**SENATE JUDICIARY COMMITTEE**
**Senator Thomas Umberg, Chair**
**2025-2026 Regular Session**

SB 784 (Durazo)
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Hearing Date: April 29, 2025
Fiscal: Yes
Urgency: No
AWM

## SUBJECT

Home improvement loans: right to cancel contracts

## DIGEST

This bill adds requirements and restrictions related to home improvement loans, as defined.

## EXECUTIVE SUMMARY

Existing law regulates home improvement contracts, as defined, entered into between a consumer and a contractor. Existing law also imposes additional protections for "home solicitation contracts," which are home improvement contracts entered into at a location other than the contractor's usual place of business—generally the consumer's home. The theory behind this added layer of protection is that consumers are more likely to be vulnerable to high-pressure sales tactics, and more likely to rush into a transaction, when they are unable to walk away from a transaction because the salesperson is in their home.

According to the author and sponsor, it is increasingly common for home solicitation contracts to be paid for through financing facilitated by the in-home salesperson. In these transactions, the salesperson or contractor has the consumer complete the paperwork for the home improvement contract and the financing in one integrated transaction; according to the sponsors, consumers often do not realize that they agreed to a loan. The sponsors report that this new home improvement financing market is plagued by deceptive lending practices and significant risks, including misrepresentations about the value of the home improvements (especially solar panels) and contracting work that goes unfinished, while the consumer is still on the hook for the loan repayments.

This bill is intended to address deceptive and coercive tactics in home improvement financing by imposing a regime of requirements for loans issued in connection with home improvement contracts. Among other things, the bill requires a lender to have a call with the consumer before the loan is executed to explain the key terms; allows a consumer to assert any claims or defenses against the holder of the loan that would be available to the consumer against the contractor or salesperson in connection with misrepresentations about the key terms or benefits of the contract, unless the lender cured the misrepresentations on the pre-execution call; and provides that a consumer's obligation to begin loan payments does not begin until certain conditions are met. Additionally, the bill extends the current three-day cancelation window for home improvement contracts, and five-day cancelation window for senior citizens, to five days and seven days, respectively. The author has agreed to amendments to clarify a number of the bill's requirements, both to provide more guidance to lenders and to strengthen the consumer protections of the bill.

This bill is sponsored by the Consumer Federation of California and Housing and Economic Rights Advocates (HERA), and is supported by AARP, the California Low-Income Consumer Coalition, the Center for Responsible Lending, Consumer Reports, the Contractors State License Board, Elder Law & Advocacy, the National Consumer Law Center, the National Housing Law Project, Public Counsel, Rise Economy, SEIU California, and UDW/AFSCME Local 3930. This bill is opposed by the American Fintech Council, the California Solar & Storage Association, EnFin Corp., Heating, Air Conditioning, and Refrigeration Distributions International, and the Solar Energy Industries Association. The Senate Banking and Financial Institutions Committee passed this bill with a vote of 5-0.

## PROPOSED CHANGES TO THE LAW

Existing law:

1) Establishes the Contractors State License Law (CSLL), which governs the licensure and conduct of contractors, including subcontractors, who undertake or offer to undertake construction or repair projects, under the oversight of the Contractors State License Board (CSLB). (Bus. & Prof. Code, div. 3, ch. 9, §§ 7000 et seq.)

2) Defines the following relevant terms:
   a) "Senior citizen" means a person who is 65 years of age or older. (Bus. & Prof. Code, § 7150.)
   b) "Home improvement" includes the repairing, remodeling, altering, converting, or modernizing of, or adding to, residential property, including the construction, erection, installation, replacement, or improvement of driveways, swimming pools, terraces, patios, awnings, storm windows, solar energy systems, landscaping, fences, porches, garages, fallout shelters, basements, and other improvements of the structures or land which is adjacent to a dwelling house, as well as the installation of home improvement

goods or the furnishing of home improvement services, as specified. (Bus. & Prof. Code, § 7151.)

c) "Home improvement contract" means an agreement, oral or written, between a contractor and an owner or a contractor and a tenant, if the work is to be performed in, to, or upon the residence or dwelling unit, for the performance of a home improvement, as defined, and includes all labor, services, and materials to be furnished and performed thereunder; "home improvement contract" also means an agreement, oral or written, between a salesperson and an owner or tenant, which provides for the sale, installation, or furnishing of home improvement goods. (Bus. & Prof. Code, § 7151.2.)

d) "Home improvement salesperson" is a person who is registered under the Contractors State License Law and is 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, or for swimming pools, spas, or hot tubs on behalf of a home improvement contractor licensed under the Contractors State Licensing Law, subject to specified exceptions. (Bus. & Prof. Code, § 7152.)

3) Establishes consumer protections for home improvement contracts in excess of $500, including:

   a) The contract must be in writing and in at least 10-point or 12-point typeface, as specified.
   b) The contractor shall give the buyer a copy of the contract signed and dated by both the contractor and the buyer before any work is started.
   c) The contract must include specified terms and information about the contractor.
   d) If a down payment is required, it may not exceed $1,000 or 10 percent of the contract price, whichever is less.
   e) A buyer has the right to cancel the contract within three business days of executing the contract; or, if the buyer is a senior citizen, the buyer has the right to cancel the contract within five business days of executing the contract. (Bus. & Prof. Code, § 7159.)

4) Provides that failure of a licensed contractor or a person subject to licensure, or their agent or salesperson, to comply with specified home improvement contract requirements, including the following, is cause for discipline:

   a) The contract must be in writing and include the agreed contract amount in dollars and cents. The contract amount must include the entire cost of the contract, including profit, labor, and materials, but not finance charges.
   b) If a down payment will be charged, the down payment cannot exceed $1,000 or 10 percent of the contract amount, whichever amount is less.
   c) Except for a down payment, a contractor cannot request nor accept payment that exceeds the value of the work performed or material delivered. This prohibition includes advance payment in whole or in part from any lender or

financier for the performance or sale of home improvement goods or services. (Bus. & Prof. Code, § 7159.5.)

5) Provides that a contract is extinguished by its rescission, and establishes the general means by which a contract may be rescinded, including if all of the parties thereto consent, or if the consent of the party rescinding was given by mistake or obtained by duress, menace, fraud, or undue influence by the other party to the contract. (Civ. Code, §§ 1688, 1689.)

6) Defines "home solicitation contract or offer" as a contract for the sale, lease, or rental of good or services made at other than appropriate trade premises, as specified, in an amount of $25 or more; "services" do not include financial services unless those financial services are connected with the sale of goods or services. (Civ. Code, § 1689.5.)

7) Establishes requirements for home solicitation contracts or offers to contract not covered by the CSLL, including:
   a) A buyer has the right to cancel a home solicitation contract or offer until midnight of the third business day, or midnight on the fifth business day if the buyer is a senior citizen (aged 65 years or older), after the day on which the buyer signs an agreement or offer to purchase, or after their receipt of a signed and dated copy of the contract.
   b) The buyer's agreement or offer to purchase must be written in the same language as principally used in the oral sales presentation, shall be dated and signed as specified, and must include specified language regarding the three-day or five-day right to cancel. (Civ. Code, §§ 1689.6, 1689.7.)

