



# **Standards of Practice for the Remodeling Industry**

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## Introduction

The purpose of this publication is to serve as an official guide to the high standards of honesty, integrity, and responsibility to which all members of the National Association of the Remodeling Industry (NARI) are pledged in the conduct of business. As such, it serves as the official interpretation of the association's Code of Ethics.

All members are encouraged to use this publication for their own guidance in maintaining the high standards they have pledged to observe. It should also be used as an official reference by the Bylaws/Ethics committees of NARI chapters in performing their vital function of ensuring compliance with the Code of Ethics by their members.

The application of the advertising provisions of these standards by media and the adherence to all provisions by individual manufacturers, suppliers, and remodeling contractors will be a significant contribution toward effective self regulation in the public interest, and will inspire public confidence in this industry. Strict observance by NARI chapters will likewise enhance the public image of this association.

It should be noted that these standards are not in any way intended to infringe upon the individual business's right to sell or advertise its products and services at whatever prices it chooses. In fact, they are designed to encourage trade and to promote substantive competition for the benefit of all citizens. Members should also be aware that compliance with these standards does not alleviate them of the responsibility for additional compliance with federal, state, and local laws and regulations as they relate to advertising, selling, and servicing practices, including licensing where applicable. Should any part of these Standards or of the Code of Ethics stand in conflict with such laws or regulations, only those conflicting parts shall be rendered null and void, the remaining parts continue in full force.

Although this publication is the official interpretation of the provisions of the Code of Ethics, it is not the last word. It is the responsibility of NARI's Board of Directors to periodically interpret, amend, or revise these standards in response to political, economic, and social conditions in the marketplace and other factors. Anyone having suggestions for such changes is encouraged to send them to the Chairman of the Bylaws/Ethics Committee, National Association of the Remodeling Industry, PO Box 4250, Des Plaines, IL 60016.

# NARI's Code of Ethics

Each member of the National Association of the Remodeling Industry is pledged to observe high standards of honesty, integrity and responsibility in the conduct of business by:

1. Promoting in good faith only those products and services which are known to be functionally and economically sound, and which are known to be consistent with objective standards of health and safety;
2. Making all advertising and sales promotion factually accurate, avoiding those practices which tend to mislead or deceive the customer.
3. Writing all contracts and warranties such that they comply with federal, state, and local laws.
4. Promptly acknowledging and taking appropriate action on all customer complaints.
5. Refraining from any act intended to restrain trade or suppress competition.
6. Obtaining and retaining insurance as required by federal, state, and local authorities.
7. Obtaining and retaining licensing and/or registration as required by federal, state, and local authorities.
8. Taking appropriate action to preserve the health and safety of employees, trade contractors, and clients.

## A. Marketing

Marketing includes, but is not limited to, the planning of and the steps taken to bring merchants and consumers together. Marketing includes advertising, product pricing, distribution, customer service, sales strategy, public relations, branding, etc. Methods refer to any means of communication, including but not limited to: oral, written, audio, video, and internet-based representation.

NARI members agree to abide by the Truth in Advertising rules as determined by the Federal Trade Commission <http://www.ftc.gov/> and other agencies authorized in their jurisdiction. For the purposes of these Standards, advertising includes any promotion or communication, paid or unpaid.

### **1. Marketing must be truthful and non-deceptive.**

- a. An ad is deceptive if it contains a statement - or omits information – that is likely to mislead consumers acting reasonably under the circumstances; and is material, that is, important to a consumer's decision to buy or use the product.
- b. Illustrations and descriptions shall accurately represent the products and services being offered regarding size, quality, quantity, design, etc.
- c. When a price is quoted, the advertisement shall state the size and specifications of the product or area featured, and in units of measurement and terms customarily used in the industry, provided that potential customers clearly and readily understand such statements. Whether or not installation or delivery is included should be clear.
- d. No advertisement containing an offer to sell a product should be made when the offer is not a bona fide effort to sell the advertised product (Bait and Switch).
- e. When the term "warranty" (or "guarantee") is used, the nature and extent of the warranty shall be described, including obligations by the advertiser and the consumer.

- f. Testimonials or endorsements must be genuine and quoted in its entirety. Testimonials and endorsements are not considered evidence to back up claims (see item B below). Advertisers should consult the FTC guidelines on this issue for further guidance.
- g. Competitive pricing and savings claims must be factual and must refer to prices previously offered on a regular basis, whether offered by the seller or the seller's competitor. List Price, Suggested Retail Price, Factory Price, Wholesale Price, etc., shall not be used for comparison if such prices are not, or have not been, an actual selling price. 'Free' may be used if a seller is offering an unconditional gift.
- h. If credit terms are offered, advertisers must comply with the Federal Truth in Lending Act and all applicable state laws.
- i. Promotion of NARI membership, certification, awards received, or any other affiliation must follow all current Logo Usage Guidelines, Certification Guidelines, and CotY Logo Usage and Promotion Guidelines, respectively. Use of NARI trade name, logo marks, certification designations, and Award logos are authorized for use only while membership and or certification is current. Members must discontinue usage upon membership or certification expiration.
- j. Members and recognized affiliates or partners are not permitted to state, imply, or mislead consumers by promoting that they "represent NARI", unless expressly authorized to do so.
- k. When promoting or disclosing service as a volunteer, leader titles and chapter affiliation should be distinct (e.g. President, NARI of Central Ohio, or President, National Association of the Remodeling Industry, Central Jersey Chapter).

