

Date of Hearing: April 1, 2025

Fiscal: Yes

ASSEMBLY COMMITTEE ON PRIVACY AND CONSUMER PROTECTION

Rebecca Bauer-Kahan, Chair

AB 1327 (Aguiar-Curry) – As Introduced February 21, 2025

**PROPOSED AMENDMENTS**

**SUBJECT:** Home improvement and home solicitation: right to cancel contracts: notice

**SYNOPSIS**

*Under current law, consumers are given three days after signing a contract to cancel (five days for seniors). In order to exercise that right consumers must send or deliver a “notice of cancellation” to the contractor in the allotted time. The Legislature last changed the provisions for how one can cancel a home improvement contract was in 1995. In this pre-You’ve Got Mail era, the main form of communication over long distances was still via snail mail. Since then, the Internet has democratized the way people communicate via email.*

*This author sponsored bill would enable consumers to cancel home solicitation contracts, home improvement contracts, and seminar sales contracts via email or phone call alongside traditional mail. Home solicitation contracts, home improvement contracts, and seminar sales contracts are often signed in non-traditional settings such as in one’s home or in a home improvement store, which can lead to predatory practices. By adding additional cancellation methods, this bill is intended to make it easier for consumers to cancel a home improvement contract, if necessary.*

*This bill is opposed unless amended by Contractors State License Board (CSLB). The first of the Committee amendments described in Comment 4 addresses their concern that phone call cancellations are not verifiable by removing this provision from the bill. Another Committee amendment would clarify that both the email and mailing addresses of contractors must be disclosed to consumers. Lastly, a Committee amendment would stipulate that contracts must include a phone number that consumers can call for assistance with filling out notices of cancellation.*

*If passed by this Committee, this bill will next be heard by the Assembly Judiciary Committee.*

**THIS BILL:**

- 1) Requires that home improvement contracts, home solicitation contracts, and seminar sales contracts contain, on the first page, in a typeface no smaller than that generally used in the body of the document, both of the following:
  - a. The date the buyer signed the contract.
  - b. The name and address or email address of the contractor to which the applicable “Notice of Cancellation” is to be sent immediately preceded by a statement advising the buyer that the “Notice of Cancellation” may be sent to the contractor at the address or email address noted on the contract.

- 2) Establishes that the “Notice of Cancellation” for home improvement contracts, home solicitation contracts, and seminar sales contracts may be delivered or sent to the contractor via mail or email.
- 3) Establishes that a cancellation made pursuant to the “Three-Day Right to Cancel,” “Five-Day Right to Cancel,” or “Seven-Day Right to Cancel” may be conveyed by a consumer to the seller orally by telephone in lieu of a written notice.

**EXISTING LAW:**

- 1) Defines a “home improvement contract” to include an agreement between a contractor and an owner or between a contractor and a tenant for the performance of a home improvement, or an agreement between a salesperson and an owner or a tenant, which provides for the sale, installation, or furnishing of home improvement goods or services, as specified. (Bus. & Prof. Code § 7159(b).)
- 2) Identifies the projects for which a home improvement contract is required, outlines the contract requirements, and lists the items that shall be included in the contract, or may be provided as an attachment. (Bus. & Prof. Code § 7159.)
- 3) Affords consumers the right to cancel home improvement contracts within three days, as specified. Provides consumers who are senior citizens the right to cancel home improvement contracts within five days, as specified. (Bus. & Prof. Code § 7159.)
- 4) Governs the use and contents of “service and repair contracts,” which are defined as agreements between contractors or salespeople for contractors, as specified, and homeowners or tenants, for the performance of home improvements, as defined. (Bus. & Prof. Code § 7159.10.)
- 5) Requires, except as provided, contractors or their salespeople to include contractual terms that afford consumers the right to cancel service and repair contracts any time before a signed contract is received by the consumer or before works begins, or within three days of signing a normal service and repair contract or within seven days in the event of certain emergency conditions, where the following conditions are met:
  - a) the contract price is above \$750;
  - b) the consumer did not initiate the contract with the contractor;
  - c) the contractor sold the consumer goods or services beyond those reasonably necessary to take care of the underlying problem; and
  - d) the payment was due or the contractor accepted any money before the work was complete. (Bus. & Prof. Code § 7159.10(e)(12).)
- 6) Regulates a “home solicitation contract or offer,” defined to mean any contract for the sale, lease, or rental of goods or services or both, made at other than appropriate trade premises in an amount of \$25 or more, including any interest or service charges. It does not include any contract under which the buyer is afforded certain federal rights to rescind. (Civ. Code § 1689.5(a).) “Appropriate trade premises” means premises where

either the owner or seller normally carries on a business, or where goods are normally offered or exposed for sale in the course of a business carried on at those premises. (Civ. Code § 1689.5(b).)

