

## Federal Lawsuit - Timothy D. Pruitt vs.KB

### History of FTC Consent Order

### Federal Lawsuit - Timothy D. Pruitt vs. KB Homes

“For twenty-four years, KB Home has used subterfuge and lies to avoid public scrutiny and accountability for its wrongdoing. They have entered into agreements with the Federal Trade Commission, violated those agreements, and misrepresented their violations to the Commission.”KBHome Complaints Sunday, 18 December 2005

### Complaints

### David's Story (David Ross)

Our family purchased a brand new KB home in April 2001. At the time, we were excited to be living in a brand new home - we picked the lot (complete with a hefty lot premium!), floor plan, floorings, upgrades and so on. Little did we know the nightmare that awaited us a short time later.

Here is but a summary of the 'excitement' my family has enjoyed. If we can save one family any measure of grief through this site, at least our misery will not be completely in vain. Here is a summary of the most extensive problems encountered with the house: In January 2004, KB Home was forced to cut a hole through the foundation of the building extending from the side of the garage into the hallway of the house, a distance of approximately 20 feet. A trench was also dug from the house to the street to gain proper drainage to the main sewer line. This extensive work was necessary due to a construction defect that was the fault of KB Home, and a grading of the sewer line which I was told was not in line with standard building practices. Punching a hole through the foundation and digging the trench were necessary to correct the grade of the sewer line and remove a 'high spot', which caused a stretch of standing water running at least 13 feet in the sewer line underneath the home prior to the repairs. In the process of making the hole in the foundation, a tension cable in the foundation was cut by the crew doing the work. This required further excavation in the back and front of the foundation to pull the remains of the damaged cable out and replace it. There is visible evidence of this repair in both the front and back of the house to this day. My oldest son, who is autistic, suffered a ‘meltdown’ in the presence of the customer service representative at the time as a result of the massive disruption to his environment. This meltdown consisted of a screaming rage that went on for over 3 hours that particular day and numerous other such episodes of varying lengths over the next several weeks as he tried to process and understand what had happened. There are now expanding gaps, or separation, occurring between the walls and ceiling. There are also numerous ‘nail pops’ occurring throughout the house as this separation worsens. A growing crack in the mortar holding the stonework in place in the front of the home has recently been brought to my attention by a visiting friend. Every bedroom has mold that has formed around the windows. This mold is present despite our best attempts at removing the water and numerous cleanings. This mold resulted from constant moisture buildup that occurs virtually year-round on the windows. Many times a hand towel would become thoroughly soaked while removing the water from the two windows in the master bedroom. Such condensation is considered ‘normal’ by KB Home, even though I know of other homes built by other builders that do not have such problems. My larger concern is not the mold I can see, but the mold that is potentially within the walls that I cannot see. Many of my neighbors have similar mold situations in their houses as well. In December, my wife and I decided it was time to move in order to make preparations for the long-term care of our oldest son. I was stunned to find that agents were reluctant to list the home, if at all. My shock was due to the fact that I was unaware of the extent of problems in other KB houses. A broader inquiry made by calling up several realtors revealed the fact that KB Home has such a reputation for poor craftsmanship and quality that none contacted on the phone were willing to list. Further, several stated that they would not bring clients they represented to see a KB house. After visiting with several neighbors we have found it to be a more widespread problem than just us, as attested by this site and others. Facts concerning our subdivision: As of March 1, 2005, there were at least 11 homes in foreclosure proceedings of some sort in my immediate neighborhood. Of these, five were owned by banks and six were going to auction. All of these eleven homes appeared on the foreclosure listings no earlier than December 20, 2004. I am certain there have been more in my subdivision, a fact being researched at this time. We have seen many people move out in the middle of the night, disappearing without warning, never to be seen in the neighborhood again. The homes stand empty for a time and are foreclosed, or are bought by investors as rental property for far less than the original price. These foreclosures have driven property values down significantly – we are still researching for more details, but there is at least one instance in which the current market value for a home in this neighborhood is over \$30,000 less than the ‘new’ price from three to four years ago. We are seeing at least a 20-30% decline in the potential sale price of our homes. Even with the devaluation and lowered prices that reflect it, many are unable to find agents that are willing to list or show our home. The few agents that have been willing to do so have expressed to us the fact that we must dramatically lower our expectations on the value of our home in order to sell. In spite of this market reality created by KB Home and their reputation, they consider their new homes to have appreciated in value at least 10% in the past four years, as reflected by the current prices on their website. How can homes less than 4 years old decline in value by 30% or more, yet the builder feels that their homes are appreciating by at least 10% - in the same neighborhood!?! It is an insult for a company’s actions to reflect the belief that their new constructions of similar size and plan are worth \$30,000 more than my purchase made just a few short years ago, in the very same location! At the very least, I should be seeing a similar appreciation in value and surely not large depreciation if their new prices are reflective of the market for their product. KB tries to dismiss these drastic valuation drops as coinciding with the economic circumstances in central Texas. Yet, I cannot find other areas that are seeing property values in a 20 to 30 percent decline - except maybe other KB areas! This story could go on, but I think you should be getting the idea by now. If you

have read this far, you understand our frustration. Poor craftsmanship, poor customer service, and a poor track record related to property values - at least in our subdivision - should make anyone very, very cautious about considering using KB Home to build a dog house, let alone a 'dream home'. If considering a new home construction, I urge you to do your homework because especially in Texas, and particularly with KB Home, it truly is 'caveat emptor'- BUYER BEWARE!

### Mike and Rana's Story

When we were in the process of having our home built by KB, we were really excited about purchasing a brand new home and picking everything out for it in the showroom and really making it our house. We were first time homebuyers and had been married 6 months when we moved in and we couldn't wait to start our family in this brand new home. Little did we know... Our house flooded in the kitchen and laundry room/pantry four times!!! FOUR!!! Flood #1: Upon the first rainstorm after we moved in, our kitchen and laundry room/pantry flooded. Mike walked into the kitchen not having discovered the flooding yet, slipped on the water on the ground and fell very hard on his hip and arm. We called KB and a representative did not come out to our house that night but came out the next day, he told us that he had been dealing with calls regarding leaks all day. They had to knock out the entire wall (including the brick) that was allowing the rain to come in (which is behind the washer and dryer) in order to correct the building defect that was allowing rain water to come in. Flood #2:

After the first attempt to fix the leak, there was another thunderstorm and here comes the rain again into the kitchen and laundry room/pantry. KB came out again to fix it, which required knocking out the wall again. Flood #3:

Apparently in previously knocking out the wall to fix the leak in the wall, KB drove a nail through a pipe, so this time the leak came from a water pipe in the wall rather than the rain. We had to call KB again to come fix it. They came back and knocked out the entire wall again to fix the pipe. Flood #4:

After fixing the pierced pipe, KB did not reconnect the washing machine tubing causing flooding again. Every time this flooding occurred, it included the cabinets in the kitchen and the walls. Some cabinets were replaced (only because we insisted) because of the mold that grew on them but the sheet rock and the studs were not replaced and neither was the flooring. This was the way we started out in our home, here's what's been ongoing since then: There is mold in the air ducts. Anytime the heater came on this winter, there was an awful, disgusting smell that would come out of it. Our kids (2 ½ years and 5months) are always congested. Window sills have water stains due to rain water intrusion and they are cracked and swollen from the moisture. Structural Problems include: (this house is only 4 years old!!!) There are rusty nails that are popping out of the walls all over the house. We can't even begin to count how many cracks are in the walls, every single room in the house has at least 3 or 4.