## **2. Marketers must have evidence to back up their claims.**

- a. Before a company runs an ad or promotion, it has to have a "reasonable basis" for the claims. A "reasonable basis" means objective evidence that supports the claim.
- b. Claims as to energy savings, performance, efficacy, protection, or other results which will be obtained or realized from a particular product or service shall be based on recent and competent scientific, engineering, or other objective data.
- c. Comparison statements and representations shall be based upon the performance capabilities of the seller's own products and services, and those in which compared to. Advertising which deceptively or falsely disparages a competitor or competing products or services shall not be used.

## **3. Marketing cannot be unfair.**

- a. An ad is deemed unfair if it causes or is likely to cause substantial consumer injury which a consumer could not reasonably avoid; and it is not outweighed by the benefit to consumers.<sup>1</sup>
- b. Causing monetary harm, as when sellers coerce consumers into purchasing unwanted goods and services, or when consumers buy defective goods or services on credit but are unable to assert against the creditor claims or defenses arising from the transaction.
- c. Unwarranted health and safety risks may also support a finding of unfairness.
- d. Promoting, performing, or causing to perform regulated activities when not licensed or certified to do so. These include, asbestos removal, mold remediation, any work affecting lead based paint, or any other future regulated activity.

#### **4. Representation of seller.**

**a. Identification, Age, and Volume of Business.**

- (i) All written representations shall state the company's name or trade style, and the address of its actual place of business.
- (ii) Any representations about a remodeling industry member's years of experience shall be based upon the actual number of years engaged in the industry by the company (or proprietor), not on the years of experience of its employees.
- (iii) Any statement regarding the volume of business, size of the organization, or number of outlets shall not be an exaggeration of the current facts.

#### **5. Trade Style.**

A company name or trade style shall not be misleading as to the nature or scope of its business activities (e.g., "ABC Design Build", when the company does not do design build work, or "XYZ Window Mfg. Corp." when the company does not fabricate windows).

#### **6. "Insured," "Bonded," "Licensed."**

- a.** An advertiser shall not use the terms "bonded" or "insured" in any representations unless there is a clear and conspicuous disclosure of the type of bond or insurance, who is covered by the bond or insurance, and the protection, if any, provided to the customer.
- b.** An advertiser shall not use the term "licensed" unless it has been granted a license by the relevant licensing authority, and disclosure is made for what and by whom the license is granted.

#### **7. FHA Approved, Government Affiliated, UL Approved, etc.**

- a.** No advertising claim or sales representation shall be made which states or implies that a remodeling contractor or the products offered are in any way approved, certified, recommended, or accepted by a government agency unless in fact the agency issued to the seller an approval, certification, etc.
- b.** No advertising claim or sales representation shall be made which states or implies that a product or service meets or complies with a government agency standard or specification unless such is the fact.
- c.** No company representative or salesperson shall state or imply that his company is government affiliated.
- d. Underwriters Laboratories**
  - (i) The expression "Approved by Underwriters Laboratories, Inc." or "UL Approved" shall not be used.
  - (ii) When a material or product has in fact been listed or classified by Underwriter Laboratories, Inc., and reference is made to that effect, the recommended statements are:
    - Classified by UL with respect to [nature of hazard] only.
    - Listed by Underwriter Laboratories, Inc.
    - Listed under the Follow-up Service of Underwriters Laboratories, Inc.

## **8. Telephone Solicitations.**

- a. All members must comply with applicable state and federal “Do Not Call” laws and regulations.
- b. Any telephone solicitation shall, at the outset of each call, provide his or her name, the name of the person or entity on whose behalf the call is being made, and a telephone number or address at which that person or entity may be contacted.
- c. Telemarketers are required to transmit or display their phone number and, if available, their name or the name and phone number of the company for which they are selling products. The display must include a phone number that can be called during regular business hours to ask to be removed from the call list.

## **B. Sales**

This section pertains to the selling of a product or service through point-of-sale techniques and representations.

### **1. General.**

- a. The requirements of truth, accuracy, and full disclosure that govern the marketing and other customer solicitation activities of an industry member shall also apply to point-of-sale contracts.
- b. No oral statements shall be made which would violate any part or provision of the standards set forth in Section I.
- c. These basic principles shall apply to estimates, oral representations, and written contracts which normally accompany a final sale of a product or service.
- d. No member company shall conspire to prevent free competition in business, as in the creation of a monopoly, limiting of a market, fix or set prices, or otherwise violate any antitrust law.

