HOME BUILDERS & REMODELERS ASSOCIATION OF CONNECTICUT, INC.
3 Regency Drive, Suite 204, Bloomfield, CT 06002
Tel: 860-216-5858 Fax: 860-206-8954 Web: www.hbact.org

Your Home Is Our Business

February 21, 2013

To: Senator Paul Doyle, Co-Chairman
Representative David Baram, Co-Chairman
Members of the General Law Committee

From: Bill Ethier, CAE, Chief Executive Officer

Re: **SB 322, AAC Home Improvement Contractors**
HB 5149, AAC Testing and Licensing of Home Improvement Contractors

The HBRA of Connecticut is a professional trade association with about nine hundred (900) member firms statewide employing tens of thousands of CT's citizens. Our members, all small businesses, are residential and commercial builders, land developers, remodelers, general contractors, subcontractors, suppliers and those businesses and professionals that provide services to our diverse industry and to consumers. While our membership has declined over the course of our seven-year Great Recession from its high of 1,500 members, we build between 70% to 80% of all new homes and apartments in the state each year and engage in countless home remodeling projects.

We oppose SB 322 and HB 5149 because we firmly believe a licensing program for the huge home improvement contractor (HIC) industry would be both unworkable and not solve the issues consumers have with HIC projects. In summary, rather than change to a licensing and testing scheme, we urge greater consumer education about and greater enforcement of the existing HIC registration act. Also, statutory recognition of widely-accepted industry voluntary designations that signify experience and educational attainment would help set apart those contractors for the public's benefit.

Most contractors are reputable and try to do good quality work for their customers. We represent these contractors and try to teach consumers how to hire and work with a quality contractor (*see attached article, "How to Select a Reputable Builder or Remodeler in Connecticut"*). We have no interest in protecting illegitimate contractors or promoting poor quality work and strive to weed those ills out of our industry. We provide our members with education and opportunities to stay on top of the latest technologies, construction techniques, business management skills, etc. Through our national organization, distributed through our five local chapters in CT, we also promote and support the attainment of voluntary designations signifying a higher level of experience and education (*see attached, NAHB: Designation Overviews & Resources*).

While the raw number of complaints about HICs at the Department of Consumer Protection ("DCP") is large compared to other regulated businesses, the percentage of complaints relative to the huge scope of the home improvement industry is very small. At the industry's peak around 2007, there were roughly 28,000 registered HICs in CT. We estimate there may have been close to another 5,000 to 10,000 operating illegally

without an HIC registration. As of Feb. 4, 2013, there are 22,116 HICs and 1,216 home improvement salespersons. CT has between 1.4 and 1.5 million households. Each HIC performs on average 8 projects per year, so there are conservatively about 200,000 home improvement projects in CT each year. During better economic times, the number of home improvement projects is likely to exceed 250,000. At 2,000 complaints received by DCP, **less than 1% of all projects produce consumer complaints to DCP.**

We strongly believe that licensing and testing all contractors will provide no greater protection to consumers and will have the adverse affect of legitimizing the marginal contractor while imposing more regulatory burdens and costs on reputable contractors. The current HIC registration law and the state's other regulatory and legal methods of controlling the construction business provide substantial protection for home owners. For many construction jobs, the other regulatory control on contractors that does not exist for any other business or profession is our system of permitting and inspections under our building, safety and public health codes. Only small jobs and maintenance and repair jobs escape these code regulations. Additionally, on all jobs consumers have a wide array of avenues to seek relief from contractors who do not perform, such as breach of contract, breach of warranty, unfair trade practices act, violation of the home improvement registration act that makes the contract unenforceable for the contractor and probably several other causes of action that could be brought to bear on the contractor.

Most importantly, the vast majority of complaints against contractors are based on <u>workmanship issues</u>, <u>communication issues</u> (i.e., the contractor and consumer had different expectations about the job) and issues surrounding <u>unscrupulous contractors</u> (e.g., running away with a deposit). <u>No amount of licensing and testing can solve these issues.</u> We are not aware of any contractor licensing scheme anywhere in the nation that does an effective job of improving the professionalism of the contractor industry or the quality of home improvement work by those providing inferior workmanship, who conduct unscrupulous business practices, or for a variety of reasons fail as a viable business. In short, for no additional consumer protection, these bills will impose substantial new costs and burdens on doing business in Connecticut.

