

Sponsor Testimony - SB 855 Testimony Senator Eckar

Uploaded by: Adelaide Eckardt

Position: FAV

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Budget and Taxation Committee

Health and Human Services
Subcommittee

Joint Committees
Administrative, Executive,
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Audit

Children, Youth, and Families

Fair Practices and
State Personnel Oversight

Pensions

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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Testimony for Senate Bill 855
Business Regulation – Home Improvement Contracts – Deposits by Financial Institutions
Finance Committee
March 3, 2022

Chairman Delores Kelley and members of the Committee,

Thank you for the opportunity to present **Senate Bill 855 Business Regulation – Home Improvement Contracts – Deposits by Financial Institutions.**

The current business regulation for home improvement contracts does not require for a deposit to be made to a home improvement contractor if the project is financed by certain financial institutions. As a result, financing options can expire if they are not acted upon prior to the start of the construction by the home improvement contractor.

This bill changes the statute to add a provision allowing a home improvement contractor to collect a deposit of up to one third of the amount of the contract if the project is financed by a financial institution. Requiring a deposit ensures that the customer will maintain access to store financing options, ensuring that the financing options will not expire.

This bill would improve the ability of the citizens of Maryland to access affordable means of home improvement while ensuring that home improvement contractors are paid for their work. Thank you for your consideration and I respectfully ask for a favorable report of Senate Bill 855.

Best Regards,

A handwritten signature in cursive script that reads "Addie C. Eckardt".

Senator Addie C. Eckardt

Written Statement S.B. 855 The Home Depot Letterhe

Uploaded by: Brian Gamberini

Position: FAV



1155 F Street, N.W. • Suite 400 • Washington, DC 20004

March 3, 2022

Maryland General Assembly
Senate Education, Health and Environmental Committee

Dear Chairman Pinsky, Vice-Chairwoman Kagan and Honorable Members of the Committee,

On behalf of The Home Depot and our 8,000 plus associates across the state of Maryland, we submit this written testimony in support of Senate Bill 855: Business Regulation – Home Improvement Contracts – Deposits by Financial Institutions, introduced by Senator Eckardt.

This bill deals directly with the Maryland partial pay statute regulating home improvement contractors. The partial pay statute, while its intentions protect Maryland consumers from being taken advantage of by fly-by-night contractors, currently does not reflect the practices by some of the largest home improvement retailers in the marketplace, like The Home Depot.

S.B. 855 will modernize the statute, in respect to financing options, while keeping the current protections in place. It will provide greater access to credit and financing options for Marylanders at time when more and more people are investing in their homes. Working with established and highly regulated financial institutions like CITI Bank, The Home Depot offers several financing and credit options, that under current policy, are only offered for a portion of the purchase at a time.

Under current law, only 1/3 of the project cost can be financed at signing – and the remaining balance would be financed a later date, typically at project completion. Between those dates, a customer's financial situation can and does change. An unforeseen emergency, car trouble, or childcare expense can impact a customer's credit rating and ability to receive the same financing options for remainder of the cost of their project.

According to the Federal Reserve Bank of New York, "Credit is a tool to tap future resources for use today." While we recognize this body's desire to keep the partial pay statute in place, S.B. 855 amends a portion of it that will improve access to financing options when Marylanders are completing necessary and critical home repairs.

We thank the Committee for hearing this bill and ask for a favorable report on Senate Bill 855.

Brian

Brian Gamberini
Sr. Manager, State and Local Government Relations
The Home Depot, Mid-Atlantic Region

MBIA Letter of Support Sb 855.pdf

Uploaded by: Lori Graf

Position: FAV

March 3, 2022

The Honorable Paul G. Pinsky
Senate Education, Health & Environmental Affairs Committee
Miller Senate Office Building,
2 West Wing 11 Bladen St.,
Annapolis, MD, 21401

RE: Support SB 855 Business Regulation - Home Improvement Contracts

Dear Chairman Pinsky:

The Maryland Building Industry Association (MBIA), representing 100,000 employees of the building industry across the State of Maryland, supports Senate Bill 855 (Business Regulation - Home Improvement Contracts). MBIA supports this measure in its current version.