### **2. Company Identification.**

- a. The name and address of any seller making door-to-door contacts shall be clearly disclosed to the prospect at the outset of the contact.
- b. The seller shall not misrepresent the true nature of his business by claiming to be a representative of any organization, agency, or institution when such is not the case.

### **3. Contracts and Other Documents.**

#### **a. Misrepresentation.**

When an agreement is to be signed which binds the customer to a contractual obligation, either immediately or upon subsequent approval or execution by a company principal, no representation shall be made to a potential customer that a document is merely an estimate form which has no binding effect.

#### **b. Itemization, Customer's Copy**

- (i) The contract or agreement shall itemize the products and services purchased, as well as describe the types of material and products used.
- (ii) The contract or agreement shall be completed in full and in all respects before securing the customer's signature. The customer's signature shall not be sought nor permitted on the contract until all credit terms and disclosures required under Regulation Z and state

laws have been completed. See <http://www.fdic.gov/regulations/laws/rules/6500-1400.html>

(iii) The customer shall be given, at the time of signing, an exact copy of the contract or other agreement signed by both the customer and the sales representative.

#### **4. Cooling Off Notice.**

- a. Regulations issued by the Federal Trade Commission, the Truth in Lending Act, and Regulation Z, and some state and local laws, require that oral and written notice of the right to cancel a transaction shall be given to a customer at the time of sale under certain conditions within certain time limits, and in certain form and language. Compliance with such regulations and laws is the responsibility of the seller.
- b. The oral representations to the customer at the point-of-sale shall include an explanation of how and to whom notice of cancellation is to be directed.

#### **5. Waiver of Lien.**

Following verification of a customer's payment on materials and/or services, seller shall provide the customer with a lien waiver in such form and frequency as state law may require.

### **C. Service**

This section pertains to all servicing activities of the seller with respect to the customer after the sale is completed. This section does not set minimum product or workmanship standards. Product standards, short of objectively established health and safety standards, should be specified in advertising and contractual agreements. Workmanship standards are difficult to define in this highly skilled industry.

#### **1. Substitution of Products or Services.**

An industry product or service which is not identical to samples submitted, or to specifications upon which the sale was consummated, or to representations made pursuant to securing an order, shall not be shipped, delivered, or installed without first obtaining specific written approval of the customer to such substitution. Any difference in the quality or value of the substitution shall be disclosed prior to obtaining such approval.

#### **2. Delay.**

- a. No seller shall misrepresent a starting date, completion date, delivery date, or project length.
- b. If delay is necessary or anticipated, the seller shall so inform the customer and explain the reason(s) for the delay.

#### **3. Proper Care of Customer's Property.**

- a. Any anticipated damage or liability involving a property improvement project shall be explained to the customer before such project is started.
- b. The member shall use care to minimize and avoid damage to the property and its surroundings; and make reasonable effort to ensure a complete clean-up of work areas upon completion.

#### **4. Completion Certificate.**

- a. No customer shall be asked or induced to sign a completion certificate, delivery receipt, or any other written instrument signifying that all contractual obligations have been met unless such is actually the case to the customer's satisfaction and to the seller's satisfaction.
- b. No representations shall be made indicating that the customer's signature to any such document is meaningless.



## **5. Warranties and Owner's Manuals.**

- a.** Following installation or delivery of some products or services (e.g., kitchen appliances, bathroom fixtures, etc.) seller should leave with customer any manufacturer's warranties or guarantees, instructions on how to obtain service or repair, and literature from the manufacturer describing care, maintenance, operation, and other information about the items.
- b.** Members must also comply with state and federal laws regarding pre-sale availability of copies of warranties.

## **6. Dispute Resolution.**

- a.** The methods of resolving disputes between the owner and the contractor shall be specifically identified in the contract language.
- b.** NARI recommends that alternates to legal action be considered such as mediation and arbitration. In certain areas these services may be provide by the BBB, the local district/states attorney, states licensing organizations, and private arbitrators such as JAMS at <http://www.jamsadr.com/> or the American Arbitration Association at <http://adr.org>

## **7. Health and Safety.**

- a.** Employees and Trade Contractors
  - (i) Training - All members will ensure that their employees and their trade contractors will be trained in safety procedures and environmental safeguards as required by federal, state and local authorities.
  - (ii) Implementation - All members, their employees, and their trade contractors will ensure personal safety and environmental protections are implemented at all times on the job site, as required by federal, state or local authorities.
- b.** Client
  - Members will protect the health and safety of the client regarding
    - (i) Exposure to any regulated environmental hazards by ensuring compliance with applicable safety standards.
    - (ii) Exposure to onsite construction hazards as required by federal, state or local authorities.