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# Have Questions About Home Improvement Contracts? We Have Answers!

Contracts are an important part of the home improvement process. A well-written contract can help prevent disputes, improve communication between the contractor and the homeowner, and establish a scope of work that ensures all parties are on the same page. In this way, the contract can protect both parties and help pave the way to a successful home improvement project. In this newsletter, we'll clarify some issues regarding contracts – when they're required, what should be in them, what to avoid – so you can be well-informed for your next home improvement project.

## When is a contract required?

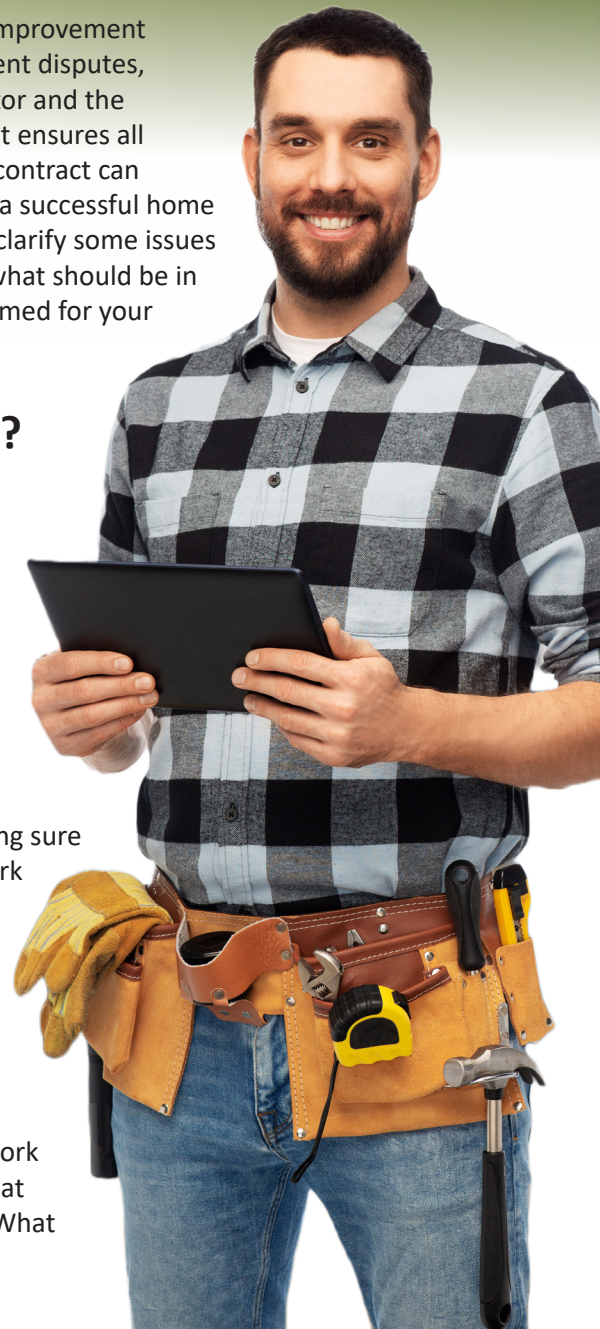
By law, contracts are required when a project exceeds \$2,000. However, contracts can bring clarity to projects and can help prevent disputes, so CCB recommends contracts for projects of all kinds - including those that cost well below \$2,000.

## What is the value of a contract?

"A contract helps protect both parties by making sure the work and the costs associated with the work are well explained," says Vena Swanson, CCB Enforcement Manager.

Contracts set in writing the important details of the project, to ensure everyone is in agreement on the scope of work and payment terms.

When will the project begin? Where will the work be done? Who is responsible for clean up? What is being installed, repaired, built or replaced? What



colors, model numbers, size and dimensions? How much will it cost, and what is the payment schedule? All of these questions and more can be answered with a contract. When the details are in writing, there are fewer opportunities for confusion or miscommunication.

## What's the problem with doing a deal on a handshake?

"Sometimes, there is a conflict between what was agreed upon and what was inferred," reports Ms. Swanson. Doing a deal on a handshake can lead to honest mistakes, and opens the door allowing dishonest individuals to take advantage. If you have to go to court later, you won't be able to prove your side.

## What should be in the contract?

Every contract should include the 3 required notices that can be found on the CCB's website <https://www.oregon.gov/ccb/contractor/Pages/requirednotices.aspx>.

