#) to the CSLB prior to the HIS beginning work for the contractor.

What do I need to do if I'm a contractor that no longer employs a HIS?

A contractor must notify the CSLB within 90 days of ceasing the employment of a HIS by submitting a [form²](#) to the CSLB.

What happens if I am a contractor and I hire a salesperson either without a HIS registration or an expired HIS registration?

A contractor who violates this requirement is subject to disciplinary action by the CSLB "whether or not the contractor had knowledge of or participated in the act or omission constituting [the violation]."

What happens to a salesperson caught violating any aspects of the CSLB's HIS requirements?

The individual could face disciplinary action from the CSLB including suspending or revoking a HIS registration.

¹ https://www.cslb.ca.gov/About_Us/Library/Forms_And_Applications.aspx#HISASSNFORM

² https://www.cslb.ca.gov/About_Us/Library/Forms_And_Applications.aspx#HISASSNFORM

Commencement and Completion Dates

All contracts must have an approximate start date and completion date. It is not enough to describe the conditions when construction will begin or end (e.g. "Construction commences when the permit is issued") or to give a time period (e.g. "Construction will commence within 60 business days"). There must be dates, as well as headings titled "Approximate Start Date" and "Approximate Completion Date." Also, a statement must be included as to "...what constitutes substantial commencement of work under the contract."

Are the dates binding?

No. There is nothing in the Business and Professions Code that makes the approximate starting and ending dates in any way binding.

May I include any disclaimers with the start and completion dates?

Yes. It is perfectly acceptable to describe reasons that may affect the approximate start and completion dates and to state clearly that the approximate dates are required by law and are non-binding.

Payment Schedules

May I receive a down payment?

Yes. However, if you plan to receive a down payment, you will need a section of the contract clearly demarcated with the heading "Down Payment" and in a 12-point boldface font, the following phrase must be printed underneath it:

"THE DOWN PAYMENT MAY NOT EXCEED \$1,000 OR 10 PERCENT OF THE CONTRACT PRICE, WHICHEVER IS LESS."

Are there rules regarding when I receive payments?

Yes. If you plan to receive any "progress payments" before the installation is fully completed other than the down payment, it must be laid out under the contract heading "Schedule of Progress Payments." Each progress payment must clearly spell out both the amount of payment in dollars and the corresponding work to be completed for that amount of money. A disclaimer must be inserted in 12-point boldface font stating the following:

"The schedule of progress payments must specifically describe each phase of work, including the type and amount of work or services scheduled to be supplied in each phase, along with the amount of each proposed progress payment. IT IS AGAINST THE LAW FOR A CONTRACTOR TO COLLECT PAYMENT FOR WORK NOT YET COMPLETED, OR FOR MATERIALS NOT YET DELIVERED. HOWEVER, A CONTRACTOR MAY REQUIRE A DOWN PAYMENT."

May I veer from this if it is approved by the consumer?

You may not be paid for work that is not yet completed or materials not yet delivered to the customer regardless of how you arrange the contract. Violations of these requirements by a contractor or their salespeople is a misdemeanor, and could result in a fine as large as \$5,000 and/or imprisonment in county jail for up to a year.