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March 23, 2021

To: The Honorable Paul G. Pinsky  
Chair, Education, Health and Environmental Affairs Committee

From: Karen S. Straughn  
Consumer Protection Division

Re: House Bill 395 – Business Regulation – Home Improvement Contracts – Deposits  
(SUPPORT)

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The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 395 sponsored by Delegate Christopher T. Adams. This bill clarifies that a deposit of one third may be collected up front, but the maximum amount of a home improvement contract that can be collected before work has begun is one half of the contract price. In addition, it prohibits the contractor from collecting the balance until the project has been completed if the job is less than \$10,000. If the job is more than \$10,000, the balance may not be collected until the job is complete or in accordance with a draw schedule.

The Consumer Protection Division receives complaints from consumers advising the Division that they have been scammed by a contractor who collected a deposit, often collecting additional payments before the job is even started, and then fails to complete the work or does not even begin the work. In many of these cases the contractor can no longer be found and refuses to return phone calls. While this office has concerns about increasing the deposit that a contractor may collect before work is started to one-half of the total cost, limiting the amount that can be collected prior to the completion of the work will limit the number of consumers who will be harmed by disreputable or under-capitalized contractors. We, therefore, are willing to accept a higher payment in advance of beginning the work in exchange for limiting collection of the balance prior to the completion of the contract.

For these reasons, we ask that the Education, Health and Environmental Affairs Committee return a favorable report on this bill.

cc: The Honorable Christopher T. Adams  
Members, Education, Health and Environmental Affairs Committee