8) Provides that the requirements in 7), above, do not apply to a contract that meets all of the following requirements:
   a) The contract is initiated by the buyer or the buyer's agent or insurance representative.
   b) The contract is executed in connection with the making of emergency or immediately necessary repairs that are necessary for the immediate protection of persons or real or personal property.
   c) The buyer gives a separate statement that is dated and signed that describes the situation that requires immediate remedy, and expressly acknowledges the right to cancel within the applicable period. (Civ. Code, § 1689.13.)

This bill:

1) Extends the timeframe to cancel a home solicitation contract that meets the requirements of a home improvement contract for contracts entered into, or offers to purchase conveyed, on or after January 1, 2026, as follows:
   a) The default three-day cancelation window is extended to five days.

   b) The five-day cancelation window for senior citizens is extended to seven days.

2) Adds a new title within Part 4 of Division 3 of the Civil Code regulating home improvement loans ("Title 1.87").

3) Defines the following terms within Title 1.87:
   a) "Consumer" has the same meaning as in Section 4502 of the Financial Code.
   b) "Consumer loan" has the same meaning as defined in Section 22203 of the Financial Code.
   c) "Dealer fee" means a charge associated with a home improvement loan that meets any of the following conditions: (1) the charge is paid to the lender by a third party as a condition of the credit; (2) the charge is retrained by the lender as a condition of the extension of credit; or (3) the charge is treated by the lender as seller's points pursuant to Section 1026.4 of Title 12 of the Code of Federal Regulations.
   d) "Home improvement" has the same meaning as defined in Section 7151 of the Business and Professions Code.
   e) "Home improvement contract" has the same meaning as defined in Section 7159 of the Business and Professions Code.
   f) "Home improvement loan" means a consumer loan that will be disbursed to a contractor in connection with a home solicitation contract to finance a home improvement, but does not include a PACE assessment.
   g) "Home solicitation contract" has the same meaning as in Section 1689.5 of the Civil Code.
   h) "PACE assessment" has the same meaning as in Section 22015 of the Financial Code.
   i) "Solar energy system" has the same meaning as in 7151 of the Business and Professions Code.

4) Provides that, except as provided in 5), below, a consumer's repayment obligations under a home improvement loan, including, but not limited to, payments, fees, penalties, and interest, shall not commence until the lender has done either of the following:
   a) Confirmed that all home improvements financed in whole or in part by the home improvement loan have been given final approval by all permitting agencies and the consumer confirms, orally and in writing, that the improvements are operational.
   b) Completed a reasonable investigation that all home improvements are operational.

5) Provides, notwithstanding 4), below, that if the home improvement is a solar energy system, a consumer's repayment obligations under a home improvement loan shall

not commence until the lender confirms that the utility supplying electricity to the property has been connected to the solar energy system and has granted permission to operate the solar energy system, and the consumer confirms, orally and in writing, that the solar energy system is operating.

6) Provides that a lender shall not report a home improvement loan to a credit reporting agency or record a financing statement in connection with the home improvement loan until the consumer repayment obligations have commenced pursuant to 4) or 5).

7) Requires the lender, before a consumer executes a home improvement loan, to disclose to the consumer, orally and in writing, the dealer fee, if any, associated with the loan, as follows:
   a) The lender shall complete and deliver to the consumer a printed copy of the disclosure set forth in 7)(b), or a substantially similar printed document that displays the same information in a substantially similar format, in no smaller than 14-point type.
   b) The disclosure must state "the amount of your loan may include a dealer fee that is not included as a finance charge for the purpose of calculating the annual percentage rate (APR) of the loan. This means that the true cost of this loan may be higher than indicated by the APR. If you seek financing from another lender that does not have a relationship with your contractor, the loan is unlikely to include a dealer fee. For this reason, you are encouraged to shop around and compare the costs of different loans before deciding which to use for this project," and state the dollar amount of the dealer fee, as specified.
   c) The consumer must sign the disclosure before the loan agreement may be executed.
   d) The oral disclosure shall be provided in substantially the same form as the written disclosure.

8) Provides that, in a dispute arising out of a home solicitation wherein a home improvement loan is obtained, a consumer may assert against the lender a claim or defense arising out of the solicitation of a home improvement loan available to the consumer against a contractor, salesperson, or broker who solicited the home improvement loan with misrepresentations as to the key terms of the loan, as defined in 9), or the financial benefits of the home improvement.
   a) A lender shall not be held liable pursuant to 8) for a misrepresentation made by a contractor, salesperson, or broker that is cured by the lender in the telephone, video, or digital call required in 10).
   b) This provision does not limit any rights or remedies available to the consumer by any other law.

9) Defines the following terms for purposes of 10) and 12):

a) "Key terms" means the material terms of the home improvement loan, including, but not limited to:
    i. What home improvements are being financed.
    ii. The name of the contractor who will receive the loan proceeds.
    iii. The loan term or period of time for repayment.
    iv. The total cost of the loan.
    v. The monthly payment amounts.
    vi. The finance charge and due dates.
    vii. Whether the amount of monthly payments due will change during the term of the loan.
    viii. The annual percentage rate of interest.
    ix. How late fees may be incurred.
    x. How payments more than the minimum payment will be applied.
    xi. Whether there are any prepayment penalties.
    xii. When the first payment is due.
b) "Their own interpreter" means a person who meets all of the following conditions:
    i. The person is not a minor.
    ii. The person is able to speak fluently and read with full understanding both the English language and any of the languages specified in Civil Code section 1632 (currently Spanish, Chinese, Tagalog, Vietnamese, and Korean).

10) Requires a lender, before a consumer executes a contract for a home improvement loan to pay for a home improvement and before the right-to-cancel time period expires for a home improvement contract that is being financed by a home improvement loan, to do all of the following:
    a) Obtain a copy of the home improvement contract for the home improvement that is being finalized by the home improvement loan.
    b) Complete and document a telephone, video, or digital call with the consumer, or an authorized representative of the consumer, to obtain oral confirmations about both of the following:
        i. All owners of the property have received a copy of the home improvement loan contract, with the key terms completed, the financing estimate and disclosure form required under the federal Truth in Lending Act, and the right-to-cancel form.
        ii. The key terms of the home improvement loan contract, in plain language, with the consumer on the call or to a verified authorized representative of the consumer on the call, and an acknowledgement from the consumer on the call to whom the oral confirmation is given.
    c) Determine with reasonable certainty that the consumer, or an authorized representative of the consumer, understands the terms of the home improvement contract.

11) Requires the lender, at the beginning of the oral confirmation required in 10), to ask if the consumer would prefer to communicate during the oral confirmation primarily in a language other than English that is specified in Civil Code section 1632.
    a) If the preferred language is supported by the lender, the oral confirmation shall be given in that primary language, except where the consumer on the call chooses to communicate through their own interpreter.
    b) If the preferred language is not supported and an interpreter is not chosen by the consumer on the call, the home improvement loan contract shall not proceed.