Reducing competition in an industry, as called for by some contractors, is not a legitimate use of a licensing program. If the result of licensing and testing is to limit entry into the business and reduce the number of entities in the construction business, then the costs of providing home improvement services will go up. But, as with all regulatory schemes, some contractors will fall through the cracks (i.e., they'll pass the test yet still not satisfy consumers, or worse – smart crooks will pass the test). We have found no evidence that contractors under a licensing program have any greater compliance with the law than what is currently exhibited under our registration and guaranty fund program. Thus, consumers will not benefit from licensing home improvement contractors.

What exactly would each contractor be tested for? These bills contemplate education and taking a test to ensure a contractor has the knowledge to properly perform the work authorized by the license. Given that home improvement projects involve a huge array of types of work, from painting to siding, carpentry to flooring, drywall to roofing, i.e.,

everything between the foundation and ridge vent, would a separate license and accompanying fee be required for each "class" of work? Indeed, most home improvement jobs entail various types of work. A single business that engages in multiple types of work could be saddled with extremely high licensing costs. **HICs already pay into the guaranty fund, so how much more would these licensing fees cost. How much more would a cash bond cost (as required in SB 322), and why? And are such bonds available at a reasonable cost?** What limits would be placed in these bills to curtail the high potential of a run-a-way regulatory scheme?

Finally, these bills will produce a huge fiscal note on the state budget. No amount of fees charged to contractors would be sufficient to pay for the costs of administering the program largely because the fees charged would not stay in the department. And if history is any guide, any promise to do so, say through a dedicated fund, is only good for one session of the legislature. We won't buy another shallow promise to use the fees we pay for a specific purpose.

In the Alternative:

Stronger enforcement and education of both contractors and consumers about the current HIC registration act will go a long way to solve complaint problems in this industry. Efforts by the Department of Consumer Protection, such as sting operations that solicit HIC work, have brought many illegal contractors who were working in this industry into the registration program. We applaud these efforts. The best course of action to protect consumers from bad contractors is to teach consumers how to avoid such contractors, to ask the right questions and to deal with all contractors in certain ways. The state needs to do more to teach consumers about the current registration program. **Therefore, the legislature should specifically authorize DCP to educate consumers and contractors about the requirements of the HIC registration law. Education is the first line of defense for effective enforcement.**

You should repeal the raid of the HIC guaranty fund, which all contractors pay into, by the general treasury that deprives DCP of the resources it needs to better enforce the home improvement act and, if authorized, to educate consumers and contractors about the act. While we know this is difficult within the state's tight budget, it's the right thing to do.

You should raise the $15,000 limit placed on a consumer's use of the guaranty fund to provide more protection to consumers who cannot satisfy a larger judgment against a contractor. See C.G.S. section 20-432(k).

The legislature should authorize an industry specific complaint form and new related database. The HBRA of Connecticut has worked closely with DCP over the years to address the genesis of consumer complaints against home improvement contractors. We believe a more adequate database of consumer complaints regarding this industry could be created and used to make more informed decisions regarding the causes of such complaints. It is in the industry's, consumer's and the state's best interest to determine this information. In past years, we have proposed to DCP that a complaint form specific to

HICs be used by DCP to help better determine the causes of such complaints. We are told our proposal does not fit with the state's current e-license computer contract, but we are convinced that the state will be in a much better position to develop appropriate policies, and if necessary new laws, only once we have such a database.

Finally, you should consider giving statutory recognition to widely accepted industry voluntary designations that are awarded when certain contractors achieve experience and educational attainment. These designations include, as shown on the attached:

- Certified Graduate Remodeler (CGR), and
- Graduate Master Remodeler (GMR)

We also believe the voluntary approach taken by the sponsor of these national designations for remodelers, including the PREP (Professional Remodeler Experience Profile) noted on the attached is the right way to conduct quality, professional education of our industry. As noted, the PREP is the required first step. Candidates do not pass or fail the PREP; but PREP results determine the course of study for CGR candidates. The PREP assessment measures a candidate's knowledge in five core areas of remodeling business management:

- Marketing and Advertising
- Business Management
- Estimating
- Contracts, Liability and Risk Management
- Project Management

The PREP is critically necessary because all contractors have different experiences, different educational levels and different skill sets. A one-size fits-all approach can never satisfy the variety of educational needs or desires in our industry. As it relates to SB 322 and HB 5149, we have absolutely no faith the government can take on assessing contractors adequately and correctly determining individual courses of study and then administering the appropriate level of education and testing for tens of thousands of HICs in our state. The result if CT tried would be a nightmare.