1. **Consumer Protection Notice.** This notice explains contractor licensing standards, bond and insurance requirements, steps consumers can take for a successful construction project and what to do if problems occur.
2. **Notice of Procedure.** This notice explains what a homeowner must do before beginning an arbitration or court action against a contractor.
3. **Information Notice to Owner about Construction Liens.** This explains construction lien law, and includes steps homeowners can take to protect their property from a construction lien and "pay twice" situations.

The contract should also include:

- The contractor's name, address, phone number, and CCB license number (as shown on CCB records).
- The customer's name, address, and address where the work will be performed.
- A description of the work to be performed, the price, and the payment terms. This should reference or include any estimates that were provided to the consumer during the bidding process, as well as completed project costs and whether payments will be made in several installments or with a down payment at the beginning. If paying in installments, pay dates and amounts required should be included, and a description of the consequences if the homeowner fails to make a payment.
- The property owner's rights under the contract, including the ability to file a complaint with the Construction Contractors Board and the existence of any mediation and arbitration provisions. **Watch for any provisions that waive your right to mediation with the Construction Contractors Board. Consumers are not obligated to accept contract terms proposed by the contractor, including arbitration provisions. These may be negotiated to the satisfaction of both parties.**

## What are allowances?

An allowance is a line item for a specific fixture or appliance, including an estimated cost for that item. If the cost of the item is over the amount on the contract, your contractor will require you to pay the difference in cost.

## What's a change order?

A change order is an amendment to the contract that outlines a change to the original scope of the project. Any time your contractor makes a change to the contract, get a change order to ensure that the change is documented. Both parties should sign the change order, just like a contract. If the change order impacts the total cost of the project, this information should be included on the change order as well.

## Don't forget these contract best practices.

- ✓ **Keep a copy for yourself.** Keep a copy of the contract with signatures and dates from both parties.
- ✓ **Read it in its entirety.** Read the contract cover to cover and ask questions about any parts you don't understand.
- ✓ **Don't sign if you feel uncomfortable or have questions.** If you're not comfortable with any terms of the contract, don't sign. Negotiate with your contractor, ask questions if needed, or move on to another contractor if you are unable to reach an agreement.

## Can I cancel a contract?

There are multiple Oregon laws that address a homeowner's rights to cancel a contract.

### One-day right to cancel (ORS 701.310)

A property owner can cancel any initial contract for construction, improvement, or repair of a residential structure by giving the contractor a written notice of cancellation prior to midnight of the next business day. Some exceptions apply such as work already substantially begun.

The contractor does not have any notice requirements.

### Three-day right to cancel (ORS 83.720)

Buyers have a three-day right to cancel a home solicitation contract when the contract is solicited at any place that is not the seller's permanent place of business.

A construction contract is subject to this law if there is a personal solicitation made by the contractor or the contractor's agent and the contractor's offer is accepted anywhere other than the contractor's permanent place of business. For example, you meet with a contractor in a restaurant. This applies to contracts for remodeling or repairs, not construction of a new house.

Regardless of who initiates contact, the property owner must be given notice of his or her right to rescind the contract.

## Want to know more information about contracts?

There are a few places where you can find out more information about contracts between homeowners and contractors.

- ✓ CCB Website, [Get a Written Contract \(https://www.oregon.gov/ccb/homeowner/Pages/written-contract.aspx\)](https://www.oregon.gov/ccb/homeowner/Pages/written-contract.aspx)
- ✓ CCB's Guide to [Selecting and Working with a Contractor \(https://www.oregon.gov/ccb/Documents/pdf/Education/consumer-guide.pdf\)](https://www.oregon.gov/ccb/Documents/pdf/Education/consumer-guide.pdf)

## Want to know more about hiring a contractor? Join the CCB's webinar on April 11!

CCB will be hosting a live webinar on April 11 at 10:30 a.m. In it, we'll go over important information about how to check the license, how to vet contractors, how to find a contractor in your area and more.

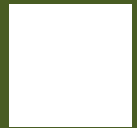
If you're going to be performing home improvement projects this year, our webinar can help answer questions and provide tips that can help you be a smart consumer. Join us in the live webinar where you'll be able to ask questions and get information from CCB staff. Click the link to sign up here:

<https://attendee.gotowebinar.com/register/8718532801942592600>





**State of Oregon**  
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