12) Requires the oral confirmation call under 10) to include, but is not limited to, all of the following information:
    a) The consumer on the call has the right to have other persons present for the call, and an inquiry as to whether the consumer requests to exercise the right to include anyone else on the call; this shall occur at the onset of the call, after the determination of the preferred language communication. The contractor or contractor salesperson, or both, for the home improvements being financed by the loan shall not be present during, or participate in, the call. A third party shall not be allowed to participate in the call unless expressly authorized by the consumer.
    b) The consumer on the call is informed that they should review the home improvement loan and financing estimate and disclosure form with all other owners of the property.
    c) The home improvements being installed that are being financed by the home improvement loan, including, but not limited to, the description of the home improvements as described in the home improvement contract.
    d) The key terms of the home improvement contract.
    e) Confirmation of the consumer's gross monthly household income and ability to pay the monthly payment amount and total cost.
    f) The consumer understands that any estimates of cost savings from the home improvements are not guaranteed and may be unreliable.
    g) Whether the property will be subject to a financing statement filing request, as specified in Section 9501 of the Commercial Code, during the term of the loan contract and that the obligations under the loan contract may be required to be paid in full before the property owner sells or refinances the property.
    h) Confirmation of the identity of the consumer, including their email address, that they have signed a home improvement loan with the lender, and, if the lender will send communications to the borrower through email, confirmation that the consumer is able to access email.

13) Requires a lender to maintain a recording of the oral confirmation required by 10) for at least five years after the loan term ends and shall make it available to the consumer on request.

14) Provides that, if the oral confirmation required in 10) was conducted primarily in a language other than English that is specified in Civil Code section 1632, the lender shall deliver in writing to the consumer, in the language used during the oral confirmation, the disclosures and contract or agreement required by law, including, but not limited to:
    a) The loan contract.
    b) The right-to-cancel form.
    c) The financing estimate and disclosure required under the Federal Truth in Lending Act.

15) Requires a lender that offers or provides a home improvement loan to make available to the consumer, upon request, information in the control or possession of the lender concerning the home improvement loan that was provided to the consumer to finance the home improvement contract.

16) Requires a lender to comply with a request under 15) when the request is in writing, submitted by the consumer or their authorized representative, and includes the name of the consumer, the project subject to the financing agreement, information that enables the lender to identify the consumer's account, and states the information that the consumer is requesting.

17) Requires a lender to provide any of the following documentation to the consumer or their authorized representative upon a request that satisfies 16):
    a) The financing application.
    b) The financing agreement and disclosures, including all certificates, disclosures, and contracts associated with the home improvement loan, and including any signed or initialed copies.
    c) A copy of the home improvement contract for the financed work.
    d) Completion certificates or other documentation relied upon to evidence that performance of the financed home improvement was completed or satisfactorily concluded, including any signed copies.
    e) Documentation of any electronic signatures obtained in connection with the home improvement loan, including electronic certificates, electronic signature envelopes, or audit trails.
    f) Documentation of all payments to the contractor.
    g) The transaction history between the lender and the consumer.
    h) Financing estimates and disclosures.
    i) An accounting from the date of the original transaction to the present.
    j) If secured by a financing statement, as defined, a copy of the financing statement.

k) Recordings of all oral confirmation calls with the consumer or their authorized representative or representatives.
l) Documentation of any investigation performed in compliance with 4).
m) Documentation of any dealer fees.
n) Documentation of the lender's compliance with 7).

18) Requires a lender to maintain each of the records specified in 17) relating to any transaction for five years from the end of the loan term or the last date the loan is active, whichever is later.

19) Permits a lender, by written notice provided to a consumer, to establish an address that a consumer must use to request information in accordance with the procedures for requesting and receiving documentation.

20) Requires a lender, no later than 30 business days after the lender receives a request for information, to do one of the following:
   a) Provide the consumer with the requested information and contact information, including a telephone number, for further assistance in writing.
   b) Conduct a reasonable search for the requested information and provide the consumer with a written notification that states that the lender has determined that the requested information is not available to the lender. That notification shall also identify the basis for the lender's determination, and provide contact information, including a telephone number, for further assistance.

21) Prohibits a lender, as a condition for responding to an information request, from charging a fee, or requiring a consumer to make any payment that may be owed on the consumer's request, or imposing any other condition.

## COMMENTS

1. Author's comment

According to the author:

> The Consumer Financial Bureau, the Center for Responsible Lending, Time Magazine, and a wealth of other publications have exposed the solar home improvement financing industry as a market plagued by deceptive lending practices and significant risks to consumers. Contractors and lenders often use aggressive sales tactics to convince vulnerable homeowners—especially non-English speakers, limited English proficient (LEP) individuals, and the elderly—to agree to unnecessary home improvement projects. These projects are frequently funded by expensive consumer loans with unclear terms that many homeowners cannot bear. This issue extends beyond the solar industry and encompasses a wide range of home improvement projects, including the rapidly

expanding market for Accessory Dwelling Units (ADUs), where deceptive practices are becoming more prevalent.

The Center for Responsible Lending has likened the harms of the solar financing industry to the subprime mortgage crisis of 2007-2010, with many consumers left in a worse financial situation than before the salesperson visited. Oftentimes, homeowners are unaware that they've entered into a loan agreement, trusting the salesperson's assurance that the cost of the improvements will be covered by a government program.

Research shows that consumers in states with weaker consumer protections are harmed more than those in states with stronger protections. In recent years, some State Attorneys General have filed lawsuits against bad actors in the solar installation and financing sectors, further highlighting the need for stronger regulation and enforcement.

In the solar industry, about 70% of installations were financed through loans last year. Meanwhile, ADUs—an expanding market—are seeing a similar surge in misleading financing practices. The Contractors State License Board (CSLB), which oversees contractors in California and supports SB 784, has reported a 176% increase in complaints against solar companies. This spike has led the CSLB to establish a multiple-offender unit to address misconduct. To further manage the rising enforcement workload, the CSLB has requested a Budget Change Proposal for an additional 4 positions and $708,000 for fiscal year 2025-26.

SB 784 aims to proactively protect consumers by introducing reasonable safeguards, enhancing transparency, and addressing misleading industry practices that too often has resulted in foreclosure, bankruptcy, and other financial distress for homeowners.

2. California's protections for home solicitation contracts

All contractors in the state of California must be licensed by the CSLB.[1] California also has a robust consumer protection regime for home improvement contracts entered into between a consumer and the contractor or contractor's salesperson.[2] On top of that, California has additional protections for "home solicitation offers," which are home improvement contracts entered into at a location other than the contractor's "appropriate trade premises,"[3] which is usually, but not exclusively, at the consumer's home.[4] The purpose of these laws is to:

[1] Bus. & Prof. Code, div. 3, ch. 9, §§ 7000 et seq.
[2] *See* Bus. & Prof. Code, div. 3, ch. 9, art. 10, §§ 7150 et seq.
[3] Civ. Code, §§ 1689.5, 1689.6.
[4] *Id.*, § 1689.6.