Consumer education coupled with strong enforcement of the current HIC registration law and statutory recognition of nationally accepted remodeler designations will more effectively and more quickly reach the goals that lie under this licensing effort. We urge you to pursue that path and not support SB 322 or HB 5149.

Thank you for the opportunity to provide you with our views on this important issue. We remain committed to working with you and DCP to improve the regulation of our industry.

Attachments: *How to Select a Reputable Builder or Remodeler in Connecticut*
NAHB: Designation Overviews & Resources

Home Builders & Remodelers Association of Connecticut, Inc.

How To Select A Reputable Builder or Remodeler In Connecticut

(Copyright, 2010)

The first step home buyers should take in their search for a new home or remodeling job that provides lasting satisfaction is to select a professional builder or remodeler who is known for quality construction and strong customer service.

Many home builders construct fewer than 10 homes per year and remodelers, too, as small local business persons, rely heavily on referrals from previous customers to generate new business.

And all home building or remodeling companies are only as good as their reputation. Most companies are in business to stay and they can only do so to the extent that they have satisfied customers. And many builders and remodelers live in the communities in which they build so you probably see them or their families at the local supermarket or elsewhere.

Steps in Selecting a Reputable Builder or Remodeler

- Homebuyers and home owners should begin their search by discovering who is building in the area where they live or want to live. Below are several sources you might find helpful:
    1. Talk to friends, relatives and colleagues at work who have recently purchased a new home or had one built or remodeled.
    2. Local chapters of the National Association of Home Builders, which represents both home builders and remodelers, can provide names of companies who are members (See the Local Chapters in Connecticut).
    3. You can search for all HBRA members in CT on its web site, www.hbact.org, by clicking Find a Member under the Resources menu.
    4. Area real estate agents who are knowledgeable about and familiar with new home construction, can offer builders' names and insights into quality and customer satisfaction.

- To narrow their prospective list of builders or remodelers, in Connecticut all homebuilders must be registered with the Department of Consumer Protection (DCP) as New Home Construction Contractors (NHCC). All residential remodelers must be registered with the same state agency as Home Improvement Contractors (HIC). It is very important that consumers check with DCP to make sure the home builder's or remodeler's registration is current and applicable to the job to be undertaken, recognizing that some contractors are registered under both the NHCC and HIC programs. The general licensing number at DCP to call to check on registration status is 1-860-713-6000 (in the Hartford area) or 1-800-842-2649. The DCP website is http://www.state.ct.us/dcp/.

- **In April, 2010, the Environmental Protection Agency (EPA) enacted new Lead Renovation, Repair and Painting regulations impacting any work done on any home**

built before 1978. If your home was built before 1978, any work done that will disrupt more than 6 square feet of painted surface indoors (about the size of a window), or 20 square feet outside, must be performed by a contractor who is lead-safe certified, so ask for a certification number or proof that the contractor or remodeler has taken the course. Since the regulations are new, many contractors and remodelers may have taken the course, but not yet received a company certification yet due to paperwork backlogs at EPA. *(Updated July 2010)*

- To further narrow the prospective list of builders or remodelers, buyers should look closely at each builder's or remodeler's finished work and work in progress, including models, occupied homes (if interested in a custom-built home) and homes under construction.

- Meet with the builder, remodeler or the person who would be in charge of building your home to learn more about the company and the homes or projects they build. Are your questions answered clearly and completely? Remember that your relationship with the builder or remodeler will continue through any warranty period, so choose someone with whom you will be comfortable for the long term.

- As part of the interview process, review the contract, warranty and warranty standards that the builder or remodeler provides. Note the amount of detail provided. The same attention to detail usually flows through the construction of the home or project. Don't hesitate to ask questions about any items that you don't understand.

