Good morning and welcome.

Today, the State Commission of Investigation continues hearings on abuses in new-home construction.

When we began this process late last year, we did so out of a sense of urgency amid allegations and findings that defined a veritable crisis in the new-home construction industry statewide. Home-buyers recounted nightmarish experiences with shoddy and negligent workmanship in housing developments large and small. We heard sworn testimony and saw documentary evidence of rampant and obvious code violations, some potentially life-threatening. We found that, in many instances, individuals charged with the responsibility to conduct inspections are incompetent or corrupt or both. Indeed, in extreme cases, we even found that forged and fraudulent certificates of occupancy were created to close sales to unwitting buyers.

Ladies and gentlemen, I must say I didn’t think it could get worse – but it has. Since that first round of public hearings in mid-November, the Commission has been
inundated with new complaints from every corner of this state. In many instances, it’s the same disturbing theme: Un suspecting, law-abiding citizens reach for a piece of the American dream in the form of a new home – and find themselves victimized by incompetent, conniving or downright unscrupulous business interests whose products make a mockery of their advertisements.

Worse, once caught in this web, victimized home-buyers often quickly discover that they have little recourse. The system that is supposed to help them may instead work against them.

And that is a central part of our focus here today. Evidence and testimony will bring into question the effectiveness of the primary mechanism for correcting substandard and deficient construction – the new home warranty system. We will examine events and circumstances that suggest profound defects in the state law governing this system. And we will hear from witnesses whose experiences suggest that warranty programs offered to home-buyers through both the government and the private sector utterly fail to accomplish their intended purpose. Further, you will hear testimony about instances that reveal a startling lack of oversight, enforcement and follow-through on warranty-related issues by appropriate governmental authorities.

As I indicated last fall at the outset of these proceedings, this is an ongoing investigation. Additional hearings will be held as warranted, and we welcome the constructive input of all parties because this is not merely an academic exercise. Our ultimate goal is not just to compile an investigative record but to develop sensible, objective recommendations for strong, effective statutory and regulatory reforms.

Deputy Director Gaal, please call the first witness.