> [P]rotect consumers against the types of pressures that typically can arise when a salesman appears at a buyer's home. One such pressure arises in the usual door-to-door sales situation and consists of the buyer being forced to make an immediate decision regarding a product or service which he had not contemplated until the seller appeared at his door…A second and equally serious pressure arises, however, from the fact that the seller may be an intimidating presence once inside the buyer's home. A reluctant buyer can easily walk away from a seller's place of business, but he cannot walk away from his own home, and he may find that the only practical way of getting the seller to leave is to agree to buy what the seller is selling.[5]

The requirements for home solicitation contracts and offers include:

- The right to cancel a home improvement contract entered into away from the contractor's business at any point until the buyer receives a signed and dated copy of the contract.[6]
- A three-day right to cancel a home improvement contract entered into away from the contractor's place of business, or a five-day right if the buyer is a senior citizen, running from the time the buyer receives the signed and dated contract.[7]
- The contract must include specified disclosures relating to the terms of the contract, the right to cancel, the financing of the contract, if any, and how to contact the CSLB, which licenses and oversees contractors in the state.[8]

3. <u>Concerns about the home-improvement loan industry</u>

The requirements set forth in Comment 2 apply to the contract for work between the consumer and the contractor or contractor's salesperson. According to the author and sponsor, however, additional protections are needed for the financing component of home improvement loans, i.e., the contract between the consumer and the lender that accompanies the home improvement contract.

The Consumer Financial Protection Bureau (CFPB) released a report in 2024 detailing the recent increase in door-to-door sales of solar-related products and financial products.[9] The report explains that solar improvement loans are often facilitated by large financial technology firms and come with risks not previously prevalent in home solicitation contracts, including:

- "**Hidden markups and fees.** The CFPB has found that some lenders include substantial markups and fees that can increase the loan principal by 30 percent or

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[5] *Weatherall Aluminum Products Co. v. Scott* (1977) 71 Cal.App.3d 245, 248.
[6] Civ. Code, § 1689.6(a)(3).
[7] *Id.*, § 1689.6(a)(2).
[8] Civ. Code, §§ 1689.7, 1689.8; Bus. & Prof. Code, §§ 7159, 7159.1.
[9] CFPB, Report: Solar Financing Market Issue Spotlight (Aug. 2024) p. 2, *available at* https://files.consumerfinance.gov/f/documents/cfpb_solar-financing-issue-spotlight_2024-08.pdf (link current as of April 24, 2025).

more above the cash price. Lenders frequently bake these fees (commonly referred to within the industry as "dealer fees") into the loan principal but often do not indicate that these fees are a markup from the total cash price that consumers pay for the system installation."[10]

- "**Misleading statements concerning federal tax credits**. Many solar loan sales pitches promote the 30 percent federal "Investment Tax Credit" for residential solar installations with a presumption of universality. However, the tax credit is not a guarantee—it depends on the consumer's federal tax liability."[11]
- **"Misrepresentations and omissions concerning "voluntary" prepayments.** Many solar loans are structured to increase the required monthly payment unless the borrower prepays a large share of the loan principal—typically 30 percent, which is the presumptive amount of the federal tax credit. However, many consumers are surprised by the prepayment expectation, do not receive the presumptive amount of the tax credit, or will not have the funds to remit that prepayment. As a result, they will face large increases to their monthly payments."[12]
- "**Misrepresentations regarding financial benefits**. While households can generate substantial savings from solar energy installation, the CFPB identified misleading statements and marketing materials. Consumers report being told that solar panels will not only cover the cost of the financing but also eliminate future energy bills, when the actual financial benefits are uncertain and can vary significantly by geographic location and season, among other factors."[13]

The author and supporters argue that the problem of predatory lending practices are not limited to solar-related loans. For example, AARP California writes in support:

> Home improvement scams in particular often target older Americans. According to the National Council on Aging (NCOA), those ages 60 to 78 were most likely to become victims of this type of scam, losing an average of $2,426. NCOA reports that fraudsters seek out older homeowners because they believe they are more trusting, wealthier, and more likely to have cognitive issues. A report of the Senate Special Committee on Aging in 2016 found that home improvement scams were among the top 10 scams reported to the committee's fraud hotline.

The CSLB, also writing in support, states that "[w]hile CSLB does not oversee lenders or lending practices, CSLB receives a significant number of complaints related to incomplete home improvement projects where loan payments are due to the lender."

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[10] *Ibid.*
[11] *Ibid.*
[12] *Ibid.*
[13] *Id.* at pp. 2-3.

4. <u>This bill regulates consumer home improvement loans</u>

In response to concerns about the home improvement financing market, this bill imposes requirements on home improvement financing companies in connection with the execution of, and collection on, home improvement loans. The bill defines a "home improvement loan" as a consumer loan that will be disbursed to a contractor in connection with a home solicitation contract to finance a home improvement. The bill's specific protections are set forth below.

This bill is similar to, and sponsored by one of the same entities as, AB 2993 (Grayson, 2024). AB 2994 was referred to the Senate Judiciary Committee and was set to be heard on July 2, 2024, after it was passed by the Senate Banking and Financial Institutions Committee. The author, however, pulled the bill from the agenda. The author of this bill has made several changes to address concerns raised by home improvement contractors and financing companies last year, though several points of contention remain. In response to concerns raised by opposition, the author has agreed to a number of amendments; these are discussed below, and a complete mock-up of the amendments is set forth in the Appendix to this analysis.

*a. Extension of the cancellation period*

This bill extends the three-day cancelation window for most persons, and the five-day cancelation window for persons over 65 years of age, to a five days and seven days, respectively. The author and sponsors assert that the extra time will give consumers more of a cooling down period in which they can rethink loans that may have been executed in a high-pressure scenario, or to give them time to research whether the financing offered was actually a good deal. The extended windows would take effect only for contracts or offers made on or after January 1, 2026, and the consumer can still waive the cancelation window for emergency repairs. Opposition letters submitted to the Committee do not object to this portion of the bill.

*b. Delayed repayment obligations*

This bill delays the point at which a consumer's repayment obligations under a home improvement loan begin. For a non-solar loan, the consumer's repayment obligations do not commence until the lender has done one of the following:

- Confirmed that all home improvements financed in whole or in part by the home improvement loan have been given final approval by all permitting agencies and the consumer confirms, orally and in writing, that the improvements are operational; or
- Completed a reasonable investigation and determined that all home improvements are operational.

If the home improvement system is a solar energy system, a consumer's repayment obligations under the home improvement loan do not commence until the lender confirms that the utility supplying electricity to the property has been connected to the solar energy system and has granted permission to operate the solar energy system, and the consumer confirms, orally and in writing, that the solar energy system is operating.