- Many builders today provide a homeowner manual that guides buyers through the homebuilding and purchase process. Many remodelers provide consumer guides that are applicable to their line of work or the project to be undertaken (e.g., understanding design/build contracts). These types of manuals or brochures can familiarize you with the procedures the builder or remodeler follows in working with his/her clients and is often an indication of the contractor's commitment to customer satisfaction.

- To determine how a company treats its customers, it is important for prospective homebuyers or homeowners to talk to previous buyers of the builder's homes or remodeler's clients. Visit new home communities on weekends when people are more likely to be outside and ask several different people how the company was to work with and how satisfied they are with their home. Ask for reference lists as well and follow though by calling or visiting the references.

A Well-Written Contract

- Disputes between parties often involve good faith issues that their contracts do not adequately address, either because the parties did not consider these issues or because they failed to write them in the contract.

- A well-written contract is a critical tool for reducing liability and making clear a complete understanding between the parties of what is to be expected. It should: 1) be a product of the parties' negotiations, 2) describe in detail the rights and obligations of the parties, and 3) fairly allocate the risks inherent in the project.

- Such a contract provides the parties with a mutual understanding of contract terms and conditions, thereby improving the chances that each party's expectations will be met.

- A well-written contract helps prevent disputes from arising during construction because the parties have settled potentially troublesome matters such as the scope of work, the materials to be used, and the time and method of payment before the project begins.

- Although a well-written contract requires communication between the parties, it is no substitute for ongoing communication between the buyer and builder or remodeler during the project. Inevitably, during construction, changes may be desired by the purchaser or even suggested by the contractor. All changes should be fully understood by both parties, reduced to writing and made a part of the contract. Consumers should understand, however, that changes may result in added costs or time or both to the construction process. This is another reason to select a builder or remodeler from the start with whom you can communicate effectively and with whom you are comfortable.

Express Warranty

- Many builders also include a limited warranty in their contract. Such a warranty can also help prevent disputes after construction is completed.

- The warranty, like the contract, should clearly express the intent of the parties. The limited warranty describes the problems and remedies for which the builder or remodeler will be responsible after completion of the project and the duration of the warranty. It also defines the mechanism for addressing disputes.

- If a builder or remodeler warrants workmanship and materials in a warranty, the warranty should also provide some guidelines or standards against which to judge the contractor's compliance. One of the best sources of such guidelines is Residential Construction Performance Guidelines for Professional Builders and Remodelers, available from NAHB – go to www.hbact.org, click on BuilderBooks.com, then on Codes & Regulations.

In summary, like when making most purchases of products or services, consumers need to undertake a sufficient level of due diligence when selecting a homebuilder or remodeler. Obtain personal references of several contractors, make sure they are properly registered with the Connecticut Department of Consumer Protection, check their prior and ongoing work and talk with past customers, make sure you have a well-written contract and well-written change orders executed during construction, fully understand the contract, change orders and any warranties that are provided and make sure that communication with your builder or remodeler is professional and comfortable.

Then, sit back and enjoy your new home - whether newly constructed or newly remodeled.

NAHB National Association of Home Builders

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Designation Overviews & Resources

Normal View

A NAHB Designation says a lot about you. Professional designations offer excellent opportunities to improve your skills, advance your career, and be recognized for your commitment to professional growth.

Continue to grow in your professional endeavors. Whether you're looking to advance in your career or gain additional knowledge about a particular topic, NAHB Education offers a wide-range of learning options. Along with exclusive course and designation sponsor, Lowe's ProServices, NAHB is committed to providing the best residential home building knowledge to foster success in the industry.