The exterior brick is cracked. We paid an additional \$5000.00 to upgrade our house to have 4-sided brick and it's cracked. The standard is only front side brick. The mortar on the side of the house is falling off.

The second floor is uneven and floorboards creak and move beneath your feet. The second floor makes so much noise that we can't put our kids to sleep in the bedrooms, our 2 ½ year old is scared of all the noise the floors make. Sometimes our whole family will be downstairs and it sounds like someone is upstairs running and stomping around on the second floor - but no one is up there. Between that and the nails protruding from the walls, we're afraid it's all just going to fall on our heads one day.

The stairs are uneven and each step is not flushed with the adjacent wall. You can fit your hand in the gaps.

Our son's bedroom closet door is always falling. We don't let him open his own closet door because it will fall on him. In the same bedroom, the door is misaligned and doesn't close all the way.

There is a large gap between the front door and it's frame, it's very misaligned. This gap provides poor protection from the outdoor environment including insects.

The attic is inaccessible for entrance or maintenance due to the placement of the air ducts. KBHome never provided an attic ladder (probably because they knew that no one could get in there anyway).

The decorative octagon window above the front door is not insulated which can allow moisture build up leading to mold.

Back sliding door leaks water into the house during rain. We regretfully invested in a patio in the backyard which now protects the leaky sliding door from rain.

The baseboards are separating from the walls. Electrical Problems: (again, the house is only 4 years old!!!) Outdoor outlet does not work. We couldn't display the lights in our front yard this holiday season.

Bathroom light switch does not work. Our only light in this bathroom is a nightlight. Our son is afraid to go in this room because it's dark.

AC and Heating unit is affecting the electricity in the house. When the AC or Heat come on (which is very loudly and abruptly), the lights in the house dim.

The AC broke this past summer 2004. It was very difficult to be pregnant with our second child during the summer heat without AC (a lot of swelling and discomfort).

Sparks come out of light switches. Very scary and very dangerous. Other signs and symptoms:  
The carpet is folding up off the ground.

The keys do not fit in the front door during changing seasons. We usually have our arms full and are struggling trying to open the front door.

Back screen door is constantly falling off.

The bathtub in the master bath is separating from the tile and the linoleum.

The water pressure is very low in the bathtubs and bathroom sinks.

Upstairs bathroom toilets constantly clog and require unclogging. We re-iterate that this house is 4 years old. Can you imagine what it would be like after 30 years? 30 years is the length of most mortgages. Most hard working middle-class Americans put in a lot of hours at work in order to afford a decent life for their family. It's unacceptable for companies to ruin the largest investment of most people's lives.

The poor quality, material and craftsmanship used by KB Home to build our house has left us very upset and worried about the safety of our family in this home. We have been deprived of the full enjoyment of our first home, especially during these sensitive early years of our children's lives. KB home, you should do the right thing.

Natalie's Story Our plight, and that of every Texas homeowner...

People ask me, "What is wrong with your home, isn't it new? What have you got to complain about?" I tell them that, for a four year old home, it should look new, but it does not. As a matter of fact, as it turns out, I have all the trademarks of a KB home.

Issues with the home: joists showing through the sheetrock on the ceilings patched holes that were left by the painters leaking sliding glass doors that left mold under the kitchen floor linoleum a bathroom ceiling that is separating from the wall in one corner windows that leak and mold vinyl siding that is either warped or crooked To continue, my neighbors have these problems and more - electrical problems, cracks, and siding flapping in the wind! In talking to people in my neighborhood, these things are rampant throughout our KB built Chandler Creek community.

KB Home told us that most of these things are "normal".

To make matters worse, last summer we were hit with tax/escrow increases of anywhere from \$500 to \$800 a month on our monthly payments of \$1,000. All over the neighborhood, people have moved out overnight and houses have gone into foreclosure. At present there are at least 17 foreclosures in our neighborhood alone!

Since January, we found out that this is not only our problem, but that of all Texas homeowners. Who can afford the \$350, \$450 or \$650 that is charged by the newly formed Texas Residential Construction Commission (TRCC) to file a complaint against any Home Builder who did not build our homes correctly to begin with? The TRCC charges the homeowner to complain about faulty building practices with their builder. If the TRCC was Optional, free and effectively enforced, it might help, but it is not. Even then, if builders in Texas are not regulated, what gives KB Home or any other builder the incentive to build a home that will outlast a 30 year mortgage? So, where do we go to complain?

As it turns out, we don't have any place to complain about our houses that are falling apart.

As homeowners in Texas, we are stuck with our families being deprived of the full enjoyment of our homes, which has left us both emotionally and financially drained. We are left being subjected to discomfort or paying for careless mistakes that were not of our making but that of KB Home and other builders like them.

So, we have picked up the picket sign and taken our cause on the road. Since we have, every person who stops and asks what is going on gets a lesson on the faulty building practices that went into each of our KB Homes. They also get an education on what the TRCC is, and why it does not work for Texas homeowners, as it was supposedly set to do. Instead, the TRCC protects KB Home and all the other Home Builders of this state!

Renee T. and Kim L. Story  
Our KB Home Experience (Round Rock, Texas)

On September 9, 2002 we bought our first home, a KB Home.

We decided to purchase a NEW Home to increase our investment potential and to avoid problems that we thought we

would find in an "older home." Round Rock was the perfect location. The investment we thought we made has been a nightmare!

Unfortunately, problems with KB Home began from the moment we started working with them. First KB promised to fix problems before we closed (walk through #1). This promise then turned into: "We promise to fix the problems after the closing." So, we signed our life away - they tried to get us to finalize a closing date before they finished the items discussed during the walk through. Then, after we closed, they had to come back 2-3 times because they were not correcting the issues they promised to do the first time.