The author and sponsors argue that this measure will ensure that consumers do not have to make loan payments on shoddy or incomplete work. The bill's opponents argue that the requirements are too stringent, for a couple of reasons. With respect to the first prong for non-solar improvements, they assert that, because of permitting delays at the local government level, it can take months, or even over a year, for permits to be officially approved; if they are unable to begin collecting loan payments on fully operational improvements for months or years, they say, they will be unable to continue lending. With respect to the second prong, they argue that the "reasonable investigation" is vague and overly onerous for a financial institution. They also argue that the method for confirming that the solar improvements are working will cause undue delay before the loan obligations commence.

In response to these concerns, the author has agreed to provide examples of what could constitute a "reasonable investigation" of a non-solar improvement, namely, video and photographic evidence of the home improvements in use. The amendments also clarify that any representations made by the consumer that the improvements are working cannot be held against the consumer for any subsequently discovered problems with the improvements. The amendments do not address the method for confirming that solar improvements are working; the author and opposition are encouraged to keep working on this issue.

*c. Dealer fee disclosure*

As noted above, the CFPB found that solar-related loans often involve hidden markups of up to 30 percent of the loan that increase the consumer's overall cost. For example, for a job where the contractor's base price is $30,000, the contractor or lender might add a fee—referred to using ambiguous language such as "dealer fee," "program fee," or "platform fee"—of up to $9,000 to the principal amount.[14] The Center for Responsible Lending found a similar problem: while the salesperson touts the advantage of the low cost of financing for the loan, neither the contractor nor the lender disclose to the consumer that an added fee is being added to the principal, functionally eroding the advantage of the low APR.[15]

This bill requires a lender, before the consumer executes a home improvement loan, to disclose to the consumer, orally and in writing, any dealer fee associated with the loan. The disclosure must be made in a physical writing and orally, as specified.

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[14] CFPB, Report: Solar Financing Market Issue Spotlight, *supra*, at p. 13.
[15] Lederer & Kushner, The Shady Side of Solar System Financing, Center for Responsible Lending (Jul. 2024) pp. 12-13.

Opponents of the bill argue that they cannot deliver the physical copy of the disclosure to the consumer before the loan is executed, and that they might not know whether the contractor has elected to add to the cost of the loan in order to obtain a more favorable interest rate.

In response to these concerns, the author has agreed to (1) amend the definition of "dealer fee" to be more precise; (2) clarify that the lender can have someone else deliver the physical copy of the disclosure to the consumer, and that the physical copy can be a pre-printed form with blanks to be filled in for the dealer fee and base cost of the work; and (3) added clarity with respect to how the dealer fee and provision of the form must be treated on the pre-execution call with the consumer (discussed below).

*d. Lender liability*

Under a federal regulation known as the Holder in Due Course Rule, a seller that arranges direct loan financing for its customers must include a specified provision in the loan contract that subjects the holder of the loan contract to all claims and defenses which the debtor could assert against the seller of goods or services obtained with the proceeds of the loan, up to the amount of the loan.[16] In the home improvement loan context, the Holder in Due Course Rule allows a consumer to seek from the lender (or whoever holds the loan) damages they could have sought from the contractor, or to defend against a lender's claim for payment on the basis of issues arising from the contractor's work. This gives consumers added security against contractors who have gone out of business or who are under-insured, and gives lenders an added incentive to do due diligence into the contractors with whom they partner.

This bill permits a consumer, in a dispute arising out of a home solicitation contract wherein a home improvement loan is obtained, to assert against a lender a claim or defense arising out of the solicitation of a home improvement loan that would be available to the consumer against a contractor, salesperson, or broker who solicited the home improvement loan with misrepresentations as to the key terms of the loan, or the financial benefits of the home improvement. The bill allows a lender to avoid liability under this provision if the lender cures any misrepresentations made by the contractor, salesperson, or broker in the lender's call with the consumer, discussed below.

Opponents of the bill argue that the Holder in Due Course rule is sufficient, and that the phrase "financial benefits" is overly vague. To address these concerns, the amendments specify that "financial benefits" include tax benefits and cost savings from the home improvement, which the sponsors report are the two most common home-improvement-related misrepresentations. Additionally, the amendments clarify that a lender can cure a specific misrepresentation with a statement that the specific financial benefit is not a term of the loan and the consumer should not rely on it. This language is intended to put the onus on the lender to inquire as to what promises were made to

[16] 16 C.F.R. § 433.2.

the consumer as part of the sales pitch, so that the lender can disclaim any and every specific misrepresentation that may have been made. Not only will this protect consumers, but it should give lenders a better sense of whether certain contractors with whom they partner are chronic over-promisers.

*e. Pre-execution lender call*

This bill requires a lender, before the home improvement loan is executed and before the right-to-cancel window on the home improvement contract expires, to conduct a telephone, video, or digital call with the lender in which the lender explains the key terms of the loan. The bill includes a non-inclusive list of key terms, including (1) the home improvements being financed, (2) the loan term or period of time for repayment, (3) the total cost of the loan, (4) the APR, and (5) when the first payment is due. The consumer has a right to proceed with an interpreter if they speak one of the five most-common non-English languages spoken in the state;[17] if the lender cannot provide an interpreter, and there is no person on the consumer's side to perform as an interpreter, the loan contract cannot be executed. The bill also specifies that the contractor cannot be present for the call between the lender and the consumer.

The author and sponsor argue that this call is essential to ensure that the consumer is not taking on debt on the basis of unclear, glossed-over, or misrepresentations by the contractor or salesperson. The bill's opponents are generally supportive of a confirmation call requirement, but argue that the call should come after the lending documents are executed, with the caveat that a consumer could still cancel the loan transaction based on information received on the confirmation call.

The author has agreed to several amendments to this provision. Some are simply organizational, such as placing the two discussions that must happen at the outset of the call—first determining whether the consumer needs an interpreter, then ensuring that the contractor or salesperson are not present—next to each other in the statute. Some, however, are substantive. The amendments clarify that the lender is entitled to rely on the consumer's representations, provided that the lender follows the necessary steps and gives the consumer time to ask any questions they may have. The amendments also clarify the nature of some of the questions that must be asked and the information that must be conveyed. Finally, the amendments add requirements relating to the potential benefits of the home improvement; these are intended to ensure that consumers are given as clear a picture as possible of the true upsides and downsides of the home improvements and debt to which they are agreeing.

*f. Consumer right to documents*

This bill requires the lender of a home improvement loan to make specific documents available to the consumer upon request, as specified. The bill also requires a lender to

[17] *See* Civ. Code, § 1632 (Spanish, Chinese, Tagalog, Vietnamese, and Korean).

maintain the documentation for five years from the end of the loan or the last date the loan is active, whichever is earlier. A lender must respond to a request for documentation within 30 business days, and may not charge a fee for the request or production of documents. Opponents of the bill express concern that the bill is too lax with respect to protecting consumers' sensitive information. There are no amendments to this section at this time, the author and sponsor may wish to keep working with the opponents on mutually agreeable language.

