



The mission of Homeowners of Texas is to enact legislative reforms to protect Texas homeowners and provide a level playing field for dealing with contractors, insurance companies, lenders and service providers. After all, Texas is the largest homebuilding state, played a role in the economic collapse, and will play a role in the recovery.

**THE PROBLEM:** The lack of rules and enforcement (i.e. regulatory oversight) leads to market failures in a Free Market society where sociopathic homebuilder “bullies” can’t lose but everyone else does. As shown in our list of victims, below, good Americans everywhere are affected and not just those buying defective homes in Texas.



Wide spread government corruption under Governor Rick Perry helped create a \$35 billion Texas homebuilding industry that deliberately sells dangerously defective products to the unsuspecting public while concealing known problems related to the health, safety & welfare of buyers. Texas laws allow builders to deny buyers their legal rights while protecting themselves from accountability and lawsuits from victimized homebuyers, ultimately contributing to the collapse of the worldwide economy.

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## No Accountability

Is it any wonder that Texas governor Rick Perry says, “Don’t mess with Texas”? Giant homebuilding corporations operating in our state have used a variety of means to shield themselves from accountability, lawsuits and criminal prosecution, and to protect their personal assets, including:

- **Tort Reform** was sold as a way to reduce “frivolous lawsuits” and the impact of “greedy trial lawyers” by imposing limits on claims and damages.
- **RCLA**, the Residential Construction Liability Act, gives builders a “right-to-repair” problems they caused and to inspect their own work while further limiting claims against them.
- **TRCC**, the Texas Residential Construction Commission, posed additional roadblocks between homeowners and their legal rights in disputes with builders. HOT helped get the TRCC abolished (see [TRCC Eulogy](#)<sup>i</sup>).
- **Arbitration** clauses in sales contracts force disputes into a private and secret Kangaroo Court that is stacked against homebuyers who then lose their [Constitutional Rights](#)<sup>ii</sup> to a jury trial and equal justice under law. To restore fairness, HOT proposes a ban on such contracts for Texas homesteads and urges Congress to pass the [Arbitration Fairness Act](#)<sup>iii</sup>.
- **Corruption** within state agencies has been used to conceal criminal activity in the Texas homebuilding industry, and even when Attorney General Greg Abbott has been told about them, he has refused to prosecute, treating these cases instead as civil contract disputes.

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## Economic Collapse

Greed in Wall Street is mostly blamed for the global economic collapse, but the big banks and mortgage lenders learned the art of predatory lending from watching the big, vertically integrated homebuilders that owned their own mortgage, title and insurance companies, promoted subprime loans to sell more homes to speculators and consumers ill-suited to own homes, offloaded their mortgage risks to 3<sup>rd</sup> party investors and ultimately taxpayers. Resources that support this view include [“Texas Homebuilding and the Global Collapse”](#)<sup>iv</sup> and TIME Magazine’s [“Who’s to Blame for the Financial Crisis?”](#)<sup>v</sup>

Urban sprawl onto rich farmland – land with expansive clay soil, contaminated with decades of pesticide use – contributed to the serious construction defects that made homes unlivable and led to loan defaults, just as predatory loans with artificially inflated appraisals did. Those vacant and foreclosed homes, in a market with more supply than demand after the housing bubble, have lowered the home values in entire neighborhoods and across the nation, fueling a spiraling decline that has affected the tax base that funds public services. The intentional hiring of undocumented workers encouraged illegal immigration. Abuse of these workers included nonpayment of wages and uncollected tax revenue.

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## Millions of Victims

- **Homebuyers and Neighbors** – Both first-time and experienced buyers suffer when serious defects make homes unsafe to live in and lead to mortgage defaults and foreclosures, as well as affecting home values in [entire subdivisions](#)<sup>vi</sup> when homes stay vacant. The problem is not limited to starter tract homes but also affects million dollar custom homes, as shown in our collection of [HOT Case Studies](#).<sup>vii</sup>
- **Workers and Subcontractors** – When builders don’t pay subcontractors, homebuyers can end up with mechanics liens on their homes and face mortgage foreclosure. And because many construction workers are [undocumented](#),<sup>viii</sup> builders often don’t pay them, don’t insure them or provide safety equipment, or otherwise abuse them while failing to collect taxes. For more on the impact of the abusive practices of homebuilders and their mortgage subsidiaries, read [“CRUEL HOPE.”](#)<sup>ix</sup>
- **Investors** – Just as Goldman Sachs knew the housing bubble was about to burst and bet against homebuilding while selling mortgage derivatives to investors, the big builders knew too. They had been warned for years (see sample [shareholder letters](#))<sup>x</sup> but continued to push for government incentives to grow the bubble, including mortgage interest tax deductions, artificially low interests rates, subprime and adjustable loans with no money down, and the latest [New Homebuyer Tax Credits](#).<sup>xi</sup>
- **Tax Payers and their Children** – As if our record unemployment, loss of personal wealth, and rising national debt wasn’t enough, after buying up toxic assets related to the housing collapse, the FHA has become [the new AIG](#).<sup>xii</sup> Between the FHA, VA, USDA, Fannie Mae and Freddie Mac, taxpayers now guarantee over 80% of all U.S. home mortgages, many made with nothing down and no accountability. The government is complicit in encouraging risky loans and bad business practices, including [USDA loan guarantees](#)<sup>xiii</sup> for homes built in rural areas on soils that its own Web Soil Survey says is highly expansive and unsuitable for building.
- **Nations** – Widespread corruption in Texas and our state’s homebuilding industry impacted the whole world. Maybe that’s why June Melton describes a delegation from China’s supreme court as attending Sandra Bullock’s civil suit trial against her builder, in his historical mystery fiction, [“The Mysterious Adventures of Marshal Yeager, Professional Engineer – Book 1: In the Matter of Sandra Bullock’s House, Governor Rick Perry, and Corruption at the Texas Board of Professional Engineers.”](#)<sup>xiv</sup>

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## Some Big Homebuilder Bullies

HOT describes *“Crony Capitalism”* as the corrupting influence of big business on big government. It’s now in all three branches of Texas government: Legislative, Executive and Judicial. [Houston homebuilder Bob Perry](#)<sup>xv</sup> contributed over \$21 million to the campaigns of all but six Texas legislators, all nine Texas Supreme Court justices, Texas Attorney General Greg Abbott and Governor Rick Perry. He also used his money to influence political races in Virginia and other states around the nation.

