



## League of United Latin American Citizens

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September 3, 2008

Sunset Advisory Commission  
P.O. Box 13066  
Austin, Texas 78711

Re: Texas Residential Construction Commission Sunset Review

Chairman Carl Isett:

The League of United Latin American Citizens (LULAC) is concerned with the welfare and human rights of all peoples, particularly those of Latino heritage and the need to provide responsible affordable homeownership.

In Texas LULAC has witnessed a disturbing trend in substandard new home construction, which can be attributed to the lack of adequate inspections during construction, lack of effective new home warranty protection, home durability as well as lack of consumer redress for defective new home construction. These chronic problems relate directly to documented non-compliance with local and HUD minimum property standards, and lack of proper warranty repairs that has adversely affected the habitability of dwellings and community stability.

LULAC community leaders in the course of advocacy and council with families have discovered Texas is grossly lacking when it comes to new homebuyer consumer protection laws. The industry-wide use of Binding Mandatory Arbitration (BMA) clauses in new homebuilder contracts and third party warranties further deny homebuyers their constitutional rights of holding a builder accountable through the courts.

After a review of the Sunset report on the Texas Residential Construction Commission (TRCC), LULAC has concluded this state agency imposes undue bureaucratic hardships, which adversely impacts all aggrieved homeowners especially minority families who struggle to make payments on their defectively built homes.

LULAC enthusiastically supports the Sunset Advisory Commission staff report conclusions:

- Current regulation of the residential construction industry is fundamentally flawed and does more harm than good.
- No other regulatory agency has a program with such a potentially devastating effect on consumers' ability to seek their own remedies.

- The Texas Residential Construction Commission fails to provide meaningful oversight and public protection because of fundamental structural flaws in the current regulatory approach.
- Despite changes last Session ostensibly to strengthen the process by making builders subject to new penalties if they refuse to offer repair of a confirmed defect, the Commission still has no real power to require builders to make needed repairs.
- Sunset staff concluded that anything short of a true regulatory program does more harm than good, and should be abolished.
- Abolish the Texas Residential Construction Commission and repeal the Texas Residential Construction Commission Act.

Further it is LULAC's intention to call on all Texas Legislators to abolish the TRCC and support legislation to regulate the homebuilding industry and assure all future new homebuyers that a home is built in compliance with HUD minimum property standards and the state adopted International Residential Code before it is sold.

These issues and the soaring foreclosures due to predatory lending are all contributing factors to the decline of the full enjoyment of homeownership and priority issues outlined in a LULAC Resolution unanimously passed by its National Board. (See enclosure)

As National President of LULAC I stand in support of the rights all Americans to be assured that new homes are built correctly and protected by adequate consumer protection laws. Be assured that new homebuyers will not be denied something so basic as decent housing for their hard earned dollars.

Sincerely,



Rosa Rosales

# *League of United Latin American Citizens*

## Resolution

WHEREAS, The League of United Latin American Citizens (LULAC) is a national civil rights organization concerned with the welfare and human rights of all peoples, particularly those of Latino heritage; and

WHEREAS, LULAC exercises leadership locally through membership councils, Districts, State and National levels concerning affordable housing, new home construction and related warranties, mortgage lending, the quality of life of families and community stability; and

WHEREAS, LULAC in its concerns for the need of affordable housing has witnessed a disturbing trend in substandard new home construction, lack of effective new home warranty protection and home durability; compounded by soaring foreclosures due to predatory lending, alleged violations of deceptive trade practice, and a declining ability for enjoyment of homeownership among minorities that has adversely impacted families in need; and

WHEREAS, LULAC community leaders have in the course of advocacy and council with families witnessed mismanagement, chronic problems related to documented non-compliance with local and HUD minimum property standards, material substitutions and lack of proper warranty repairs that have adversely affected the habitability of dwellings, particularly with the San Antonio Mirasol communities, which were funded under the HUD HOPE VI program, and built by KB Home, administered by the San Antonio Housing Authority (SAHA); and

WHEREAS, Deficiencies identified with Mirasol are: failure to comply with the site preparation specifications, lack of scarification to the site surface, failure to grub out the foundation site or fill with compacted limestone, copper waterlines were not sleeved, foundation concrete was not properly cured, improper workmanship was identified, failure to properly secure drywall to the wall frames, missing insulation, improper installation and sealing of HVAC systems and its duct work, improper flashing and installation of windows and doors; and

WHEREAS, LULAC in its historical review of facts has learned that KB Home and its affiliates have a history of building substandard housing due to non-compliance with building to minimum construction standards, failure to comply with warranty responsibility and was in fact sued by the Federal Trade Commission for such activity; and

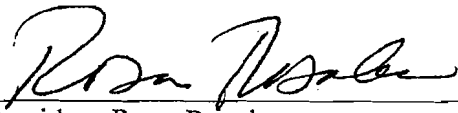
WHEREAS, KB Home and its affiliates entered into a 1979 Federal Consent Decree and have repeatedly been the subject of homeowner complaints and investigations, was repeatedly fined for its blatant disregard of the FTC Consent Order, and recently was fined by HUD for mortgage irregularities; and

THEREFORE, BE IT RESOLVED, That LULAC and its National Board call for an investigation by appropriate Federal Agencies having oversight or jurisdiction over the matters of; new home construction standards compliance, affordable housing, new home warranties, compliance with federal consumer protection laws, predatory lending, waste in government, and the welfare and human rights of all peoples particularly those of Latino heritage; and

BE IT FURTHER RESOLVED, That in light of deregulation of HUD and its lack of oversight for the past decade and recent renewed efforts by congress to revive HOPE VI (HB3524 and SB829 LULAC joins with other consumer advocacy groups in the call for subcommittee hearings on these issues; and

BE IT FURTHER RESOLVED, That LULAC calls on Congressman Charles A. Gonzales, a member of the Subcommittee on Commerce, Trade, and Consumer Protection that deal with FTC enforcement matters, request that a hearing be held; and

BE IT FURTHER RESOLVED, That LULAC calls for hearings conducted by the House Committee on Financial Services, and Subcommittee on Housing and Community Opportunity chaired by California Representative Maxine Waters.



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LULAC President Rosa Rosales

LULAC Board Members: