



DEPARTMENT OF CONSUMER AFFAIRS (DCA) LICENSING CENTER
 42 Broadway | New York, NY 10004
 Monday-Friday: 9:00 a.m.-5:00 p.m. | Wednesday: 8:30 a.m.-5:00 p.m.
 Telephone: 311 (212-NEW-YORK outside of NYC)
nyc.gov/consumers | @NYCDCA

HOME IMPROVEMENT EXAMINATION GUIDE

The New York City Department of Consumer Affairs (DCA) licenses all home improvement businesses and individuals who perform home improvement work or who negotiate or offer to negotiate a home improvement contract. To receive either a contractor's or salesperson's license, you must pass an examination given by DCA that tests your understanding of the law. This guide will help you prepare for the examination, but does not reflect all relevant laws and rules that you need to know. Licensees must comply with all relevant laws and rules, including the Consumer Protection Law. For a copy of the law regarding this license category, call 311, go to the DCA Licensing Center, or visit www.nyc.gov/consumers.

The test covers:

- I. The Basics of the City's Home Improvement Business Law
- II. Contracts and Cancellations
- III. Advertising and Selling Practices
- IV. General Industry and Business Knowledge

Acronyms

DOB	Department of Buildings
DCA	Department of Consumer Affairs
DOT	Department of Transportation

I. The Basics of the City's Home Improvement Business Law

What is "home improvement"?

Home improvement means the construction, repair, replacement, remodeling, alteration, conversion, rehabilitation, renovation, modernization, improvement, or addition to any land or building or any part of the land or building used or designed to be used as a residence or dwelling place, including basements, driveways, fences, garages, landscaping, patios, porches, sidewalks, swimming pools, and terraces. Home improvement includes, among other things, installation of:

- Central heating/air conditioning
- Central vacuum cleaning system
- Storm windows
- Awnings
- Communication systems

What is *not* “home improvement”?

Examples of what is *not* considered home improvement include:

- Construction of a new home or building
- Sale of goods or materials in connection with the installation of or application of goods or materials
- Work performed on a residence owned or controlled by the state or municipality
- Painting or decoration of a building, residence, home, or apartment, when not related to home improvement work

Who is a “contractor”?

A contractor is anyone who owns, operates, maintains, conducts, controls, or transacts a home improvement business and undertakes or agrees to perform any home improvement, whether or not the contractor is a prime contractor or subcontractor with respect to the owner. A contractor may be an individual, a firm, a company, a partnership, or a corporation.

What is a “home improvement contract”?

A “home improvement contract” is an agreement, whether or not in writing, between a contractor and a consumer or tenant for performance of a home improvement and includes all labor, services, and materials to be furnished and performed.

Who is a “salesperson”?

A salesperson is someone who negotiates a home improvement contract with a consumer or tenant, or solicits a home improvement contract from an owner or tenant.

Who must have a DCA license?

Any person who solicits, canvasses, sells, performs, or obtains a home improvement contract as a contractor or salesperson must have a DCA license.

Who does not require a DCA license?

The following do not require a DCA license:

- An individual employee who does not solicit or negotiate contracts on behalf of the contractor
- A person performing a home improvement job, which is less than \$200
- Plumbers and electricians who do not do any home improvement work
- Architects and engineers acting exclusively within the scope of an architect or engineer

Where must I post my Home Improvement Contractor license?

You must post your license in your office where all consumers can see it or show it to consumers upon request.

What must I do in case of a change of business address, change of ownership, change of management, or change of the business trade name?

Within 10 days of a change to your business trade name or address, ownership, or management, you must notify DCA.

How does a person obtain a license or renew a license?

You must submit an application to DCA for a new or renewed license. A separate Home Improvement Contractor license is required for each place of business.

You can apply for a new license at the DCA Licensing Center at 42 Broadway, New York, NY 10004 or online at www.nyc.gov/consumers.

About three months before your license expires, DCA will mail you a license renewal package. You can renew by mail, in person at the DCA Licensing Center, or online at www.nyc.gov/consumers.

What are a prime contractor's duties and responsibilities?

