

Date of Hearing: August 20, 2025

**ASSEMBLY COMMITTEE ON APPROPRIATIONS**

Buffy Wicks, Chair

SB 784 (Durazo) – As Amended July 17, 2025

Policy Committee:	Banking and Finance	Vote:	7 - 1
	Judiciary		9 - 3

Urgency: No                      State Mandated Local Program: No                      Reimbursable: No

**SUMMARY:**

This bill regulates home improvement loans and extends the time periods by which a consumer may cancel a home improvement or solicitation contract.

Specifically, this bill:

- 1) Extends, from three days to five days, and, from five days to seven days if the consumer is a senior citizen, the time period a consumer has to cancel a home improvement or solicitation contract.
- 2) 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.
- 3) Prohibits a consumer’s repayment obligations under a home improvement loan from commencing until the lender has met certain operational due diligence requirements.
- 4) Requires a lender, before a consumer executes a home improvement loan, to: (a) provide oral and written disclosures regarding the dealer fee, if any, associated with the loan, (b) obtain a copy of the home improvement contract for the improvement being financed by the loan, and (c) complete and document an in-language call with the consumer reviewing key terms of the contract, concluding with an oral confirmation meeting certain conditions that the consumer understands the contract’s terms.
- 5) Requires a lender to make certain home improvement loan information available to the consumer upon request. The lender must maintain records relating to the transaction for five years after the end of the loan term.

**FISCAL EFFECT:**

- 1) Costs of approximately \$219,000 in the first year and \$216,000 annually thereafter to the Department of Financial Protection and Innovation (DFPI) to update exam standards and procedures, respond to and investigate consumer complaints, and conduct enforcement (Financial Protection Fund).
- 2) Costs of approximately \$389,000 in fiscal year (FY) 2025-26 and \$686,000 in FY 2026-27 and annually thereafter to the Department of Justice (DOJ) for three additional positions to undertake enforcement actions, as a violation of this bill’s prohibition and requirements is an

unlawful business practice enforceable by DOJ under the Unfair Competition Law (UCL) (Unfair Competition Law Fund).

- 3) Cost pressures (General Fund (GF) or Trial Court Trust Fund (TCTF)) of an unknown, but potentially significant, amount to the courts in additional workload by creating a new prohibition and requirements enforceable under the UCL. A claim under the UCL may be brought by either a public prosecutor or a person who lost money or property as the result of the unlawful conduct. It is unclear how many actions may be filed statewide, but the estimated workload cost of one hour of court time is \$1,000. Although courts are not funded on the basis of workload, increased pressure on staff and the TCTF may create a demand for increased court funding from the GF to perform existing duties. The Budget Act of 2025 provides \$82 million ongoing GF to the TCTF for court operations.
- 4) The Contractors State License Board (CSLB) reports no fiscal impact from this bill. The CSLB already has the authority to bring an enforcement action against a contractor who violates the law. The Budget Act of 2025 provided \$708,000 in FY 2025-26 and \$676,000 ongoing beginning FY 2026-27 to the CSLB for four positions to address increased enforcement workload due to a sustained increase in residential solar consumer complaints. Although the CSLB regulates contractors, not lenders, the CSLB notes it receives a significant number of complaints related to incomplete home improvement projects for which payments are due to the lender. To the extent this bill results in more transparent lending practices, CSLB may experience a corresponding decrease in consumer complaints.

#### COMMENTS:

- 1) **Purpose.** According to the author:

SB 784 addresses the growing problem of deceptive lending practices in home improvement financing, where homeowners are often misled into loan agreements that leave them in a worse financial situation. With the home solar market growing by 51% in 2023 and approximately 70% of installations financed through loans, many consumers are promised savings but end up facing hidden fees and harmful terms. This bill ensures greater transparency and stronger consumer protections, reducing the risks of foreclosure, bankruptcy, and financial harm caused by misleading sales tactics and predatory lending practices.

- 2) **Background. *Home Solicitation Sales Act.*** The Legislature passed the Home Solicitation Sales Act (Act) in 1971 to give consumers a time period to cancel contracts, including home improvement contracts, entered into outside the trade premises. The purpose of the Act was to protect consumers against aggressive marketing tactics and pressure to make an immediate purchasing decision when a salesperson appears at their home or when the sales pitch is given at a non-business location.

***Home Improvement Contracts and Loans.*** A home improvement contract is an agreement between a property owner and a contractor over the specifics of a home improvement project and each party's respective obligations, including key terms of the financing. A home improvement loan is a type of unsecured personal loan, unlike a home equity line of credit or

home equity loan for which real property is used as collateral. Thus, a home improvement loan generally has a higher interest rate and a shorter repayment term.

According to a study by the Center for Responsible Lending, many homeowners have shifted from leasing solar panels to owning them as the financial sector increases access to loan products designed for such purchases, with salespersons or contractors making near-instantaneous loan offers to homeowners through in-person, door-to-door visits.

Additionally, the study found that some lenders and installers utilize predatory contract practices, such as inflating the cost of solar loans by including a “dealer fee” in the loan principal that is effectively a hidden finance fee benefitting the lender, and conducting the sales presentation in the homeowner’s native language but putting forth an English language contract for signature. This bill addresses such practices by extending existing right-to-cancel timelines under the Act by two days and requiring a lender to take certain actions before the consumer enters into the home improvement loan agreement and before the consumer is obligated to begin loan payments.

- 3) **Support and Opposition.** This bill is co-sponsored by Housing and Economic Rights Advocates and the Consumer Federation of California, which argue this bill enacts “changes that prioritize transparency and accountability on the part of the finance lender as well as the contractor” and “empowers homeowners to make informed decisions about their home improvement projects.” This bill is also supported by other consumer and social justice groups, labor organizations, and the CSLB.

This bill is opposed by various lending entities, with the American Fintech Council arguing this bill limits “constituents’ access to the safe, responsible and affordable capital they need for home improvement projects – including fireproofing measures, solar panel installations, and other capital projects that can add important value to their homes.”

- 4) **Prior Legislation.** AB 2993 (Grayson), of the 2023-24 Legislative Session, was similar to this bill, except AB 2993 would have impacted loans regulated by the Financial Code only. AB 2993’s hearing in the Senate Judiciary Committee was canceled at the request of the author.

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