6. Arguments in support

According to a coalition of the bill's sponsors and supporters:

> Because of the inherent likelihood of abuse, existing law provides special protections for "home solicitation contracts", those that are negotiated outside the contractor's place of business, such as through door-to-door sales. Unfortunately, the law does not adequately address the role of lenders who finance these improvements, often leaving consumers vulnerable. Aggressive marketing tactics and door-to-door solicitation often lead homeowners to agree to projects they may not necessarily need, funded by costly unsecured consumer loans with opaque terms. Furthermore, when projects are left incomplete or poorly executed, homeowners have limited recourse with the finance lender who is seeking repayment of the loan for substandard or incomplete work.
>
> SB 784 presents a solution to these challenges by enacting changes that prioritize transparency and accountability on the part of the finance lender as well as the contractor. By extending the "right to rescind" timeline, requiring lenders to clearly communicate loan terms, and ensuring that the consumer is not required to start paying on the loan until the improvements are working, this legislation empowers homeowners to make informed decisions about their home improvement projects. Additionally, ensuring that consumers have adequate recourse against the lender for certain actions by the contractor promotes oversight of the contractor's solicitation and performance of the financed home improvement projects, and ensures greater accountability within the industry.

7. Arguments in opposition

According to the Solar Energy Industries Association (SEIA):

> SEIA supports the intent of SB 784; however, we have various concerns and believe that amendments will improve the bill. We wish to highlight a few of these concerns, specifically the proposals related to repayment, welcome calls, and defenses.
>
> - **Loan Repayment:** Under SB 784, lenders would not be able to ask customers to repay the loan until the relevant electric utility provides

permission to operate; and the customer provides both written and oral confirmation that the solar system is operational. This is challenging as utilities do not have mandatory timelines to approve interconnection applications. Additionally, requiring written and oral confirmation could cause confusion among consumers, who may not understand why they must provide both forms of confirmation for a lender to be repaid. These provisions also effectively allow a consumer to decide when, if ever, they repay the loan.

- **Welcome Call:** This bill would require lenders to obtain a copy of the home improvement agreement and conduct a welcome call to walk through the loan terms and home improvement agreement. While SEIA supports the concept of a welcome call to discuss key loan terms, there are a number of concerns with this proposal:
  - In cases where consumers apply for a loan before signing a home improvement agreement, it would be impossible for lenders to walk them through a home improvement offer in a welcome call. Additionally, lenders are typically not registered contractors who sold the home improvements to the customer. Thus, they are not the ideal party to explain the terms of the home improvement contract to a customer.
  - Welcome calls typically take place after customers sign an agreement, because then there is a contract and terms to review. Requiring a welcome call before execution could lead to more confusion for customers, and repeated calls. For instance, someone considering multiple lenders would be hit with multiple welcome calls before they select a lender. Instead, a welcome call after the agreement is signed, and during a cooling off period, would keep welcome calls targeted while still giving customers time to cancel.

## SUPPORT

California Consumer Federation (co-sponsor)
HERA (co-sponsor)
AARP
California Low-Income Consumer Coalition
Center for Responsible Lending
Consumer Reports
Contractors State License Board
Elder Law & Advocacy
National Consumer Law Project
National Housing Law Project
Public Counsel
Rise Economy
SEIU California

UDW/AFSCME Local 3930

## OPPOSITION

American Fintech Council
California Solar & Storage Association
EnFin Corp;
Heating, Air Conditioning, and Refrigeration Distributions International
Solar Energy Industries Association

## RELATED LEGISLATION

Pending legislation:

SB 517 (Niello, 2025) requires a home improvement contract, as defined, the aggregate price of which exceeds $500, to include the name and contact information of a subcontractor, when the contractor has a subcontractor performing more than 50 percent of the total estimated project cost. SB 517 is pending before this Committee and is set to be heard on the same date as this bill.

AB 1329 (Aguiar-Curry, 2025) requires a buyer's notice of cancelation of a home improvement contract to be deliverable by email, and requires the seller to include in the contract an email address to which cancelations can be sent and a telephone number which customers can call for support in completing a notice of cancelation. AB 1329 is pending before the Assembly Appropriations Committee.

AB 559 (Berman, 2025) includes, within the definition of "home improvement contract," the construction, erection, installation, replacement, or improvement of accessory dwelling units on residentially zoned property; and imposes penalties for a violation of the requirement to include specified down payment information in a home improvement contract. AB 559 is pending before the Assembly Appropriations Committee.

Prior legislation:

AB 2993 (Grayson, 2024) was substantially similar to this bill, except that it applies to all lenders, not only those licensed under the California Financing Law, and has a shorter extension of the rescission period. AB 2993 died in this Committee.

SB 601 (McGuire, Ch. 403, Stats. 2023) increased penalties for contractors who violate home improvement contract requirements when the violation occurs in a location damaged by a natural disaster, as specified.

AB 2471 (Maienschein, Ch. 158, Stats. 2020) provided senior citizens with the current five-day right to cancel various contracts and agreements, including home improvement and home solicitation contracts.

## PRIOR VOTES:

Senate Banking and Financial Institutions Committee (Ayes 5, Noes 0)

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## Appendix A

The amendments to the bill are set forth below, subject to any nonsubstantive changes the Office of Legislative Counsel may make. The mock-up starts at Section 5 because there are no amendments to Sections 1-4 of the bill. Additions are in bold and underline; deletions are in strikethrough.

**SEC. 5.** Title 1.87 (commencing with Section 1799.220) is added to Part 4 of Division 3 of the Civil Code, to read:

**TITLE 1.87.** Home Improvement Loans

**1799.220.** For purposes of this title:

(a) “Consumer” has the same meaning as defined in Section 4052 of the Financial Code.

(b) “Consumer loan” has the same meaning as defined in Section 22203 of the Financial Code.

(c) “Dealer fee” means a charge associated with a home improvement loan that ~~meets any of the following conditions:~~

~~(1) The charge is paid to the lender by a third party as a condition of the extension of credit.~~

~~(2) The charge is retained by the lender as a condition of the extension of credit.~~

~~(3) The charge~~ is treated by the lender as seller’s points pursuant to Section 1026.4 of Title 12 of the Code of Federal Regulations.

(d) “Home improvement” has the same meaning as defined in Section 7151 of the Business and Professions Code.

(e) “Home improvement contract” has the same meaning as defined in Section 7159 of the Business and Professions Code.

(f) (1) “Home improvement loan” means a consumer loan that will be disbursed to a contractor in connection with a home solicitation contract to finance a home improvement.

(2) “Home improvement loan” does not include a PACE assessment.

(g) “Home solicitation contract” has the same meaning as defined in Section 1689.5.

(h) “PACE assessment” has the same meaning as defined in Section 22015 of the Financial Code.

(i) “Solar energy system” has the same meaning as defined in Section 7151 of the Business and Professions Code.

**1799.221.** (a) Except as provided in subdivision (b), a consumer's repayment obligations under a home improvement loan, including, but not limited to, payments, fees, penalties, and interest, shall not commence until the lender has done either of the following:

(1) Confirmed that all home improvements financed in whole or in part by the home improvement loan have been given final approval by all permitting agencies and **received confirmation from** the consumer ~~confirms~~, orally and in writing, that the improvements are operational.