At this point, the nightmare began: On September 17, 2002 (just a week after we bought the home), we came across an electrical problem. To date we have had 9 electrical issues and KB has been invited to the home for most of these situations (along with a couple of no-shows). There have been 7 recorded attempts to fix it. After KB shows up, the "fix" on the situation works for a week, or perhaps a month, or several months ...and like the energizer bunny &ndash; it goes on and on...

Other issues with the home: Extreme water buildup on windows/interior since moving in (making the presence of mold highly probable) Water damage on windows/ledges and surrounding sheet rock, and so on due to consistent water problems Water damage on wall next to tub (concern with mold) Low water pressure Toilets do not flush properly Cracks/waves in the walls and ceilings Concrete patio separated from house slab (reoccurrence after initial repair) Carpet improperly installed (master bedroom still not resolved) Ceiling beams shift/drop for a visual construction defect Painters came to house multiple times and still the house never was properly finished Flooring had to be repaired Nail pops Exterior siding coming apart Water leak under sink Flooring not meeting the wood (upstairs bathrooms) Stair treads are not flush with the walls Un-level kitchen cabinets There appears to be bowed wood under the carpet upstairs Floor in bathroom has dips or pockets "The last straw": The last (NINTH) electrical occurrence happened in the kitchen in December 2004. Half the outlets in the kitchen were unusable. We called customer service to resolve the problem. An electrician was finally scheduled to work on the problem. A family member planned to take off work and meet during the workday because KB was very hesitant to arrive after hours. We scheduled the electrician on the agreed upon day for between 8AM and 12 PM - he never showed up, making this the second missed appointment. We did not receive a courtesy call or anything. Following this, we contacted customer service and he was unsure why he "no showed". The customer service rep said he would call back to re-schedule, which he never did. We tried several times calling two different people in the company, and we never got a phone call. Finally, one month later, KB Home finally called back &ndash; ironically, just after some media attention happened in our neighborhood. However, we are not confident in any promise they make to correct the problems.

Overall, we have spent a lot of personal time dealing with their faulty work. In good faith we agreed to buy a KB Home, the biggest investment we will ever make. However, KB Home has not lived up to the expectation of a new, well built home but instead destroyed our dream as homeowners in the State of Texas . They have ruined the goals we set for ourselves in the future.

It's time for us to speak -

Renee T. and Kimberly L. Chandler Creek Subdivision (Round Rock, Texas )

Ross and Irma's Story Below is a list of some of the on&ndash;going problems we have with our KB Home: Mold AC unit broke down Plumbing leaks Front door not square or sealed properly Kitchen floor unlevel Visible beams in the ceiling Wavy walls Uneven window framing Windows unable to open

During our final walk through, the Construction Superintendent and Customer Service Representative informed us that we needed to finish the inspection in a hurry. I asked "why", and was told the CSR needed to get to the airport to pick someone up and the Construction Superintendent was going to his other job doing Custom Homes for his dad. I mentioned that we could re-schedule the walk through, but we were assured that all repairs and cosmetic touch ups would be done to our satisfaction. Later we tried to contact the Construction Superintendent and we were told that he no longer worked in our Subdivision and the new Construction Superintendent had no idea about these promises. We tried to have these repairs completed when work crews were in our house to fix other problems, but to no avail. Three years later, we still have repair notification tape in our house.

Problem: Leaky windows both upstairs and downstairs. KB Explanation: "Condensation" KB Solution: We were told to limit the amount of times we opened the front door. We asked "why would it only affects some of the windows and not all." We were told, "don't know why." Result: Leaky windows both upstairs and downstairs. Problem: Unbearable difference in temperature between the upstairs and downstairs rooms. KB Explanation: "It's your imagination" KB Solution: After numerous requests the AC technician takes a reading and there is an 11-degree difference between the upstairs and downstairs. KB puts a mini-blind in one bedroom and recommends that we leave the door to that bedroom and the upstairs bathroom open at all times. KB also adds an electronic temperature control switch. Result: Unbearable difference in temperature between upstairs and downstairs rooms. Problem: Creaky floor upstairs. KB Explanation: "That is to be expected" KB Solution: Nothing is done. Result: The entire floor upstairs creak and now there are noticeable waves. Problem: Wind coming through windows and electrical sockets. KB Explanation: "We build our

homes with the proper insulation." KB Solution: "This would be a good weekend project for your husband." "He can seal the sockets, and put up heavier curtains". Result: Wind coming through windows and electrical sockets. Special Report on Foreclosures KB Home Foreclosure Rate MORE THAN DOUBLE other builders

By David Ross

This investigation was launched following a meeting with KB Home representatives in February of this year. In our meeting, I mentioned I was seeing significant foreclosure activity in my four-year old neighborhood. The number of foreclosures at this time stands at 17. This unfortunate activity is driving my property value down on the order of 20%, a figure that represents more than a \$24,000 potential loss in value if I were to attempt to sell my four year old home (I was among the first to move into this subdivision). This severe decline in value for my home is in spite of the fact that they are appreciating the base price of similar sized new homes in the very same neighborhood by at least 10% in the same time period. Somehow, they feel that their new homes are worth more than they were a few years ago, yet mine is worth much, much less. In some way, they are not reflecting the market realities in the neighborhood that their &ldquo;old&rsquo; customers are being forced to confront. I told them that it was insulting to have such a huge disparity in appreciation and depreciation between &ldquo;old&rsquo; and new homes, a fact to which they agreed at the time.

However, KB has consistently attempted to assume no responsibility whatsoever for the foreclosures and subsequent loss in value of homes in the neighborhood. I was told by the representatives and other KB employees since that meeting, in effect, &ldquo;We just qualify people and sell them homes using FHA and other guidelines, so foreclosures are not due to anything on our part.&rdquo; If this were true, I believed that investigating foreclosure rates of several builders and comparing them with KB would yield similar results. After all, if the same standards are being used by different companies, the resulting foreclosure rates should also be similar. This letter only provides a summary of my findings; the original data is available for your review upon request.

Summary of Findings:

The chart below is based on three KB neighborhoods compared with neighborhoods from other builders. In this chart, the average foreclosure rate of the KB Home subdivisions is MORE THAN DOUBLE the nearest builder. In fact, one KB neighborhood has a foreclosure rate that is almost 30%, meaning almost 1 in 3 homebuyers have been unable to continue paying for their homes and have had to leave! Admittedly, it is possible that somehow I happened to select exceptional subdivisions for all builders involved.

Read more...