HOT describes “*Selected Capitalism*” as government policies, influenced by moneyed special interests that choose preferred winners & losers. National examples include Wall Street and banks too big to fail. Texas examples include big builders, the [Trans-Texas Corridor](#)<sup>xvi</sup> and Cintra, the Spanish company that Rick Perry wants to run our toll road system.

Sixteen of the largest builders broke from the pack of over 200,000 members of National Association of Home Builders to form a new trade group. [Leading Builders of America](#)<sup>xvii</sup> executive director Ken Gear said to Reuters that the group wanted a more “*direct connection to lawmakers*” after their experience lobbying the government for the [Home Buyer Tax Credit](#) and other tax concessions. His statement speaks volumes about the influence of large builders on Congress too.

Texas used to be a state where you could do business with a handshake, but now even a contract won’t protect you from the cronies. They’ve manipulated the politics to remove accountability, liability and oversight, and corrupt Texas politics is just like corrupt Washington politics.

To understand why so many big builders & finance companies behave badly, watch the award-winning video documentary, “[The Corporation](#),”<sup>xviii</sup> Michael Moore’s “[Capitalism a Love Story](#),”<sup>xix</sup> and “[FOOD, Inc.](#)”<sup>xx</sup> To learn why good policy is more about public interests than special interests, read “[Economics in One Lesson](#).”<sup>xxi</sup>

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## Lobbying in the Sunshine

Corruption happens when special interests meet in secret behind closed doors; it does not happen in the light of day with public transparency. That’s why HOT, as a consumer advocacy, seeks the warming light of day and shines attention on corruption we find.

While consumer activist organizations complain publically about issues and "rally the troops" to get media attention, HOT has a different approach. We apply our unique legal, legislative, analytical, engineering, and marketing strengths to the task of understanding the root cause of problems, crafting alternative legislative solutions, and selling them through the legislative process. It's what allowed us to accomplish in our first year what other Texas consumer groups were unable to do over 20 years.

HOT gives homeowners an effective voice to help balance the power of special interests. We propose legislation and testify on your behalf, which means we need your support and need to hear your story. HOT can also help you improve the effectiveness of your personal testimony when you want to give it.

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<http://www.homeownersoftexas.org/HomeownersOfTexas-TheBigPicture.pdf> (this document)

<sup>i</sup> <http://www.homeownersoftexas.org/TRCC-Eulogy.html>

<sup>ii</sup> [http://www.homeownersoftexas.org/Under\\_Attack.html](http://www.homeownersoftexas.org/Under_Attack.html)

<sup>iii</sup> <http://www.homeownersoftexas.org/ARBITRATION-mandatory-binding-unfair-and-everywhere.html>

<sup>iv</sup> [http://www.homeownersoftexas.org/Texas\\_Homebuilding\\_and\\_Global\\_Financial\\_Collapse.pdf](http://www.homeownersoftexas.org/Texas_Homebuilding_and_Global_Financial_Collapse.pdf)

<sup>v</sup> <http://www.homeownersoftexas.org/blame.pdf>

<sup>vi</sup> <http://www.homeownersoftexas.org/Rivermist.html>

<sup>vii</sup> <http://www.homeownersoftexas.org/Case-Studies.html>

<sup>viii</sup> <http://www.homeownersoftexas.org/Construction-worker-abuse.html>

<sup>ix</sup> <http://www.liuna.org/Portals/0/docs/PressReleases/Report%20-%20Cruel%20Hope.pdf>

<sup>x</sup> <http://www.homeownersoftexas.org/Vertical-Integration-is-Conflict-of-Interest.html>

<sup>xi</sup> <http://www.homeownersoftexas.org/Homebuyer-Tax-Credit.html>

<sup>xii</sup> <http://www.homeownersoftexas.org/Housing-Stimulus-and-FHA-Loan-Guarantees.html>

<sup>xiii</sup> <http://www.homeownersoftexas.org/USDA-offers-Free-Money-but-puts-taxpayers-at-risk.html>

<sup>xiv</sup> <http://www.homeownersoftexas.org/Marshal-Yeager-Book1.html>

<sup>xv</sup> [http://www.homeownersoftexas.org/Bob\\_Perry.html](http://www.homeownersoftexas.org/Bob_Perry.html)

<sup>xvi</sup> <http://www.homeownersoftexas.org/I-35-tollway-twin-dies.html>

<sup>xvii</sup> <http://www.homeownersoftexas.org/Leading-Builders-Of-America.html>

<sup>xviii</sup> <http://www.homeownersoftexas.org/CorporateBehavior.html>

<sup>xix</sup> <http://www.homeownersoftexas.org/CorporateBehavior.html#capitalism>

<sup>xx</sup> [http://www.homeownersoftexas.org/FOOD\\_Inc.html](http://www.homeownersoftexas.org/FOOD_Inc.html)

<sup>xxi</sup> [http://www.homeownersoftexas.org/Economics\\_in\\_One\\_Lesson.pdf](http://www.homeownersoftexas.org/Economics_in_One_Lesson.pdf)

