

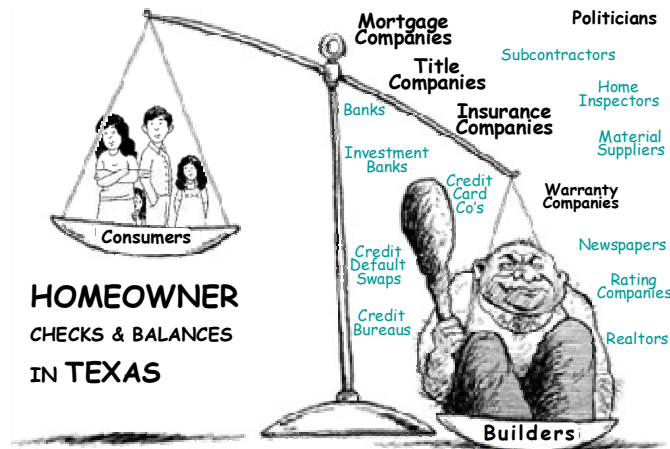
# TEXAS HOMEBUILDING and the Global Financial Collapse

**LOBBY INFLUENCE:** Big builders control the Texas Legislature, Texas Supreme Court and Governor's Office, but few people know how Texas contributed to the Global Financial Collapse.

- Legislature got \$2.8M in last 3 years
- Governor got \$649K, Lt. Governor got \$537K
- Supreme Court got \$260K

**DEREGULATION:** The U.S. Congress slowly deregulated the financial services industry and eroded consumer protections that were previously established during the Great Depression in the 1930s, with disastrous results – a global economic collapse. Banks, mortgage companies, brokerage houses, and insurance companies were allowed to form interlocking relationships without accountability or checks & balances, and many of these institutions behaved irresponsibly (and criminally), leading to losses in the trillions of dollars.

**LARGEST MARKET:** The Texas legislature removed accountability from its \$35B Texas homebuilding industry by shielding builders from lawsuits for construction defects, and so this large housing market (118,000 = 15% of 2007 single-family housing starts, per U.S. Census) has become a magnet for unscrupulous homebuilders with similar behavior.



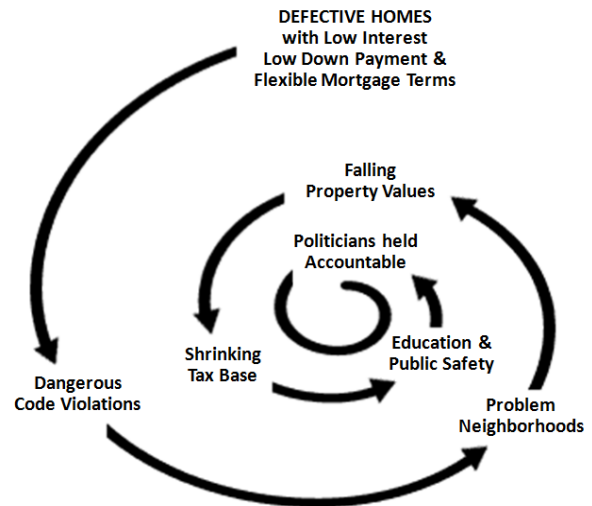
**EASY ENTRY:** Texas Homebuilders don't need a State license and can build defective homes on cheap land (arsenic contaminated or expansive soils) with impunity. The problems are widespread and range from volume-produced starter homes to multi-million dollar custom homes.

**LOW RISK:** Builders can also offload their warranty responsibility with illusory home warranties and reduce their financial risk with ties to (and often ownership of) mortgage companies, title companies, home inspectors, subcontractors, material suppliers, and realtors, among others.

**EXAMPLE:** The lives of Frank and Sandy Bradshaw were ruined when their new home in Legends of Hutto began to fall apart. Built on expansive clay soil common to Texas farming communities, their home suffered cracks in the walls and ceilings, sticking doors, a falling down fence, a wavy roof and separating roof shingles, an electrical fire in the A/C unit, plumbing leaks, and serious mold that destroyed Frank's health and that of his 13-year old granddaughter. After 18 hospital visits and a stay in the ICU, Frank's doctor said he'd die if they didn't get out immediately. "Your health is more important than any financial loss," he said.

**EFFECT:** But with such serious defects, the Bradshaws can't sell or rent their house at any price, and by walking away from the mortgage, their credit will be ruined too. They may never be able to buy another home.

**NEIGHBORHOODS:** Homes up and down their street have similar problems and are for sale or rent or just abandoned. The relatively new neighborhood is in serious decline, and everyone's property values are affected. The downward spiral



of Texas subdivisions affects the tax base that funds education and public safety.

**RUIN:** Without condemning all homebuilders, many of the same companies that built substandard homes also originated subprime loans, which helped feed "the financial beast" and left lives in ruin and subdivisions decimated.

**ABOUT:** Homeowners of Texas, Inc. (HOT) is a new non-profit organization working to enact legislative reforms that will once again make homebuilders accountable to homeowners. Visit [www.HomeownersOfTexas.org](http://www.HomeownersOfTexas.org).