Chandler Creek

#### A Brief Organizational History

2001-2004 &ndash; Our Chandler Creek Community was built by KB HOME. Dec. 2004- We began to talk to each other about problems with our houses and noticed a &ldquo;pattern&rdquo; of problems in our community that we saw as systemic of our builder&rsquo;s business as well as, building practices. Jan. 2005 &ndash; We started picketing at our neighborhood entrance. People began to stop and tell us of their own &ldquo;nightmare&rdquo; stories. Our group began to grow. We Participated in a press conference held in our neighborhood by HOBB and Campaigns for People. Jan. 2005 - We wrote letters to KB to buy back our houses due to bad craftsmanship, inadequate repairs, decline in our builder&rsquo;s reputation, and realtors declining or offering to list our homes at a considerable loss. Each of began to get harassing letters from our HOA for petty issues. Feb. 2005 &ndash; Several of us were called to meet with KB executives to discuss our letters. KB refused to address our problems, instead offering to take us to the RCLA. We declined their offer. We continued to picket, this time taking it on the road and visiting other KB communities. Again unhappy KB homeowners stopped to tell us their difficulties with KB customer service and product. We spoke at a Round Rock City Council meeting. We were asked questions about the high foreclosure rates in our community and why we blamed our builder. As a result, David Ross researched and wrote the Foreclosure report. We put up our web sites. We participated in a press conference at the capitol and visited with State Senators and Representatives about the TRCC and it&rsquo;s injustices towards Texas Homeowners. March 2005 &ndash; KB sales people told us that KB executives said we did not matter. We began to be &ldquo;flipped off&rdquo;, cursed at, and badgered with racial slurs, called &ldquo;terrorists&rdquo;, &ldquo;extortionists&rdquo;, and &ldquo;low life&rsquo;s&rdquo; during our peaceful protests by KB sales staff. We began a daily campaign at the Showroom where the security guard, and the newly moved sprinkler system victimized us. Several members testified before a Senate hearing on HB 3404 which was to reform the TRCC and make it more homeowner friendly. The bill died in committee. April 2005 &ndash; We visited homeowners in other KB communities and were informed about how new homeowners were &ldquo;persuaded&rdquo; with expensive gift cards, pies and appliances by KB sales staff, in order to obtain a favorable JD Powers survey. We contacted several government agencies, including the FTC, BBB, HUD, the Governor, and State Comptroller. May 2005 &ndash; We held our own &ldquo;open house&rdquo; at Silverado in Cedar Park . KB began to hire off duty Cedar Park police officers to &ldquo;watch us&rdquo; during our peaceful protests at the Silverado sales office. Half the people in our group were served subpoenas in a Lawsuit that pertains to a community in Dallas , of which we know nothing. Obviously this was a scare tactic that did not work, since KB later canceled these.

Several of us began to receive solicitation in the form of calls and or letters from the TRCC telling us we had &ldquo;files&rdquo; with them. Even though we have never contacted nor filed a complaint with the TRCC. The TRCC has no jurisdiction to solve our issues.

Members

Natalie Shanks

Renee Tanguma  
 Kim Leto  
 Ross and Irma Maxwell  
 Mike Zawaideh and Rana Aljibouri  
 Emmitt Amaya

KB Home is Naked! There is a fairy tale written by Hans Christian Anderson called "The Emperor's New Clothes". The story goes something like this&hellip;.

"Once upon a time, there lived a vain emperor whose only worry in life was to dress in elegant clothes. He changed clothes almost every hour and loved to show them off to the people around him. Word of the Emperor's refined habits spread over his kingdom and beyond..."

The long and the short of this story is that two enterprising tailors decided to take advantage of the Emperor's extreme vanity. They convinced the Emperor that after many years of extensive research, they had invented a cloth that was so extraordinary, that it was invisible to anyone who was too ignorant to appreciate the fine quality and craftsmanship. The cloth could even be individualized for each particular customer. The Emperor, in his eagerness and vanity, gave the two tailors bags of money upfront, continuously having others check the progress of his wonderful new creation.

The Emperor had many of his advisors go and see for themselves this magnificent new cloth. But when they saw "nothing", they were too scared of being called "ignorant" and "stupid". They instead went along with the Emperor's imaginary creation, reinforcing the Emperor's extreme vanity. When the Emperor finally received the news that the tailors were finished, he went and they dressed him in his new outfit. It was then suggested to him that he show the new creation to the people of his kingdom. Since the Emperor was convinced that only the ignorant and the incompetent would see him naked, he was confident that they too would appreciate the tailors' hard work. So, as he walked through the streets of the kingdom, everyone commented about the beauty and the greatness of the Emperor's new outfit. They all acted just as the tailors had predicted.

Then, all of the sudden out the crowd, a small child called, and "The Emperor is naked!" The child repeatedly stated this to all who were standing around him until they all began to shout, "The boy is right! The Emperor is naked! It's true!" The Emperor, of course, realized about this time that what the child and the others were saying was true; but in his vanity, he decided to keep up the farce and the procession under the "illusion" that anyone who could not see his clothes was extremely ignorant &ndash; he knew the truth. He had all of the evidence he needed in his own mind.

If we now take this children's fairy tale and compare to a modern day, billion-dollar corporation, there are many similarities that can be drawn. KB Homes, in their effort to create many new homes, have created the same imaginary "new clothes". They have come into communities and built "fairy tale" homes for imaginary prices. They have tried to create an American Dream. They shroud their model homes in wonderful decorations, covering up the second rate carpeting and potentially moldy walls behind bright paint and Berber. They continue, like the tailors, to create this illusion by convincing all of those around them that what they are building is an affordable reality. Because of our "ignorance" and belief in the basic goodness of humanity, we (the public) choose to go along with the crowd, forcing ourselves to admire and buy into something that is affordable and within our reach.

Or so we think. Little do we realize that the fairy tale has turned into a nightmare until plaster begins to fall off walls, rusty nails protrude through the gaping holes, mold insinuates its way into the cracks and crevices of leaky windows, toilets and plumbing back-up and explode, foundations are jack-hammered in an attempt to fix said plumbing, tension cables are cut and not repaired correctly as a result of jack-hammering, carpet and padding are irreversibly damaged, other bathrooms in the same house now have the same "back-up" problem that was supposed to be fixed the first time around &ndash; and the list goes on and on. Of course, if this was only one person's nightmare than it would be hard to blame the builder - or the tailor's - in question. But this same nightmare is repeated over and over again.

We, as the consumer, have come to the point that we have turned around and taken another look at the "imaginary" American dream home. We are not "ignorant" or "stupid". We are simply tired of being taken advantage of because of one large corporations desire to make an easy buck off of good, honest, "real" people. We, like the young boy in the fairy tale, are now screaming, "Look! KB Homes is not what they led us to believe! KB Homes is naked!"

