



House of Representatives

General Assembly

File No. 658

January Session, 2001

Substitute House Bill No. 6615

House of Representatives, May 8, 2001

The Committee on Judiciary reported through REP. LAWLOR of the 99th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING CONSUMER PROTECTIONS FOR HOME IMPROVEMENT CONTRACTOR FINANCED PROGRAMS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Subsection (e) of section 20-429 of the general statutes is repealed
2 and the following is substituted in lieu thereof:

3 (e) Each home improvement contract entered into shall be
4 considered a home solicitation sale pursuant to chapter 740 and shall
5 be subject to the requirements of said chapter regardless of the location
6 of the transaction or of the signing of the contract. Each home
7 improvement contract in which the owner agrees to repay the
8 contractor an amount loaned or advanced to the owner by the
9 contractor for the purposes of paying for the goods and services
10 provided in such contract, or which contains a finance charge, (1) shall
11 set forth the information required to be disclosed pursuant to the
12 Truth-in-Lending Act, sections 36a-675 to 36a-685, inclusive, (2) shall
13 allow the owner to pay off in advance the full amount due and obtain

14 a partial refund of any unearned finance charge, and (3) may contain a
15 finance charge set at a rate of not more than the rate allowed for loans
16 pursuant to section 37-4. As used in this subsection, "finance charge"
17 means the amount in excess of the cash price for goods and services
18 under the home improvement contract to be paid by the owner for the
19 privilege of paying the contract price in installments over a period of
20 time.

JUD *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Potential Revenue Gain, Potential Minimal Cost

Affected Agencies: Department of Banking, Various Criminal Justice Agencies

Municipal Impact: None

Explanation

State Impact:

The bill requires home improvement contracts in which a contractor advances or loans money to a homeowner to comply with the Truth-in-Lending Act; allow a homeowner to pay off the full amount due in advance; and set a maximum finance rate of 12% per year.

Under the Truth-in-Lending Act, violators may be subject to a penalty of up to \$5,000 and imprisoned up to one year. Additionally, anyone who violates the maximum finance rate of 12% per year is subject to a maximum fine of \$1,000 and imprisoned up to six months. A revenue gain may result from these fines, the extent of which cannot be determined as it is contingent on the number of violations that occur and the amount of the penalties that are imposed. It is anticipated that the various criminal justice agencies may experience a workload increase and could incur minimal costs resulting from passage of this bill. Any resulting costs can be handled within the

normal budgetary resources of the affected agencies.

OLR Bill Analysis

sHB 6615

AN ACT ESTABLISHING CONSUMER PROTECTIONS FOR HOME IMPROVEMENT CONTRACTOR FINANCED PROGRAMS.**SUMMARY:**

This bill requires home improvement contracts in which a contractor advances or loans money to a homeowner or which contain a finance charge, to (1) comply with the Truth-in-Lending Act, (2) allow the homeowner to pay off the full amount due in advance, and obtain a partial refund of any unearned finance charge, and (3) set a maximum finance rate of 12% per year. It defines "finance charge" as the amount the homeowner pays for the ability to pay the contract price in installments, not including the cash price of the goods and services received.

EFFECTIVE DATE: October 1, 2001

TRUTH-IN-LENDING ACT

The act promotes informed borrowing by requiring lenders to fully disclose the terms of credit being extended. Disclosure is meant to (1) protect consumers from becoming unknowingly obligated to pay hidden and unreasonable charges and (2) permit them to meaningfully compare terms of credit extended by different lenders.

INTEREST RATE CAP

Current law sets a maximum annual interest rate of 12% on most loans. The cap does not apply to certain loans, including mortgages of real property for more than \$5,000.

BACKGROUND***Home Improvement Contracts***

The law already requires that home improvement contracts (1) be in

writing, (2) be signed by the owner and contractor, (3) contain the entire agreement, (4) include the date of the transaction, (5) contain the contractor's name and address, (6) contain a notice of the owner's cancellation rights, (7) include starting and completion dates, and (8) be entered into by a registered salesman or contractor.

By law, home improvement contracts are also subject to the Home Solicitation Sales Act, which gives buyers the right to cancel a contract within three days of signing an agreement.

Legislative History

The House referred the bill (File 84) to the Judiciary Committee on April 19. The committee reported it favorably on April 25, after removing language requiring home improvement contractor financed programs to comply with the Retail Installment Sales Financing Act. It was unclear what portions of the act would have applied.

COMMITTEE ACTION

General Law Committee

Joint Favorable Report
Yea 17 Nay 0

Judiciary Committee

Joint Favorable Substitute
Yea 38 Nay 0