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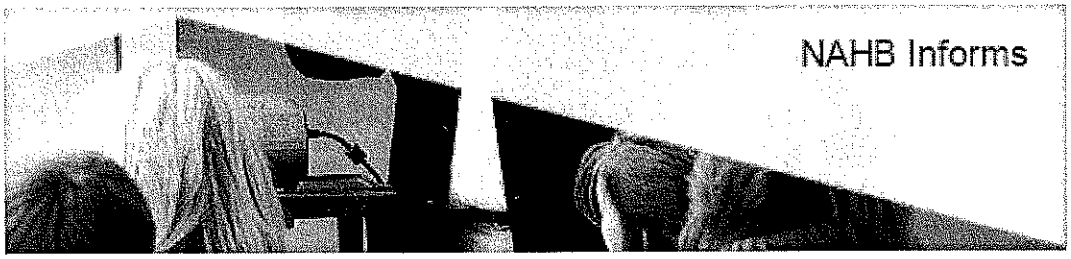

Certified Aging-In-Place Specialist (CAPS) (5 items)
The CAPS designation program teaches the technical, business management, and customer service skills essential to competing in the aging-in-place market.

Certified Graduate Associate (CGA) (5 items)
Learn about the home building business from the best source possible: builders and remodelers with years of field experience.

Certified Graduate Builder (CGB) (5 items)
CGB is an exclusive professional designation designed to emphasize business and project management skills.

Certified Graduate Remodeler (CGR) (5 items)
Certified Graduate Remodeler (CGR) is an exclusive professional designation designed to emphasize business management skills as the key to a professional remodeling operation.

Certified Green Professional (CGP) (5 items)
The Certified Green Professional™ Designation teaches builders, remodelers and other industry professionals techniques for incorporating green building principles into homes—without driving up the cost of construction.

Certified New Home Marketing Professional (CMP) (5 items)
CMP is the mid-level designation for IRM students who have completed the marketing intensive IRM courses I through IV. Ask a CMP Expert.

Certified New Home Sales Professional (CSP) (5 items)
The CSP designation was designed for specialists in new home sales to enhance their professional image, increase their marketability in the home building industry, and sell more homes! Ask a CSP Expert.

All Designation Overviews & Resources Materials (150 items)
Not sure what you are looking for? Browse all of the materials related to this topic here.

Designation Overviews & Resources Events & Courses (280 items)
Stay informed! Consider one of the courses and/or meetings offered on this topic.

Get the Facts on the Positive Impact of Home Building

NAHB provides developers, home builders and HBAs with local economic impact studies to demonstrate the benefits that home building provides, from new jobs to more tax revenue. See a sample report and contact your friendly Housing Policy staff to order one of your own!

Housing Credit Certified Professional (HCCP) (4 items)
HCCP is a specialized designation for developers, property managers, asset managers, and others working in the affordable housing industry.

Graduate Master Remodeler (GMR) (5 items)
The Graduate Master Remodeler (GMR) program includes advanced and updated courses geared toward experienced remodeling professionals.

Master Certified Green Professional (5 items)
The Master CGP builds on the Certified Green Professional (CGP) designation and expands into the mechanics of green building. Exclusively for experienced builders and remodelers, the this designation comprises a more in-depth study of green building science and methods.

Graduate Master Builder (GMB) (5 items)
Graduate Master Builder (GMB) courses are more advanced with in-depth instruction geared for experienced building professionals.

Master Certified New Home Sales Professional (Master CSP) (5 items)
This designation acknowledges the continued educational achievements of graduates of the CSP program.
Ask a Master CSP Expert.

Master in Residential Marketing (MIRM) (5 items)
The MIRM designation is the top-level achievement for professionals in new home marketing. Ask a MIRM Expert.

The number of improving housing markets continued to expand for a sixth consecutive month to a total of 259 metropolitan areas on the National Association of Home Builders/First American Improving Markets Index (IMI) for February, released today. This is up from 242 markets listed as improving in January, and includes entrants from all 50 states and the District of the Columbia. More

Professional Remodeler Experience Profile (PREP)

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The PREP is the required first step in the process of becoming a Certified Graduate Remodeler (CGR). Candidates do not pass or fail the PREP. Results determine the course of study for CGR candidates. The 150 question assessment measures a candidate's knowledge in five core areas of remodeling business management:

- Marketing and Advertising
- Business Management
- Estimating
- Contracts, Liability and Risk Management
- Project Management

Continuing Education Hours: 0.0

Browse a list of current course offerings for this course.

For more information about this item, please contact NAHB Professional Designation Help Line at 800-368-5242 x8154 or via email at designations@nahb.org.

Recommend This: 9 Recommendations - Click if you agree!

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