(2) **(A)** Completed a reasonable investigation and determined that all home improvements are operational.

**(B) A reasonable investigation may include a review of video and photographic evidence that all home improvements funded by the loan are operational and fit for use, provided that the video and photographic evidence includes geolocation and time data.**

(b) If the home improvement is a solar energy system, a consumer's repayment obligations under a home improvement loan**, including, but not limited to, payments, fees, penalties, and interest,** shall not commence until the lender confirms that the utility supplying electricity to the property has been connected to the solar energy system and has granted permission to operate the solar energy system, and the consumer confirms, orally and in writing, that the solar energy system is operating.

(c) A lender shall not report a home improvement loan to a credit reporting agency or record a financing statement in connection with the home improvement loan until the consumer repayment obligations have commenced pursuant to this section.

**(d) A consumer's confirmation under this section that a home improvement is operational shall not estop the consumer from subsequently raising any claim or defense against the contractor or lender relating to the home improvement, nor shall the confirmation be treated as a prior inconsistent statement under Section 1235 of the Evidence Code with respect to defects or other problems with the home improvement or workmanship that the consumer did not actually discover until after the confirmation.**

**1799.222.** (a) Before a consumer executes a home improvement loan, the lender shall disclose to the consumer orally and in writing the dealer fee, if any, associated with the loan in compliance with this section.

(b) **(1)** A lender shall complete and deliver to the consumer**, or cause to be completed and delivered to the consumer,** a printed copy of the disclosure set forth below, or a substantially similar printed document that displays the same information in a substantially similar format, in no smaller than 14-point type. The disclosure shall be signed by the consumer before a loan agreement may be executed.

"The amount of your loan may include a dealer fee that is not included as a finance charge for the purpose of calculating the annual percentage rate (APR) of the loan. This means that the true cost of this loan may be higher than indicated by the APR. If you seek financing from another lender that does not have a relationship with your contractor, the loan is unlikely to include a dealer fee **but may have a higher interest rate or other finance charges**. For this reason, you are encouraged to shop around and compare the costs of different loans before deciding which to use for this project.

The dealer fee for this loan is $____. You will be required to pay this back. The dealer fee is **in addition to the payment(s) made by the lender to the contractor for their work on this project**~~added on top of the actual cost of the project paid to the contractor~~, which for this loan is $____.

Confirmation of Receipt:

Your signature below serves to show you have received this disclosure. Your signature on this form is not a contract to enter into a home improvement loan.

Consumer SignatureDate"

(c) The oral disclosure required by this section shall be provided in substantially the same form as the written disclosure set forth in subdivision (b).

**(d) (1) Prior to delivering, or authorizing the delivery, of the printed copy in subdivision (b), the lender shall approve the form of disclosure that will be delivered to the consumer and provide the values of the dealer fee and the amount of the payment(s) that will be made by the lender to the contractor that will be disclosed to the consumer.**

**(2) The printed copy may be a form disclosure with blanks for the dealer fee and the actual cost of the project paid to the contractor, to be filled out by the person delivering the printed copy on behalf of the lender before delivering the form to the consumer. If a such a form copy is used, the lender must receive oral confirmation from the consumer that the form was completed and all blanks were filled in before the form was delivered and the consumer was asked to sign it on the pre-execution call required under subdivision (b) of Section 1799.224.**

**(e) (1) If the lender causes the printed copy to be delivered to the consumer pursuant to paragraph (b), the lender must confirm that the information on the printed form is accurate and receive oral confirmation from the consumer that they received and signed the printed copy of the disclosure in the pre-execution call required under subdivision (b) of Section 1799.224.**

**(f) The lender shall obtain a copy, either physical or digital, of a signed disclosure provided pursuant to this section before the consumer executes the home improvement loan.**

**1799.223.** (a) In a dispute arising out of a home solicitation wherein a home improvement loan is obtained, a consumer may assert against the lender a claim or defense arising out of the solicitation of a home improvement loan available to the consumer against a contractor, salesperson, or broker who solicited the home improvement loan with misrepresentations as to the key terms of the loan, as defined in Section 1799.224, or the financial benefits of the home improvement.

(b) **(1)** A lender shall not be held liable pursuant to subdivision (a) for a misrepresentation made by a contractor, salesperson, or broker that is cured by the lender in the telephone, video, or digital call required by Section 1799.224. **A misrepresentation about a specific financial benefit of the home improvement may be cured with a statement that the specific financial benefit is not a term of the home improvement loan and the consumer should not rely on the purported financial benefit in determining whether they can afford, or otherwise wish to enter into, the loan.**

**(2) A financial benefit of the home improvement includes, but is not limited to, any tax benefits from the home improvement or any cost savings resulting from the home improvement.**

(c) This section does not limit any rights or remedies available to the consumer by any other law.

**1799.224.** (a) For purposes of this section:

(1) "Key terms" means the material terms of the home improvement loan, including, but not limited to, all of the following:

(A) What home improvements are being financed.

(B) The name of the contractor who will receive the loan proceeds.

(C) The loan term or period of time for repayment.

(D) The total cost of the loan.

(E) The monthly payment amounts

(F) The finance charge and due dates.

(G) Whether the amount of monthly payments due will change during the term of the loan.

(H) The annual percentage rate of interest.

(I) How late fees may be incurred.

(J) How payments more than the minimum payment will be applied.

(K) Whether there are any prepayment penalties.

(L) When the first payment is due.

(2) “Their own interpreter” means a person who meets all of the following conditions:

(A) The person is not a minor

(B) The person is able to speak fluently and read with full understanding both the English language and ~~any of~~ the language~~s~~ **in which the consumer prefers to communicate, provided that the language is** specified in Section 1632 of the Civil Code.

(C) The person is not employed by, and whose services are not made available through, the lender or the contractor.

(b) (1) Before a consumer executes a contract for a home improvement loan to pay for a home improvement and before the right-to-cancel time period expires for a home improvement contract that is being financed by a home improvement loan, the lender shall do ~~all~~ **both** of the following:

(A) Obtain a copy of the home improvement contract for the home improvement that is being financed by the home improvement loan.

(B) Complete and document a telephone, video, or digital call with the consumer, or an authorized representative of the consumer to ~~obtain oral confirmations about both~~ **do all** of the following:

(i) ~~All~~ **Receive confirmation that all** owners of the property have received a copy of the home improvement loan contract, with the key terms completed, the financing estimate and disclosure form required under the federal Truth in Lending Act, and the right-to-cancel form.

(ii) ~~The~~ **Review the** key terms of the home improvement loan contract, in plain language **with, and convey all of the information required in paragraph (3) to,** ~~with~~ the consumer on the call or ~~to~~ a**n** ~~verified~~ authorized representative of the consumer on the call, and **receive oral confirmation that the consumer or their representative understands that the consumer or their representative understands the key terms of the loan** ~~an acknowledgment from the consumer on the call to whom the oral confirmation is given~~.