By: T R

Does KB HOME have a heart?

I have asked this question numerous times the past few years. One would certainly believe KB HOME has a heart if you look at the advertising in the paper, on TV, and on the company's website. There you are exposed to pictures of smiling happy families through a barrage of multimedia. Couple this with the ever-mentioned award from JD Powers gleaming at you on billboards along the I-35 corridor, and from entrances to new subdivisions everywhere, and any

unknowing person would believe it was true.

Well, I own a KB HOME. I am not smiling. I am not happy. On the contrary, I am very sorry I ever set foot in a KB HOME sales office a few years ago. In addition to my personal problems with KB HOME, I have first-hand account of the heartless and inconsiderate ways in which customers are treated by KB HOME employees and executives. Yes, the same executives that send out form letters claiming they will not stop until all customers are "100% satisfied". In visiting with my neighbors and those in other KB HOME communities, I have found that my dissatisfaction is not unusual. I have found numerous unsmiling, unsatisfied and unhappy owners of a KB HOME. How do they claim the JD Powers award? Don't my neighbors and I count? After all, we have picketed, gone to City Council meeting in Round Rock and Commissioner's Court sessions in Williamson County about our dissatisfaction with KB HOME. Due to this disparity between my reality and what was being said by KB HOME, I decided to do some investigating.

As I started to do so, a neighbor doing his own investigating, found some shocking information from the county appraisal district. One thing we had noted was a seemingly high number of foreclosures in the neighborhood &ndash; a fact dismissed by KB HOME representatives as being a result of the economic downturn in recent years. Yet, this did not ring true with what we saw for ourselves. So this neighbor, in visiting the appraisal district, found more evidence that something was amiss with our subdivision. In summary, he discovered that the foreclosure rate in the two KB HOME subdivisions in our area (including ours) stands at around 20% - that is 1 in every 5 new homebuyers that are unable to continue living in those homes a few short years later! A nearby community built by another builder in the same time period and price range had a foreclosure rate of only around 5%. He is still researching, but yet another builder that is known for selling to first-time homeowners, again building during the same time period in Williamson County, is showing a foreclosure rate of around 8%. KB HOME has a foreclosure rate at least DOUBLE that of other builders! Surely the economic downturn was not all to blame &ndash; could there be something more to explain this?

While polishing my magnifying glass and putting on my Sherlock hat this morning, I thought to myself, "Wouldn't it be great to come across some real evidence to back up our statements to the Round Rock City Council a few weeks ago? What if we were right in alluding that the amount of foreclosures in our new neighborhood was a result of KB HOME using "questionable financing practices?" After all, we believe that the foreclosure rate and KB HOME financing are connected since KB HOME built the community exclusively and financed a large percentage of the homes that have experienced foreclosure, but the question remained - how to prove it? In addition, is there some way to prove the rumor that realtors won't list or show a KB HOME? After all, following the Round Rock City Council meeting, several realtors in the audience approached us and said as much. Yet, where would I find tangible evidence to the fact? These were all burning questions as I headed out the door to face the day.

As part of my investigation, I visited another KB HOME community about two years old. Several homeowners there told me that after fighting for months or even years with KB HOME Customer service, some were so fed up that they began to attempt to sell their homes. After hiring contractors, making improvements and searching for agents who would willingly list their homes, they were furious that other realtors would not show their homes to clients. They demanded in writing the fact that clients would not put an offer on the homes after finding out who built them &ndash; and guess what? They have it in writing! They were shocked further when clients waiting to be let into their homes were approached by KB HOME sales associates who told them, "Don't look at this house, I can get you into a new one for less than what these people are selling." During this time, this group decided to walk through the neighborhood to count the growing numbers who left in the middle of the night, leaving the homes to foreclose. Out of 85 homes, 18 were in foreclosure at the writing of this article.

They also revealed another thing I had only heard whispered stories and jokes about concerning the JD POWER Customer Satisfaction rating. Apparently KB HOME has been paying people off for that JD Powers rating. In looking into this tidbit, I found an entire neighborhood of KB HOME owners who were told, "We will do anything to get a good rating from you". These people took full advantage of the bad KB HOME customer service they had been getting with their new homes and began to milk them. Who can blame them? They were given such items as: \$500 dollar gift certificates, grass (new/replaced sod), and \$500 dollar furniture store gift cards. One homeowner according to her neighbors was even given a washer, dryer and refrigerator! Despite my amazement and disgust at this information, I was surprised to from one of the women that had a friend who used to work for the KB HOME mortgage office. As she spoke I began to feel funny - was I dreaming? Was I hearing this correctly? As I pinched myself and recovered from the shock of actually being awake while hearing what I heard, I grabbed a pen and took notes in my evidence book - names and phone numbers. If this information really existed, I would finally have something to take back to the City Council and to tell the world! She gave me the name of her source.

As I dialed the phone a few days later, my heart was pounding with anticipation. Would he hang up on me? Would he talk? Could I use his name? When he answered I was quickly put at ease by his earnestness. He was still working in the business for a different company and was not willing for me to use his real name, which I am going to respect. As he settled in and began to answer questions, "Michael" began to list the suspected shady and unethical lows to which KB HOME will stoop to in order to sell a home.

As I listened, I wrote furiously, asking question after question. One of the first things he told me was something I had

already heard before. However, coming from a different source from within the company convinced me that I was right to believe it when I first heard it. It seems that KB HOME employees are told to stop at nothing to approve a loan. In practice, this means that they consistently over qualify customers through any means possible. Sometimes this meant telling the hard-to-qualify customer that they will "finish the paperwork later for you" before turning it in to the mortgage company. After KB HOME Mortgage has qualified the customer and has the customer's money, they sell the mortgage note to another bank very quickly. KB HOME is in the clear with the loan at that point, leaving another bank to handle the situation going forward. This new bank is the one who will end up taking the hit when the customer experiences "mortgage shock" when tax bills come due with far too little money in escrow to pay them.