1. The prime contractor must secure all necessary permits, licenses, Certificates of Occupancy, or exemptions necessary to complete the contract in accordance with state and local building laws.
2. Each home improvement contractor must maintain copies of contracts, books of account, and other records reflecting all transactions related to the home improvement business for six (6) years or the length of time of any contractual guarantee, whichever is longer.
3. The home improvement contractor must use all funds received to pay expenses directly related to the home improvement. The contractor may not use funds received to pay expenses unrelated to the home improvement, unless the home improvement is completed and all expenses for direct labor, material, and subcontractors related to the home improvement have been paid.
4. No work should be performed and no money should be paid until after the 3-day cancellation period.

A contractor cannot:

1. Abandon or fail to perform work.
2. Make any substantial misrepresentation in the solicitation of a home improvement contract.
3. Commit fraud in the execution of a contract, mortgage, promissory note, or other document related to the home improvement transaction.

4. Publish any advertisement that contains false, deceptive, or misleading representations.
5. Violate the building, sanitary, fire, and health laws.
6. Fail to notify DCA of ownership and management changes.
7. Conduct the home improvement business in any name other than the one licensed.
8. Act as an agent for, or advertise, promote, or arrange a home loan or a home improvement loan for the consumer.

Must a contractor furnish a consumer with a written estimate?

Yes, if the consumer requests one. You can charge a fee for the estimate, but you must disclose the fee to the consumer before you provide the estimate and you must include and itemize the fee in the total estimated contract price.

What are the penalties for false or fraudulent representation?

A contractor or salesperson who lies is subject to fines of up to \$500 for each separate misrepresentation. In addition, a contract entered into after misrepresentations are made may be declared null and void, and a contractor may be ordered to pay restitution to the consumer.

What are the penalties for operating a home improvement business without a license?

Any person who owns or operates a home improvement business without a license or after a license is suspended or revoked is guilty of a misdemeanor and may be prosecuted criminally and subject to up to six (6) months imprisonment and/or \$1,000 in fines. Each violation is a separate offense. In addition, such a person may be prosecuted civilly and faces fines of up to \$100 per day for engaging in unlicensed activity or aiding and abetting the operation of an unlicensed person or business. Finally, DCA can padlock (close down) and confiscate (take) the tools and trucks used in connection with unlicensed home improvement work.

II. Contracts and Cancellations

In what form must a home improvement contract be?

Every home improvement contract must be in writing and signed by everyone involved. You must give the consumer a completed, legible copy of the contract at the time of signing and before any work is done. The contract must be in plain English, unless another language was used in any oral (spoken) sales presentation, in which case the contract needs to be in that language and in English.

If a consumer wants more work done beyond what's in the original contract, what should a contractor do?

The contractor should provide a written amendment to the contract, which the consumer and the contractor must both sign.

What information must a home improvement contract contain?

1. Date of the transaction; the contractor's name, office address, telephone number, and DCA license number; and the salesperson's name and DCA license number.
2. Approximate date when work will begin and be substantially completed, including a statement of anything that would alter the approximate completion date.
3. Description of the work to be done, materials to be provided, and the cost for labor and materials.
4. Notice to the owner that if the owner does not pay the contractor or subcontractor, the contractor or subcontractor may have a claim against the owner.
5. Notice to the owner that the contractor is legally required to deposit all payments received prior to completion or the contractor must post a bond or contract of indemnity with the owner guaranteeing the return or proper payment under the contract.
6. Schedule of payments and the work/services to be performed if the contract calls for incremental payments.
7. Any advertised representation, including charges, guarantees, or warranties, must be clearly stated.
8. The contract must inform the consumer that the contractor will furnish a Certificate of Workers' Compensation Insurance before beginning work.
9. The contract must inform the consumer that the contractor will procure all permits required by local law.

10. The contract must include the following statement directly above the signature lines:

“YOU, THE BUYER, MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. SEE THE ATTACHED NOTICE OF CANCELLATION FORM FOR AN EXPLANATION OF THIS RIGHT.”

This statement must be in **boldface**, and the font size must be at least 10 point.

Must a contractor or salesperson provide the consumer with a separate Notice of Cancellation?