- 7) Provides a buyer, except as provided, and in addition to any other right to revoke, the right to cancel a home solicitation contract or offer until midnight of the third business day after the buyer signs a compliant agreement or offer to purchase or after the buyer receives a signed and dated copy of the contract or offer to purchase, as specified. Provides the same right to cancel these contracts or offers until midnight of the fifth business day after the specified actions if the buyer is a senior citizen. (Civ. Code § 1689.6(a).) The right to rescind the contract must be clearly disclosed in the underlying contract or offer. (Civ. Code § 1689.7.)
- 8) Provides the terms under which a seminar sales solicitation contract can be entered into. (Civ. Code § 1689.20 et seq.)
- 9) “Seminar sales solicitation contract or offer” means any contract for the sale, lease, or rental of goods or services or both, made using selling techniques on premises other than the residence of the buyer in an amount of \$25 or more, including any interest or service charges. “Seminar sales solicitation contract” does not include any contract under which the buyer has certain federal rights to rescission (Civ. Code § 1689.20 et seq.).
- 10) Provides the buyer, in addition to any other right to revoke an offer, the right to cancel a seminar sales solicitation contract or offer until midnight of the third “business day” after the day on which the buyer signs a compliant agreement or offer to purchase. Provides buyers who are senior citizens the right to cancel these contracts until midnight of the fifth “business day” after the day on which the buyer signs a compliant agreement or offer to purchase. (Civ. Code § 1689.20(a).)
- 11) Regulates contractual assessments, including Property Assessed Clean Energy (PACE) financing, as specified. (Streets & Highways Code § 5898.10 et seq.)
- 12) As a requirement of the financing agreements, property owners must be given the right to cancel the contractual assessments within three days of specified events, including the signing of the assessment, the date the required Financing Estimate and Disclosure is received, or the date notice of the right to cancel was received by the property owner. Consumers can cancel these contracts via email and the provider’s email is listed on disclosure forms. (Streets & Highways Code § 5898.10 et seq.)
- 13) Existing federal law, the Truth in Lending Act of 1968, protects consumers with a three-day right to cancellation for any federally-insured loan used to finance home improvement. (15 U.S.C. § 1601 et seq.)

**COMMENTS:**

1) **Author's statement.** According to the author:

AB 1327 updates California's consumer protection laws by allowing consumers to cancel home solicitation, home improvement, and seminar sales contracts via email or phone, eliminating the outdated and burdensome requirement to mail a Notice of Cancellation. These contracts are signed in high-pressure, non-traditional sales environments where consumers, especially seniors and low-income individuals, are vulnerable to predatory tactics. Given the significant financial risks, including incurring life-altering debt and even the loss of one's home, consumers need a simple way to exercise their right to cancel. By modernizing cancellation methods to reflect today's digital communication standards, this bill strengthens consumer protections, making them more effective and accessible.

2) **Background.** An increasingly common trend in the home improvement industry involves partnerships between financial lenders and contractors. These collaborations streamline the process of obtaining cost estimates and financing, but significantly reduce homeowner control. This practice can become predatory, especially when homeowners are not actively seeking repairs.

A growing number of contractors now solicit business door-to-door. For example, a roofing contractor may drive through established neighborhoods, identify homes with older roofs, and offer their services directly to homeowners. These high-pressure sales tactics often result in homeowners consenting to unnecessary work. When contractors also offer financing, homeowners may quickly incur significant debt without fully considering the implications.

Beyond door-to-door solicitation, big-box home improvement stores have begun allowing preferred contractors to market their services in-store. For instance, solar panel contractors frequently set up booths at Home Depot and Lowe's, engaging customers and encouraging them to sign up for installation contracts. When combined with financing offers, these tactics can lead to homeowners accumulating substantial financial obligations. Senior citizens and non-English-speaking consumers are particularly vulnerable to these practices.