"Mortgage shock" is when KB HOME establishes a monthly payment based on the estimated taxes for the land only (without improvements). The customer does not realize that the mortgage payment, which is "cheaper than rent", does not include sufficient escrow payments for taxes on the dwelling that was built. At some point in the future – often a year or more – the new bank receives a tax bill from the Appraisal District that is often thousands of dollars more than what is in the escrow account. So, they have to approach the homeowner with the news that not only do they owe thousands of dollars in back taxes, but their escrow payment has to go up to compensate for the anticipated taxes for the coming year. Mortgage shock sometimes comes in the amount of \$800 a month or more – in some cases; this is a 50% increase in the monthly payment! I already knew that on my cul-de-sac, five out of eight mortgages were sold to Washington Mutual after first being qualified by KB HOME Mortgage. Of these five, three went into foreclosure within the first two years – and now I was hearing what I suspected from a reliable source! After all, I had suspected that my KB HOME sales person, Monica, had not told the truth when I asked her about the taxes and possible escrow shortage making my monthly note go up after I was in my home. When she told me "No", I was hesitant to believe her. I did have the experience of owning a new home previously, which prompted me to ask the question - surely she must be telling me the truth, right? Wrong! My mortgage payment went up \$800 a month after having paid \$1,000 a month for just over a year. Now I had it, proof that I was lied to by KB HOME when I bought my house because this is apparently common practice with them.

Now, I am sure that in the new home buyers paperwork there is something to the effect that "your payments will probably go up when escrow is recalculated", but was it emphasized to these new buyers? Were they told the approximate amounts involved?

My newfound elation at the truth has left me feeling heartsick as well as stomach sick! Although my sleuthing had been fruitful, which made me happy. Yet the people I end up grieving for are those who have had to walk away from their American dreams - those people whose children watched it disappear in the middle of the night huddled down in the back seat of the family car as they drove away. All of this after having packed their small belongings in order to head back to the tiny apartments they worked so desperately to leave a short year ago. I begin to wonder - do the executives at KB HOME care about these people? Do they lose sleep at night as they make plans to dump a few million dollars of stock? Do they care that these unsuspecting victims have given their life savings only to lose it because they were overqualified by KB HOME for a home they were told they could afford? Do they worry about their own employees who are trying to feed their families on the salaries they earn by doing what KB HOME tells them to do in order to "sell the home at all costs"?

My answer? No, they don't seem to care at all. This all seems to be part of the KB HOME "greed game". Over qualification of customers through suspected shady business practices and misleading the first time homebuyer into believing he can afford a home for which he truly does not qualify. Selling the overqualified customer's mortgage to another bank that will in turn take the hit when the customer walks away from a home he could not afford in the first place. This topped off with the falsely earned Customer Satisfaction rating and bad reputation with homebuyers and the agents who represent them all add up to KB HOME being what you can only describe as heartless. I personally do not believe that KB HOME employees are required to have hearts. They tell their customers and the world that they are concerned with keeping customer satisfaction at 100%. In reality, though, they have proven that this is all just advertising rhetoric. Perhaps it is a requirement for continuing to work for KB HOME that the employees not have a heart. This would certainly make it easier to do the job they are given. Perhaps that is why this former employee "Michael" no longer works for KB HOME and has, in turn, become "Michael the Archangel" to those of us looking to prove that KB HOME does not have a heart after all.

By: Natalie Shanks

History of FTC Consent Order

Federal Lawsuit - Timothy D. Pruitt vs. KB Homes

“For twenty-four years, KB Home has used subterfuge and lies to avoid public scrutiny and accountability for its wrongdoing. They have entered into agreements with the Federal Trade Commission, violated those agreements, and misrepresented their violations to the Commission.” KBHome Complaints Sunday, 18 December 2005

Complaints

David's Story (David Ross)

Our family purchased a brand new KB home in April 2001. At the time, we were excited to be living in a brand new home - we picked the lot (complete with a hefty lot premium!), floor plan, floorings, upgrades and so on. Little did we know the

nightmare that awaited us a short time later.

Here is but a summary of the 'excitement' my family has enjoyed. If we can save one family any measure of grief through this site, at least our misery will not be completely in vain. Here is a summary of the most extensive problems encountered with the house: In January 2004, KB Home was forced to cut a hole through the foundation of the building extending from the side of the garage into the hallway of the house, a distance of approximately 20 feet. A trench was also dug from the house to the street to gain proper drainage to the main sewer line. This extensive work was necessary due to a construction defect that was the fault of KB Home, and a grading of the sewer line which I was told was not in line with standard building practices. Punching a hole through the foundation and digging the trench were necessary to correct the grade of the sewer line and remove a 'high spot', which caused a stretch of standing water running at least 13 feet in the sewer line underneath the home prior to the repairs. In the process of making the hole in the foundation, a tension cable in the foundation was cut by the crew doing the work. This required further excavation in the back and front of the foundation to pull the remains of the damaged cable out and replace it. There is visible evidence of this repair in both the front and back of the house to this day. My oldest son, who is autistic, suffered a 'meltdown' in the presence of the customer service representative at the time as a result of the massive disruption to his environment. This meltdown consisted of a screaming rage that went on for over 3 hours that particular day and numerous other such episodes of varying lengths over the next several weeks as he tried to process and understand what had happened. There are now expanding gaps, or separation, occurring between the walls and ceiling. There are also numerous 'nail pops' occurring throughout the house as this separation worsens. A growing crack in the mortar holding the stonework in place in the front of the home has recently been brought to my attention by a visiting friend. Every bedroom has mold that has formed around the windows. This mold is present despite our best attempts at removing the water and numerous cleanings. This mold resulted from constant moisture buildup that occurs virtually year-round on the windows. Many times a hand towel would become thoroughly soaked while removing the water from the two windows in the master bedroom. Such condensation is considered 'normal' by KB Home, even though I know of other homes built by other builders that do not have such problems. My larger concern is not the mold I can see, but the mold that is potentially within the walls that I cannot see. Many of my neighbors have similar mold situations in their houses as well. In December, my wife and I decided it was time to move in order to make preparations for the long-term care of our oldest son. I was stunned to find that agents were reluctant to list the home, if at all. My shock was due to the fact that I was unaware of the extent of problems in other KB houses. A broader inquiry made by calling up several realtors revealed the fact that KB Home has such a reputation for poor craftsmanship and quality that none contacted on the phone were willing to list. Further, several stated that they would not bring clients they represented to see a KB house. After visiting with several neighbors we have found it to be a more widespread problem than just us, as attested by this site and others. Facts concerning our subdivision: As of March 1, 2005, there were at least 11 homes in foreclosure proceedings of some sort in my immediate neighborhood. Of these, five were owned by banks and six were going to auction. All of these eleven homes appeared on the foreclosure listings no earlier than December 20, 2004. I am certain there have been more in my subdivision, a fact being researched at this time. We have seen many people move out in the middle of the night, disappearing without warning, never to be seen in the neighborhood again. The homes stand empty for a time and are foreclosed, or are bought by investors as rental property for far less than the original price. These foreclosures have driven property values down significantly - we are still researching for more details, but there is at least one instance in which the current market value for a home in this neighborhood is over \$30,000 less than the 'new' price from three to four years ago. We are seeing at least a 20-30% decline in the potential sale price of our homes. Even with the devaluation and lowered prices that reflect it, many are unable to find agents that are willing to list or show our home. The few agents that have been willing to do so have expressed to us the fact that we must dramatically lower our expectations on the value of our home in order to sell. In spite of this market reality created by KB Home and their reputation, they consider their new homes to have appreciated in value at least 10% in the past four years, as reflected by the current prices on their website. How can homes less than 4 years old decline in value by 30% or more, yet the builder feels that their homes are appreciating by at least 10% - in the same neighborhood!?! It is an insult for a company's actions to reflect the belief that their new constructions of similar size and plan are worth \$30,000 more than my purchase made just a few short years ago, in the very same location! At the very least, I should be seeing a similar appreciation in value and surely not large depreciation if their new prices are reflective of the market for their product. KB tries to dismiss these drastic valuation drops as coinciding with the economic circumstances in central Texas. Yet, I cannot find other areas that are seeing property values in a 20 to 30 percent decline - except maybe other KB areas! This story could go on, but I think you should be getting the idea by now. If you have read this far, you understand our frustration. Poor craftsmanship, poor customer service, and a poor track record related to property values - at least in our subdivision - should make anyone very, very cautious about considering using KB Home to build a dog house, let alone a 'dream home'. If considering a new home construction, I urge you to do your homework because especially in Texas, and particularly with KB Home, it truly is 'caveat emptor'- BUYER BEWARE!