(**iii**~~C~~) ~~Determine with reasonable certainty that the~~ **Provide the** consumer, or an authorized representative of the consumer**, the opportunity to ask any questions about the loan or terms of the loan, and once all questions have been answered, receive oral confirmation that the consumer** understands the terms of the home improvement loan contract.

(2) (A) At the commencement of the oral confirmation required by subparagraph (B) of paragraph (1), the lender shall ask if the consumer on the call would prefer to communicate during the oral confirmation primarily in a language other than English that is specified in Section 1632 of the Civil Code. If the preferred language is supported by the lender, the oral confirmation shall be given in that primary language, except where the consumer on the call chooses to communicate through their own interpreter. If the preferred language is not supported and an interpreter is not chosen by the consumer on the call, the home improvement loan contract shall not proceed.

**<u>(B) After determining the consumer's preferred language, the lender shall inform the consumer that they have the right to include anyone else on the call, except that the contractor or contractor's salesperson shall not be present during, or participate in, the call. The lender shall ask the consumer whether they wish to have anyone else participate in the call, and confirm with the consumer that the contractor or contractor salesperson are not present. The lender shall terminate the call, and the home improvement loan contract shall not proceed, if the lender learns that the contractor or salesperson, or both, are present, or that an unauthorized third party is attempting to participate in the call.</u>**

(**<u>3</u>**~~B~~) The oral confirmation required pursuant to subparagraph (B) of paragraph (1) shall include, but **<u>need not be</u>** ~~is not~~ limited to, all of the following information:

~~(i) The consumer on the call has the right to have other persons present for the call, and an inquiry as to whether the consumer requests to exercise the right to include anyone else on the call. This shall occur at the onset of the call, after the determination of the preferred language of communication. The contractor or contractor salesperson, or both, for the home improvements being financed by the loan shall not be present during or participate in the call. A third party shall not be allowed to participate in the call unless expressly authorized by the consumer.~~

(**<u>A</u>**~~ii~~) ~~The~~ **<u>A statement that the</u>** consumer ~~on the call is informed that they~~ should review the home improvement loan and financing estimate and disclosure form with all other owners of the property.

(**<u>B</u>**~~iii~~) ~~The~~ **<u>An explanation of the</u>** home improvements being installed that are being financed by the home improvement loan, including, but not limited to, the description of the home improvements as described in the home improvement contract.

(**<u>C</u>**~~iv~~) ~~The~~**<u>An explanation of the</u>** key terms of the home improvement loan.

(**<u>D</u>**~~v~~) Confirmation of the consumer's gross monthly household income and ability to pay the monthly payment amount and total cost **<u>even if any estimated cost savings are not realized</u>**.

(**<u>E</u>**~~vi~~) ~~The consumer~~ **<u>Confirmation that the consumer</u>** understands that any estimates of cost savings from the home improvements are not guaranteed and may be **<u>based on estimates that differ from actual results, and that the consumer is obligated to repay the loan regardless of whether any estimated cost savings are realized</u>** ~~unreliable~~.

**<u>(F) Confirmation that the consumer understands that they should consult a tax professional to determine if the consumer may qualify for any tax benefits related to the home improvement project and that the consumer should not rely on any representations made by the contactor, contractor's salesperson, or lender in determining the value of any tax benefits for which the consumer may qualify.</u>**

(**<u>G</u>**~~vii~~) ~~Whether~~ **<u>Disclosure of whether</u>** the property will be subject to a financing statement filing requirement, as specified in Section 9501 of the Commercial Code, during the term of the loan contract and **<u>confirmation that the consumer understands</u>** that the obligations under the loan contract may be required to be paid in full before the property owner sells or refinances the property.

(**<u>H</u>**~~viii~~) Confirmation of the identity of the consumer, including their email address, ~~that they have signed a home improvement loan with the lender~~, and if the lender will send communications to the borrower through email, confirmation that the consumer is able to access email.

(**<u>4</u>**~~3~~) The lender shall maintain a recording of the oral confirmation required by subparagraph (B) of paragraph (1) for at least five years after the loan term ends and shall make it available to the consumer upon request.

(c) If the oral confirmation required by this section was conducted primarily in a language other than English that is specified in Section 1632 of the Civil Code, the lender shall deliver in writing to the consumer, in the language used during the oral confirmation, the disclosures and contract or agreement required by law, including, but not limited to, all of the following:

(1) The loan contract.

(2) The right-to-cancel form.

(3) The financing estimate and disclosure form required under the federal Truth in Lending Act.

**1799.225.** (a) A lender that offers or provides a home improvement loan shall make available to the consumer, upon request, information in the control or possession of the lender concerning the home improvement loan that was provided to the consumer to finance the home improvement contract, as set forth in this section.

(b) A lender shall comply with the requirements of this section for any written request for information from a consumer or their authorized representative that includes the name of the consumer, the project subject to the financing agreement, information that enables the lender to identify the consumer's account, and that states the information the consumer is requesting.

(c) A lender shall provide to the consumer or their authorized representative, upon written request, any of the following documentation:

(1) The financing application.

(2) Financing agreement and disclosures, including all certificates, disclosures, and contracts associated with the home improvement loan, and including any signed or initialed copies.

(3) A copy of the home improvement contract for the financed work.

(4) Completion certificates or other documentation relied upon to evidence that performance of the financed home improvement was completed or satisfactorily concluded, including any signed copies.

(5) Documentation of any electronic signatures obtained in connection with the home improvement loan, including electronic certificates, electronic signature envelopes, or audit trails.

(6) Documentation of all payments to the contractor.

(7) The transaction history between the lender and the consumer.

(8) Financing estimate and disclosures.

(9) An accounting from the date of original transaction to the present.

(10) If secured by a financing statement, as described in Section 9501 of the Commercial Code, a copy of the financing statement.

(11) Recordings of all oral confirmation calls with the consumer or their authorized representative or representatives.

(12) Documentation of any investigation performed in compliance with Section 1799.221.

(13) Documentation of any dealer fees.

(14) Documentation of the lender's compliance with Section 1799.222.

(d) A lender shall maintain each of the records specified in subdivision (c) relating to any transaction for five years from the end of the loan term or the last date the loan is active, whichever is later.

(e) A lender, by written notice provided to a consumer, may establish an address that a consumer must use to request information in accordance with the procedures in this section.

(f) No later than 30 business days after the lender receives the request for information, the lender shall do one of the following:

(1) Provide the consumer with the requested information and contact information, including a telephone number, for further assistance in writing.

(2) Conduct a reasonable search for the requested information and provide the consumer with a written notification that states that the lender has determined that the requested information is not available to the lender. That notification shall also identify the basis for the lender's determination, and provide contact information, including a telephone number, for further assistance.

(g) A lender, as a condition of responding to an information request, shall not charge a fee, or require a consumer to make any payment that may be owed on the consumer's account, or impose any other requirement.