

SAMPLE - IRREVOCABLE LETTER OF CREDIT

(This form MAY be supplied in lieu of the \$10,000 Surety Bond)

(NOTICE: It must remain on file for one (1) year after the license expiration or inactivation)

State of Tennessee
Board for Licensing Contractors
Home Improvement Section
500 James Robertson Pkwy.,
Nashville, TN 37243-1150

RE: Irrevocable Letter of Credit No. _____
Effective Date: _____
Expiration Date: _____

Board:

You have requested of (Name of Lending Institution) that we establish an irrevocable letter of credit which will remain available to (Applicant) for use in conducting home improvement residential remodeling business for which a license is being sought from the Tennessee Board for Licensing Contractors (Board).

We hereby establish an irrevocable letter of credit for these purposes in the amount of (Dollar Amount) which will be maintained for a period of one year from the date of license issuance, subject to no adverse change in your financial condition.

As a condition of this arrangement, it is our understanding you will inform us and the Board of any significant changes in your financial condition during the term of this commitment.

(Name of Lending Institution) may cancel this letter of credit by giving thirty (30) days written notice to the Board and licensee by certified mail, of such cancellation, it being understood that the lender shall not be relieved of liability that may have accrued under this letter of credit prior to the date of cancellation and that claims which arise during the effective period may be filed up to one year after this letter of credit expires.

Except so far as otherwise stated, this documentary credit is subject to the "Uniform Customs and Practice for Documentary Credits" fixed by the International Chamber of Commerce applicable at the date of this letter.

Yours truly,

(Bank Officer) (Date)

(Lending Institution)

Instructions

In order to obtain a Home Improvement license, the applicant must supply a form of financial responsibility, such as a bond or a Irrevocable Letter of Credit in the Board's format and from an FDIC approved bank, savings and loan. For further clarification, contact the Board office at: 800-544-7693 or review our website at: <http://tn.gov/commerce/boards/contractors/>

**RULES
OF
TENNESSEE BOARD FOR LICENSING CONTRACTORS
GENERAL REGULATIONS FOR HOME IMPROVEMENT CONTRACTORS**

FINANCIAL RESPONSIBILITY

0680-07-.13 BONDS.

(1) Bonds shall be written on a form approved by the Insurance Commissioner, available through the Board, which shows the name of the principal as it appears on the license application.

(2) Description of Bonds.

(a) Cash Bonds.

Cash bonds may not include personal checks.

Cash bonds may include:

1. Currency, which shall be deposited with the State Treasurer, subject to the order of the Board, and which may not earn interest;
2. Cashier's check, certificate of deposit for a term of at least two (2) years or certified check:

- (i) Issued by a financial institution;
- (ii) Showing the name of the purchaser; and
- (iii) Assigned and payable to the Board;

3. Savings and loan association certificates, passbook or share accounts, credit union or share accounts, passbook savings or other similar accounts assigned and payable to the Board, which shall be issued for periods of not less than one (1) year and accompanied by delivery of the certificate passbook, share account, certificate, passbook or other similar account to the Board.

(b) Property Bond

1. A property bond shall be the assignment to the Board by an owner applicant of an interest of ten thousand dollars (\$10,000.00) in real property located in Tennessee; and submission of a title search showing any encumbrances on the property.
2. The Board may require the applicant to submit an appraisal of the property to ascertain that the unencumbered value of the property is at least ten thousand dollars (\$10,000.00).

(c) Surety Bond.

1. A surety bond shall be in the amount of ten thousand dollars (\$10,000.00), issued to a home improvement contractor by an approved insurance company authorized to do business in Tennessee, for the benefit of a claimant, who has been damaged by the contractor's breach of a home improvement contract. If the bond ceases to be in effect, the home improvement contractor's license shall become invalid.
2. The Board may refuse to accept a bond written for a home improvement contractor by a surety which has failed to meet its obligations under this subtitle.

(d) Letter of Credit.

1. A bond in the form of an irrevocable letter of credit shall be an agreement, between a financial institution and a home improvement contractor on record at the Board wherein the FDIC insured financial institution agrees to extend an irrevocable line of credit amounting to ten thousand dollars (\$10,000.00), for the purpose of honoring claims filed with the Board.
2. The irrevocable letter of credit shall show the name of the financial institution extending the credit and the name of the applicant or home improvement contractor to whom the letter of credit was issued as it appears on the applicant's or home improvement contractor's license application.

(3) Release of Bond.

A bond may not be released until whichever occurs last:

- (a) One (1) year after the inactivation, expiration or revocation of home improvement contractor's license;
- (b) After the pending claims against the licensee filed during the period described in 3(a) have been heard and satisfied, or dismissed.

RESOURCES

*Rule updates are available online at: <http://www.state.tn.us/sos/rules/0680/0680.htm>
(Home Improvement Section is under 0680-7)*

*The law may be reviewed at: <http://www.michie.com/tennessee/>
(Home Improvement section is under Title 62, Chapter 6, Section 5 (T.C.A. § 62-6-501))*

*More information is also available at the Boards website at:
<http://tn.gov/commerce/boards/contractors/>*