#### Mike and Rana's Story

When we were in the process of having our home built by KB, we were really excited about purchasing a brand new home and picking everything out for it in the showroom and really making it our house. We were first time homebuyers and had been married 6 months when we moved in and we couldn't wait to start our family in this brand new home. Little did we know... Our house flooded in the kitchen and laundry room/pantry four times!!! FOUR!!! Flood #1: Upon the first rainstorm after we moved in, our kitchen and laundry room/pantry flooded. Mike walked into the kitchen not

having discovered the flooding yet, slipped on the water on the ground and fell very hard on his hip and arm. We called KB and a representative did not come out to our house that night but came out the next day, he told us that he had been dealing with calls regarding leaks all day. They had to knock out the entire wall (including the brick) that was allowing the rain to come in (which is behind the washer and dryer) in order to correct the building defect that was allowing rain water to come in. Flood #2:

After the first attempt to fix the leak, there was another thunderstorm and here comes the rain again into the kitchen and laundry room/pantry. KB came out again to fix it, which required knocking out the wall again. Flood #3:

Apparently in previously knocking out the wall to fix the leak in the wall, KB drove a nail through a pipe, so this time the leak came from a water pipe in the wall rather than the rain. We had to call KB again to come fix it. They came back and knocked out the entire wall again to fix the pipe. Flood #4:

After fixing the pierced pipe, KB did not reconnect the washing machine tubing causing flooding again. Every time this flooding occurred, it included the cabinets in the kitchen and the walls. Some cabinets were replaced (only because we insisted) because of the mold that grew on them but the sheet rock and the studs were not replaced and neither was the flooring. This was the way we started out in our home, here's what's been ongoing since then: There is mold in the air ducts. Anytime the heater came on this winter, there was an awful, disgusting smell that would come out of it. Our kids (2 ½ years and 5months) are always congested. Window sills have water stains due to rain water intrusion and they are cracked and swollen from the moisture. Structural Problems include: (this house is only 4 years old!!!) There are rusty nails that are popping out of the walls all over the house. We can't even begin to count how many cracks are in the walls, every single room in the house has at least 3 or 4.

The exterior brick is cracked. We paid an additional \$5000.00 to upgrade our house to have 4-sided brick and it's cracked. The standard is only front side brick. The mortar on the side of the house is falling off.

The second floor is uneven and floorboards creak and move beneath your feet. The second floor makes so much noise that we can't put our kids to sleep in the bedrooms, our 2 ½ year old is scared of all the noise the floors make. Sometimes our whole family will be downstairs and it sounds like someone is upstairs running and stomping around on the second floor — but no one is up there. Between that and the nails protruding from the walls, we're afraid it's all just going to fall on our heads one day.

The stairs are uneven and each step is not flushed with the adjacent wall. You can fit your hand in the gaps.

Our son's bedroom closet door is always falling. We don't let him open his own closet door because it will fall on him. In the same bedroom, the door is misaligned and doesn't close all the way.

There is a large gap between the front door and it's frame, it's very misaligned. This gap provides poor protection from the outdoor environment including insects.

The attic is inaccessible for entrance or maintenance due to the placement of the air ducts. KBHome never provided an attic ladder (probably because they knew that no one could get in there anyway).

The decorative octagon window above the front door is not insulated which can allow moisture build up leading to mold.

Back sliding door leaks water into the house during rain. We regretfully invested in a patio in the backyard which now protects the leaky sliding door from rain.

The baseboards are separating from the walls. Electrical Problems: (again, the house is only 4 years old!!!) Outdoor outlet does not work. We couldn't display the lights in our front yard this holiday season.

Bathroom light switch does not work. Our only light in this bathroom is a nightlight. Our son is afraid to go in this room because it's dark.

AC and Heating unit is affecting the electricity in the house. When the AC or Heat come on (which is very loudly and abruptly), the lights in the house dim.

The AC broke this past summer 2004. It was very difficult to be pregnant with our second child during the summer heat without AC (a lot of swelling and discomfort).

Sparks come out of light switches. Very scary and very dangerous. Other signs and symptoms: The carpet is folding up off the ground.

The keys do not fit in the front door during changing seasons. We usually have our arms full and are struggling trying to open the front door.

Back screen door is constantly falling off.

The bathtub in the master bath is separating from the tile and the linoleum.

The water pressure is very low in the bathtubs and bathroom sinks.

Upstairs bathroom toilets constantly clog and require unclogging. We re-iterate that this house is 4 years old. Can you imagine what it would be like after 30 years? 30 years is the length of most mortgages. Most hard working middle-class Americans put in a lot of hours at work in order to afford a decent life for their family. It's unacceptable for companies to ruin the largest investment of most people's lives.

The poor quality, material and craftsmanship used by KB Home to build our house has left us very upset and worried about the safety of our family in this home. We have been deprived of the full enjoyment of our first home, especially during these sensitive early years of our children's lives. KB home, you should do the right thing.

Natalie's Story Our plight, and that of every Texas homeowner...

People ask me, "What is wrong with your home, isn't it new? What have you got to complain about?" I tell them that, for a four year old home, it should look new, but it does not. As a matter of fact, as it turns out, I have all the trademarks of a KB home.

