

Legal Requirements Specific to Residential Contractors

What Residential Contractors Need to Know

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Residential contractors in Iowa must comply with a wide range of laws and regulations governing their work. Lost in the numerous legal requirements are the three laws that residential contractors may unintentionally overlook:

Iowa's Right to Cancel Law: Iowa's Door-to-Door Sales Act (the Act), found in Iowa Code Chapter 555A, regulates a "seller" who engages in a "door-to-door sale" of "consumer goods or services," which often includes residential remodelers and homebuilders. In sum, a covered seller must give its customer notice and cancellation rights—specifically the right to cancel the contract within three days of signing the contract. A contract is void if these requirements are not fulfilled, and it is a violation of the Iowa Consumer Fraud Act. More specifically, residential contractors must be aware of the following in regard to the Act:

1. A contractor providing construction materials and/or services to customers on home projects (new builds, remodels and restoration projects) falls within the definition of a "seller" of "consumer goods or services."
2. A contractor-seller who solicits business from, or negotiates contracts with, homeowners at a place *other than the contractor's place of business* falls within the definition of making "door-to-door sales." The Act does not apply if a residential contractor negotiates and enters into contracts with customers *at the contractor's own storefront/place of business*.
3. A contractor who falls within the above two parameters must comply with the Act by (1) including a sentence in the contract, near the signature line, in at least 10-point, bold font, that states, "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."; (2) providing two copies of a **Notice of Cancellation form** (provided on page two) to the customer at the time of signing the contract, with the contractor retaining a copy of the signed form; and (3) informing the customer, at the time of signing, of the customer's right to cancel.

Iowa's Notice of Contract Obligation on Insurance Jobs: Iowa Code § 103A.71 provides that a residential contractor contracting to provide goods or services to repair damage to a home resulting from a fire, tornado, hailstorm, flood or catastrophe must abide by certain requirements.

1. The contractor shall provide the person with whom it is contracting a fully completed duplicate **Notice of Contract Obligations** form (provided on page three), in at least 10-point, bold font, regarding responsibility of payment. The contractor must retain a copy of the signed form. The contract is void if this requirement is not fulfilled.
2. The contractor shall not promise or advertise to rebate any insurance deductible, in whole or part.
3. The contractor may display a sign or advertisement on a person's premises only if the customer both consents to the display and receives no compensation from the contractor for the display.

Iowa's Prohibition on Acting as an Unlicensed Public Adjuster: Iowa Code § 522C.4 and Iowa Code § 103A.71(3) prohibit residential contractors from acting as public adjusters. A public adjuster is anyone who either "acts for or aids an insured in negotiating or affecting the settlement of a first party claim for loss or damage to real or personal property of an insured," or advertises, solicits or represents to the public that the person is a public adjuster. Distinguishing between lawful and unlawful activities can be challenging, so contractors should seek legal counsel, but in general, residential contractors should never:

- Advocate for or assist a customer in negotiating the amount to be paid out by his or her insurer on the insurance claim.
- Advertise, represent or imply it advises customers on insurance claims or investigates customer losses on such claims.

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NOTICE OF CANCELLATION

(Notice should be provided, in duplicate, to customer at signing of the contract)

You, the buyer, may cancel this transaction at any time prior to midnight of the third business day after the date of this transaction. For purposes of this notice, the “date of this transaction” is the date of your execution of the attached Agreement.

NOTICE OF CANCELLATION

You may cancel this transaction, without any penalty or obligation, within three business days from the date of this transaction.

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 ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

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 instructions of the seller regarding the return shipment of the goods at the seller’s expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to the below-noted Contractor at Contractor’s below-noted address no later than midnight of the following date: The third business day after the date of your execution of the attached Construction Agreement.

Contractor:

Name: _____

Address: _____

☐ I HEREBY CANCEL THIS TRANSACTION

Signature: _____

Print Name: _____

Date _____

NOTICE OF CANCELLATION

You may cancel this transaction, without any penalty or obligation, within three business days from the date of this transaction.

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 ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

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Contractor:

Name: _____

Address: _____

☐ I HEREBY CANCEL THIS TRANSACTION

Signature: _____

Print Name: _____

Date _____

NOTICE OF CONTRACT AND OBLIGATIONS AND RIGHTS

(Notice should be provided, in duplicate, to customer at signing of the contract)

NOTICE OF CONTRACT & OBLIGATIONS & RIGHTS

(Provided pursuant to Iowa Code §103A.71)

You may be responsible for payment to the below-noted Contractor for the cost of all goods and services provided whether or not you receive payment from any property and casualty insurance policy with respect to the damage. Pursuant to Iowa law your contract with the below-noted Contractor to provide goods and services to repair damage resulting from a naturally occurring catastrophe including but not limited to a fire, earthquake, tornado, windstorm, flood, or hail storm is void and you have no responsibility for payment under the contract if the below-noted Contractor either advertises or promises to rebate all or any portion of your insurance deductible, or represents or negotiates, or offers to represent or negotiate, on your behalf with your property and casualty insurance company on any insurance claim relating to the damage you have contracted to have repaired. Your signature below acknowledges your understanding of these legal obligations and rights.

Contractor:

Name: _____

Address: _____

Client acknowledges receipt of this Notice:

Date: _____ Client's Signature: _____

NOTICE OF CONTRACT & OBLIGATIONS & RIGHTS

(Provided pursuant to Iowa Code §103A.71)

You may be responsible for payment to the below-noted Contractor for the cost of all goods and services provided whether or not you receive payment from any property and casualty insurance policy with respect to the damage. Pursuant to Iowa law your contract with the below-noted Contractor to provide goods and services to repair damage resulting from a naturally occurring catastrophe including but not limited to a fire, earthquake, tornado, windstorm, flood, or hail storm is void and you have no responsibility for payment under the contract if the below-noted Contractor either advertises or promises to rebate all or any portion of your insurance deductible, or represents or negotiates, or offers to represent or negotiate, on your behalf with your property and casualty insurance company on any insurance claim relating to the damage you have contracted to have repaired. Your signature below acknowledges your understanding of these legal obligations and rights.

Contractor:

Name: _____

Address: _____

Client acknowledges receipt of this Notice:

Date: _____ Client's Signature: _____