

July 2, 2007

To: Legislative Policy Committee
Local Association Presidents

From: Amy Brackenbury

Re: Changes to Lien Law

This session, the Legislature passed a BIAW-supported bill to help crack down on unregistered contractors. Many BIAW members have expressed frustration with the abundance of illegal contractors competing unfairly in the marketplace. These illegal workers give honest, taxpaying contractors a black eye and often are the impetus behind ideas like Senator Brian Weinstein's onerous warranty legislation (which BIAW defeated).

BIAW has long been an advocate for strong enforcement of contractor registration laws and this newly-passed legislation is aimed directly at unregistered contractors in an attempt to give L&I a greater ability to penalize workers in the underground economy. However, there are some provisions in the new law to help better inform consumers of which all contractors should be aware.

Current law requires all contractors to provide customers with a disclosure statement which provides information about the contractor's registration, bond and lien information. **According to the new law, contractors must obtain a homeowners signature on the disclosure statement and retain a copy of the signed statement for a minimum of three years. The signed statement must be made available to the Department upon request, and failure to procure the signed disclosure statement could result in forfeiture of future lien rights.** (Most contractors already include this signed disclosure statement as part of their signed contract with the customer. However, the change in the law makes it mandatory).

In addition to this new requirement for all contractors, the laws will also change in the following ways:

- The definition of "contractor" will be amended to include "owner builders" who build homes for immediate resale but manipulate the current law's owner exemption (like teachers, firefighters, realtors).
- L&I must deny an application for registration to any applicant with an unsatisfied final judgment, or any applicant who owes L&I penalties or fees.
- L&I may triple the bond requirement for any applicant for registration who has had three final judgments in the previous five years.
- L&I may obtain a warrant from superior court to authorize access to any job site at which a contractor is working.
- Penalties for working without a valid contractor registration are increased to a gross misdemeanor.

Contractors should begin making changes to disclosure statements to reflect the requirement for a homeowner's signature.

cc: Local Association Executive Officers