This bill authorizes a home improvement contractor to receive a deposit of up to one-half (instead of one-third) of a home improvement contract price before or at the time of execution of the contract. Under current law, a contractor may not demand or receive any payment for a home improvement before the home improvement contract is signed and may not receive a deposit of more than one-third of the home improvement contract price before or at the time of execution of the contract.

Many businesses in the home improvement industry are small businesses and would benefit from the ability to receive up to one-half of a home improvement contract price up front under the bill. This would improve cash flow and protect them in the event the customer does not follow through on the contract.

MBIA respectfully requests the Committee give this measure a favorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Education, Health & Environmental Affairs Committee

SB855_FAV_MRA.pdf

Uploaded by: Sarah Price

Position: FAV



SB855 Business Regulation – Home Improvement Contracts – Deposits by Financial Institutions
Education, Health, and Environmental Affairs Committee
March 3, 2022

Position: Favorable

Background: SB855 would allow a person to receive more than 1/3 of a home improvement contract price before the time of execution of the contract if the full amount of the deposit is being financed by a financial institution.

Comments: SB855 make progress towards allowing contractors to collect payment in a timely manner. Partial pay laws were devised before the advent of the large home improvement store models and were designed to protect consumers from fly-by-night contractors, but restrictions regarding when payments may be made can have a negative impact on the progress of a project. Today, consumers have numerous protection options through the Consumer Protection Division and the Maryland Home Improvement Commission in the case that they are dissatisfied with a service provider.

Partial pay laws were written with protection in mind, and now have the unintended consequence of leaving home improvement entities with little protection when facing customers who refuse to pay for services rendered. These laws can additionally slow down large projects like full home renovations, which are more likely to be funded through a financial institution. Allowing contractors to collect more than 1/3 of the agreed-upon contract price before work begins for financed contracts will allow projects to proceed smoothly, especially as contractors purchase and process the individual products and supplies required to begin scheduling installations. Increasing the amount of partial pay that contractors may collect will also have a great impact on the cash flow of small businesses and independent contractors.

Thank you for your consideration, and we urge a favorable report on SB855.

SB 855 Opposition Letter 2022.pdf

Uploaded by: Karen Straughn

Position: UNF

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March 3, 2022

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

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 855 – Business Regulation – Home Improvement Contracts – Deposits by Financial Institutions (OPPOSE)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in opposition to Senate Bill 855 submitted by Senator Adelaide C. Eckardt. The bill would permit a home improvement contractor to receive a deposit of more than one-third before or at the time of execution of the contract, as long as the deposit is financed by a financial institution.

While it is reasonable to permit a contractor to obtain a deposit at the time of execution of the contract, this practice must be tempered by the need to protect consumers from unscrupulous contractors. By collecting one-third as a deposit, a contractor is able to purchase necessary supplies without those expenses coming out of pocket. However, often contractors do not finish the job, perform the work poorly, or, in some cases, do not even begin the work at all. By increasing the amount of the initial deposit, it increases the harm to consumers in these situations, even if the amount is financed since the consumer would still be liable for repaying the deposit to the lender whether or not the work is completed.

The Consumer Protection Division receives complaints from consumers advising the Division that they have been scammed by a contractor who collected a deposit and then failed to complete the work or did not even begin the work. In many of these cases the contractor can no longer be found and refuses to return phone calls. By increasing the amount that can be collected as a deposit, these situations will increase. Moreover, there can be disputes even with honest and reputable contractors. This bill diminishes the recourse available to consumers who find that the work is severely delayed, poorly done or not completed.

The Honorable Paul G. Pinsky
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This bill may look superficially like § 10-504 of the Real Property Article, under which a new home deposit for a custom home does not have to be protected by an escrow account, bond or letter of credit if financed by a chartered financial institution. In that scenario, however, it is expected that the financial institution will pay according to a draw schedule so the consumer would not be liable for the entire amount if the builder fails to complete the job. There is no such requirement with a home improvement contract, so the consumer's entire deposit could be at risk regardless of whether the amount of the deposit was financed.

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

cc: The Honorable Adelaide C. Eckardt
Members, Education, Health, and Environmental Affairs Committee