



INFORMATION FOR CONSUMERS ABOUT HAWAII'S CONTRACTORS RECOVERY FUND



What is the Contractors Recovery Fund?

Each year, licensed contractors pay into a fund that helps to compensate homeowners if something goes wrong with their project.

How does the Contractors Recovery Fund work?

The Contractors Recovery Fund consists of fees that are collected from all licensed contractors in the State. The Fund is managed by the State of Hawaii's Contractors License Board.

What kind of projects may be covered by the Contractors Recovery Fund?

Claims against the Fund are limited to **owners or lessees of private residences, condominiums, and cooperative units** who constructed improvements and alterations, and owners or lessees of real property on which they constructed a private residence.

Who can recover from the Contractors Recovery Fund?

Any person who has been injured by an act, representation, transaction, or the conduct of a licensed contractor. The act, representation, transaction, or conduct must violate the licensing board's laws or rules.

Who can file a claim with the Contractors Recovery Fund?

The Contractors Recovery Fund is funded by licensed contractors and to file a claim with the Fund, you must have hired a licensed contractor. The contractor that you hired must have been *currently and actively licensed* at the time the contract was entered into.

How do you know if a contractor is licensed? The Regulated Industries Complaints Office provides information about licensed contractors, electricians, and plumbers, including license status, license classifications, and proof of insurance. Call the Consumer Resource Center at 587-4272 or visit the State's website at: cca.hawaii.gov/rico.

How much money is available from the Contractors Recovery Fund?

The maximum claim per contract is \$12,500.00. The maximum amount of money that can be paid by the Fund for a specific licensed contractor is \$25,000.00. If multiple claims are filed against the same contractor, payments from the Fund may be pro-rated.

How do you file a claim with the Contractors Recovery Fund?

Recovery from the Contractors Recovery Fund is not automatic. The following is a summary of information from the **Contractors Recovery Fund** that describes what you must do in order to make a claim:

- Give written notice to the Contractors Licensing Board when an action (like a lawsuit) which may result in collection from the Fund is commenced. Written notice should be sent to the Contractors Licensing Board at 335 Merchant Street, Suite 343, in Honolulu, Hawaii 96813.
- Obtain a judgment (from a Hawaii district court or a Hawaii circuit court) against the contractor. (In the simplest of terms, a judgment is a decision from a court that states who has won the case and what remedies the winner has been awarded.)
- The Contractors Recovery Fund is considered to be a last resort for recovery, so after receiving a judgment, you must make reasonable searches and inquiries to ascertain whether the licensed contractor

has any real or personal property or other assets from which the judgment can be satisfied. You will need to try to satisfy your judgment from any applicable bond, insurance, or other parties that the judgment may be against first.

- If the judgment remains unsatisfied, you can then file a motion for payment from the Contractors Recovery Fund. If you receive payment from the Recovery Fund, you will have to assign (i.e. give up) all your rights in the judgment to the Contractors License Board.
- There may also be separate procedures you must follow before filing a lawsuit, including providing a licensed contractor an opportunity to repair. (See Hawaii Revised Statutes Chapter 672E, which is commonly referred to as the “Contractor Repair Act.”)

Where to begin...

You should begin by reviewing Chapter 444 of the Hawaii Revised Statutes and Chapter 16-77 of the Hawaii Administrative Rules, paying careful attention to any provisions that relate to the Contractors Recovery Fund. As noted above, Chapter 672E of the Hawaii Revised Statutes contains separate procedures that may be required to be fulfilled prior to the filing of a lawsuit. (Links to the laws and rules can be found on the RICO website.)

Do I need to hire a lawyer?

You may wish to consult a private attorney to discuss any legal remedies you may have. Remember there are time deadlines for filing a civil lawsuit.

Important things to remember:

- If your contract is with an unlicensed person or company, or if, at the time you entered into the contract, the contractor’s license was suspended, revoked, forfeited, terminated, or inactive, you may be prevented from recovery from the Fund.
- You must give written notice to the Contractors Licensing Board at the time a legal action is commenced.

Where can I go for more information?

For additional information about the Contractor’s Recovery Fund, call the Contractor’s License Board at (808) 586-2700. Remember, neither the Board nor its staff can represent you or give you legal advice, and the Fund does not represent you.

Consider hiring a licensed contractor:

The Contractors License Board requires applicants demonstrate “a good reputation for honesty, truthfulness, financial integrity and fair dealing,” submit tax clearances, proof of insurance, and other required qualifications. Licensed contractors are also required to carry liability insurance and are responsible if a worker is injured on a jobsite. This protects you as a homeowner from putting your property at risk if anything is damaged on your project or if anyone is injured. And, if you hire a licensed contractor, there may be additional protection available to you in the form of the **Contractors Recovery Fund**.

Unlicensed contracting and violations of Hawaii’s licensing laws are investigated by the Regulated Industries Complaints Office (RICO).

To check licensing status or for information about hiring a licensed professional, call the Consumer Resource Center at 587-4272 or visit the State’s website at: cca.hawaii.gov/rico.

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