Yes. At the time the consumer signs the contract, the contractor or salesperson must attach to the signed contract two copies of a separate, completed form titled **“Notice of Cancellation.”** The words in the form must be in **boldface**, and the font size must be at least 10 point. It must be in English and in any other language used to negotiate the contract and include the following:

1. Name/address of contractor
2. Date of transaction
3. Date until which the consumer may give notice of cancellation AND
4. The following statement must be included:

NOTICE OF CANCELLATION
(ENTER DATE OF TRANSACTION)

YOU MAY CANCEL THIS TRANSACTION WITHOUT ANY PENALTY OR OBLIGATION WITHIN THREE (3) BUSINESS DAYS FROM THE DATE ABOVE.

IF YOU CANCEL, ANY PROPERTY TRADED IN, ANY PAYMENTS MADE BY YOU UNDER THE CONTRACT OR SALE, AND ANY NEGOTIABLE INSTRUMENT EXECUTED BY YOU WILL BE RETURNED WITHIN 10 BUSINESS DAYS FOLLOWING RECEIPT BY THE SELLER OF YOUR CANCELLATION NOTICE, AND ANY SECURITY INTEREST ARISING OUT OF THE TRANSACTION WILL BE CANCELLED.

IF YOU CANCEL, YOU MUST MAKE AVAILABLE TO THE SELLER AT YOUR RESIDENCE, IN SUBSTANTIALLY AS GOOD CONDITION AS WHEN RECEIVED, ANY GOODS DELIVERED TO YOU UNDER THIS CONTRACT OR SALE; OR YOU MAY, IF YOU WISH, COMPLY WITH THE RETURN SHIPMENT OF THE GOODS AT THE SELLER’S EXPENSE AND RISK.

IF YOU DO MAKE THE GOODS AVAILABLE TO THE SELLER AND THE SELLER DOES NOT PICK THEM UP WITHIN 20 DAYS OF THE DATE OF YOUR NOTICE OF CANCELLATION, YOU MAY RETAIN OR DISPOSE OF THE GOODS WITHOUT ANY

FURTHER OBLIGATION. IF YOU FAIL TO MAKE THE GOODS AVAILABLE TO THE SELLER, OR IF YOU AGREE TO RETURN THE GOODS TO THE SELLER AND FAIL TO DO SO, THEN YOU REMAIN LIABLE FOR PERFORMANCE OF ALL OBLIGATIONS UNDER THE CONTRACT.

TO CANCEL THIS TRANSACTION, MAIL OR DELIVER A SIGNED AND DATED COPY OF THIS CANCELLATION NOTICE OR ANY OTHER WRITTEN NOTICE TO [NAME OF SELLER] AT [ADDRESS OF SELLER'S PLACE OF BUSINESS] NO LATER THAN MIDNIGHT OF [DATE] _____.

I HEREBY CANCEL THIS TRANSACTION.

(Consumer's Signature and Date)

Must a contractor or salesperson inform the consumer orally of the consumer's right to cancel?

Yes. A contractor or salesperson must tell the consumer about the right to cancel a home improvement contract within three (3) business days from the contract date.

What if a contractor or salesperson fails to comply with the provisions requiring oral (spoken) and written notice of the consumer's right to cancel?

Until the contractor or salesperson complies with the requirements for oral and written notice of the consumer's right to cancel, the consumer may cancel the contract.

What should a contractor do if a consumer wants to cancel the contract?

The contractor or salesperson should honor any valid notice of cancellation and must within 10 business days:

1. Refund all payments made under the contract.
2. Cancel and return monies paid in connection with the contract.
3. Terminate any security interest. AND
4. Notify the consumer as to whether the contractor intends to repossess or abandon any shipped/delivered materials.

Do salespersons need to notify DCA about their employers?

Yes. Salespersons must submit to DCA written confirmation of their employment from their employer or employers within 48 hours of employment.