To protect consumers from such predatory tactics, California law provides a three-day right to cancel for certain contracts, including:

- 1) Home solicitation contracts: contracts signed at a place that is not the seller's place of business. (Civ. Code § 1689.5(b).)
- 2) Home improvement contracts: contracts for projects exceeding \$500 in total costs. (BPC § 7159(b).)
- 3) Property Assessed Clean Energy (PACE) assessment contracts: financing contracts that allow property owners to finance energy efficiency, water conservation, and other environmentally beneficial improvements. (Streets & Highways Code § 5898.10 et seq.)
- 4) Service or repair contracts: contracts, or extended warranties, that outline the terms for ongoing maintenance or replacement services. (BPC § 7159.10(e)(12).)
- 5) Seminar sales contracts: contracts regarding the sale of a seminar or workshop (Civ. Code § 1689.20)

Since 2021, senior citizens have been granted a five-day right to cancel. Additionally, for contracts related to repairs of residences damaged by a declared emergency, consumers have a seven-day cancellation period. These provisions allow consumers time to review and reconsider significant financial commitments. To ensure effectiveness, California law mandates that contractors inform buyers of their cancellation rights.

3) **What this bill would do.** The protections for home solicitation contracts, home improvement contracts, and seminar sales contracts require the consumer to mail a Notice of Cancellation in order to cancel the contract. This requires the consumer to expend more effort cancelling the contract than they spent agreeing to it. In the case of consumer protections related to home improvement contracts and loans negotiated via telemarketing, the last time the code section (BPC § 17511.5) was updated was in 1995. In 1995, only 3% of Americans had been on the “worldwide web” and for those who had, most only used email while at work.<sup>1</sup> In 2024, surveys estimate that 90% of Americans over the age of 15 regularly use email.<sup>2</sup>

In accordance with these technologic updates, this bill would allow consumers to exercise their right to cancel home solicitation contracts, home improvement contracts, and seminar sales contracts via email and phone transactions and would update the codified notices to reflect this change. This is similar to the protections offered for PACE assessment contracts (Streets & Highways Code § 5898.10 et seq.) and service or repair contracts (BPC § 7159.10), which consumers can cancel via email and this option is included on the required notifications.

4) **Amendments.** The CSLB raises a concern with allowing contracts to be canceled via phone call. The board states:

While this bill may make canceling a HIC easier for consumers by allowing for cancellation by email or telephone, cancellation by telephone does not provide a record of the cancellation. This puts a consumer at a disadvantage should the contractor deny having received the call. Accordingly, CSLB respectfully requests you remove the provision allowing cancelation by telephone from this bill.

This criticism is valid. A phone call could make recordkeeping more difficult. In addition, it can be more difficult to verify that the person who is calling is actually the person who entered into the contract. The author has agreed to the removal of the phone calling provisions in the bill. However, people, especially elderly Californians, may require assistance in filling out these notice of cancellations and therefore the author has agreed to require contracts to also include a phone number that consumers can call that can aid and answer questions regarding their cancellations.

The last amendment clarifies that the disclosure must include both a mailing address and an email address.

---

<sup>1</sup> Pew Research Center, “Americans Going Online...Explosive Growth, Uncertain Destinations,” (Oct. 16, 1995), accessed at <https://www.pewresearch.org/politics/1995/10/16/americans-going-online-explosive-growth-uncertain-destinations/>.

<sup>2</sup> *Market.us*, “Email Users Statistics and Facts”, (Nov. 18, 2024), accessed at <https://market.us/statistics/internet/email-users/>.

An example of the amendments are shown below:

(B) The contract shall contain on the first page, in a typeface no smaller than that generally used in the body of the document, both of the following:

(i) The date the buyer signed the contract.

(ii) The name, ~~and~~-address, ~~or~~*and* email address of the contractor to which the applicable "Notice of Cancellation" is to be mailed, sent, immediately preceded by a statement advising the buyer that the "Notice of Cancellation" may be sent to the contractor at the address or email address noted on the contract.

*(iii) The phone number of a support line to aid in completing the written "Notice of Cancellation"*

~~7159.3. A notice of cancellation made pursuant to the "Three-Day Right to Cancel," "Five-Day Right to Cancel," or "Seven-Day Right to Cancel" provided in Section 7159 may be conveyed to the seller orally by telephone in lieu of a written notice.~~

**ARGUMENTS IN OPPOSITION:**

The Contractors State License Board, in an opposed unless amended position, argues

The Contractors State License Board (CSLB) regrets to inform you of its OPPOSE unless amended position on AB 1327.

This bill would require home improvement contracts (HIC) to include the contractor's email address and allow for cancellation of the HIC by the homeowner via email or telephone in lieu of a written notice.

While this bill may make canceling a HIC easier for consumers by allowing for cancellation by email or telephone, cancellation by telephone does not provide a record of the cancellation. This puts a consumer at a disadvantage should the contractor deny having received the call. Accordingly, CSLB respectfully requests you remove the provision allowing cancelation by telephone from this bill.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None on file.

**Opposition**

Contractors State License Board

**Analysis Prepared by:** John Bennett / P. & C.P. / (916) 319-2200