III. Advertising and Selling Practices

The following rules are the basics to advertising home improvement work:

1. All advertising and sales literature must contain the DCA Home Improvement Contractor license number.
2. Advertised prices and descriptions must not be deceptive or misleading.
3. Headings must not contain exaggeration or deception.
4. A “savings” claim cannot imply the amount specified is the selling price.
5. Descriptions and illustrations of advertised items or offers must accurately portray the product as to size, quality, quantity, and design.
6. Any description of materials must be accurate.
7. When price or credit terms are used, they must accurately describe what is offered.
8. If installation is extra, the ad must clearly say so.
9. You cannot make statements such as “Factory to you” and “Buy from manufacturer” unless you actually make or produce the items.
10. You cannot make “lifetime” guarantees or warranties. You can only make guarantees or warranties, which extend to the normal life of the item/service. In the case of defective materials and workmanship, you cannot make the guarantee beyond the period within which the defect is likely to show up.

IV. General Industry and Business Knowledge

Who must obtain permits?

It is the duty and obligation of the prime contractor to secure all necessary permits, licenses, and Certificates of Occupancy or special exceptions in accordance with applicable state or local building laws. A contractor may not shift responsibility to the consumer.

Where does a contractor go to secure a permit for an addition or alteration to a house?

A contractor secures all necessary permits from the New York City Department of Buildings (DOB). A contractor must make sure that any addition or alterations meet building code standards and do not violate local zoning laws. Finally, although a contractor may pick up permits at DOB, a registered architect or licensed engineer must file alterations to building plans with DOB.

What is the difference between a subcontractor and an employee?

A subcontractor is an individual in business for himself or a firm in business for itself contracting to do part of a home improvement contract with a prime contractor. An employee works for wages and is under the employer's (prime or subcontractor) direct supervision and control.

What is net profit of a job?

Net profit is the final profit of any job after expenses.

Must a subcontractor be licensed by DCA?

Yes. A subcontractor, as opposed to an employee of a general contractor, must have a DCA license to perform home improvement work in New York City.

DOB licenses electricians and plumbers.

What are some of your obligations with regard to employees?

You must cover employees with Workers' Compensation and disability insurance. You must report employee wages to the Internal Revenue Service (IRS), and you must withhold taxes. In addition, you must comply with the federal immigration laws, which require employers to ensure that employees have legal authority to work in the United States.

Can a contractor elect to secure a bond or participate in DCA's Home Improvement Trust Fund?

Yes. A contractor can either secure a bond or contribute to DCA's Home Improvement Trust Fund every two years.

What is needed to paint the exterior of a house with more than one story?

You may require a suspended scaffold and a rigging permit from DOB to paint the exterior of a home that is one story or more, unless you can use a ladder to do the job. You must contact DOB for more information before beginning this work.

Whose responsibility is it to obtain an amended Certificate of Occupancy?

If an amended Certificate of Occupancy is needed, it is the contractor's responsibility to obtain it for the consumer. A registered architect or professional engineer must file the actual amended Certificate of Occupancy at DOB.

Is it necessary for a home improvement contractor to hire a licensed electrician to do certain types of work?

You must use a licensed electrician to install anything having to do with light, heat, and power, regardless of voltage.

How must a contractor handle sales tax?

Contractors must collect sales tax for repairs from the consumer and pay it.

What type of work qualifies as a capital improvement?

Adding a bathroom to a home is an example of a capital improvement.

Repairs such as repairing a window frame or painting the living room do not qualify as capital improvements.

When adding an extension to a home, what is the first thing a contractor should do before beginning work?

The first thing a contractor should do before beginning work on a home is to consult with a licensed architect or engineer—not DOB—to determine if the owner can put in the extension and still comply with the applicable zoning law.

Where does a contractor go to secure a permit for a dumpster that is placed on the street?

A contractor should contact the Department of Transportation (DOT) for a dumpster permit.

Does a home improvement contractor need a permit to perform sidewalk work?

Yes. Sidewalk work requires a permit from DOT. Call 311 or visit www.nyc.gov/dot

What should a contractor do to haul or transport waste resulting from home improvement work?

If you plan to haul or transport waste resulting from your business operations, you must obtain a Class One Self Hauler Registration from the New York City Business Integrity Commission. For an application and more information, call 311 or visit www.nyc.gov/bic