Issues with the home: joists showing through the sheetrock on the ceilings patched holes that were left by the painters leaking sliding glass doors that left mold under the kitchen floor linoleum a bathroom ceiling that is separating from the wall in one corner windows that leak and mold vinyl siding that is either warped or crooked To continue, my neighbors have these problems and more - electrical problems, cracks, and siding flapping in the wind! In talking to people in my neighborhood, these things are rampant throughout our KB built Chandler Creek community.

KB Home told us that most of these things are "normal".

To make matters worse, last summer we were hit with tax/escrow increases of anywhere from \$500 to \$800 a month on our monthly payments of \$1,000. All over the neighborhood, people have moved out overnight and houses have gone into foreclosure. At present there are at least 17 foreclosures in our neighborhood alone!

Since January, we found out that this is not only our problem, but that of all Texas homeowners. Who can afford the \$350, \$450 or \$650 that is charged by the newly formed Texas Residential Construction Commission (TRCC) to file a complaint against any Home Builder who did not build our homes correctly to begin with? The TRCC charges the homeowner to complain about faulty building practices with their builder. If the TRCC was Optional, free and effectively enforced, it might help, but it is not. Even then, if builders in Texas are not regulated, what gives KB Home or any other builder the incentive to build a home that will outlast a 30 year mortgage? So, where do we go to complain?

As it turns out, we don't have any place to complain about our houses that are falling apart.

As homeowners in Texas, we are stuck with our families being deprived of the full enjoyment of our homes, which has left us both emotionally and financially drained. We are left being subjected to discomfort or paying for careless mistakes that were not of our making but that of KB Home and other builders like them.

So, we have picked up the picket sign and taken our cause on the road. Since we have, every person who stops and asks what is going on gets a lesson on the faulty building practices that went into each of our KB Homes. They also get an education on what the TRCC is, and why it does not work for Texas homeowners, as it was supposedly set to do. Instead, the TRCC protects KB Home and all the other Home Builders of this state!

Renee T. and Kim L. Story  
Our KB Home Experience (Round Rock, Texas)

On September 9, 2002 we bought our first home, a KB Home.

We decided to purchase a NEW Home to increase our investment potential and to avoid problems that we thought we would find in an "older home." Round Rock was the perfect location. The investment we thought we made has been a nightmare!

Unfortunately, problems with KB Home began from the moment we started working with them. First KB promised to fix problems before we closed (walk through #1). This promise then turned into: "We promise to fix the problems after the closing." So, we signed our life away - they tried to get us to finalize a closing date before they finished the items discussed during the walk through. Then, after we closed, they had to come back 2-3 times because they were not correcting the issues they promised to do the first time.

At this point, the nightmare began: On September 17, 2002 (just a week after we bought the home), we came across an electrical problem. To date we have had 9 electrical issues and KB has been invited to the home for most of these situations (along with a couple of no-shows). There have been 7 recorded attempts to fix it. After KB shows up, the

'fix' on the situation works for a week, or perhaps a month, or several months ...and like the energizer bunny &dash; it goes on and on...

Other issues with the home: Extreme water buildup on windows/interior since moving in (making the presence of mold highly probable) Water damage on windows/ledges and surrounding sheet rock, and so on due to consistent water problems Water damage on wall next to tub (concern with mold) Low water pressure Toilets do not flush properly Cracks/waves in the walls and ceilings Concrete patio separated from house slab (reoccurrence after initial repair) Carpet improperly installed (master bedroom still not resolved) Ceiling beams shift/drop for a visual construction defect Painters came to house multiple times and still the house never was properly finished Flooring had to be repaired Nail pops Exterior siding coming apart Water leak under sink Flooring not meeting the wood (upstairs bathrooms) Stair treads are not flush with the walls Un-level kitchen cabinets There appears to be bowed wood under the carpet upstairs Floor in bathroom has dips or pockets "The last straw": The last (NINTH) electrical occurrence happened in the kitchen in December 2004. Half the outlets in the kitchen were unusable. We called customer service to resolve the problem. An electrician was finally scheduled to work on the problem. A family member planned to take off work and meet during the workday because KB was very hesitant to arrive after hours. We scheduled the electrician on the agreed upon day for between 8AM and 12 PM - he never showed up, making this the second missed appointment. We did not receive a courtesy call or anything. Following this, we contacted customer service and he was unsure why he "no showed". The customer service rep said he would call back to re-schedule, which he never did. We tried several times calling two different people in the company, and we never got a phone call. Finally, one month later, KB Home finally called back &dash; ironically, just after some media attention happened in our neighborhood. However, we are not confident in any promise they make to correct the problems.

Overall, we have spent a lot of personal time dealing with their faulty work. In good faith we agreed to buy a KB Home, the biggest investment we will ever make. However, KB Home has not lived up to the expectation of a new, well built home but instead destroyed our dream as homeowners in the State of Texas . They have ruined the goals we set for ourselves in the future.

It's time for us to speak -

Renee T. and Kimberly L. Chandler Creek Subdivision (Round Rock, Texas )

Ross and Irma's Story Below is a list of some of the on&dash;going problems we have with our KB Home: Mold AC unit broke down Plumbing leaks Front door not square or sealed properly Kitchen floor unlevel Visible beams in the ceiling Wavy walls Uneven window framing Windows unable to open

During our final walk through, the Construction Superintendent and Customer Service Representative informed us that we needed to finish the inspection in a hurry. I asked &ldquo;why&rdquo;, and was told the CSR needed to get to the airport to pick someone up and the Construction Superintendent was going to his other job doing Custom Homes for his dad. I mentioned that we could re-schedule the walk through, but we were assured that all repairs and cosmetic touch ups would be done to our satisfaction. Later we tried to contact the Construction Superintendent and we were told that he no longer worked in our Subdivision and the new Construction Superintendent had no idea about these promises. We tried to have these repairs completed when work crews were in our house to fix other problems, but to no avail. Three years later, we still have repair notification tape in our house.

Problem: Leaky windows both upstairs and downstairs. KB Explanation: "Condensation" KB Solution: We were told to limit the amount of times we opened the front door. We asked &ldquo;why would it only affects some of the windows and not all.&rdquo; We were told, &ldquo;don't know why.&rdquo; Result: Leaky windows both upstairs and downstairs.

Problem: Unbearable difference in temperature between the upstairs and downstairs rooms. KB Explanation: "It's your imagination" KB Solution: After numerous requests the AC technician takes a reading and there is an 11-degree difference between the upstairs and downstairs. KB puts a mini-blind in one bedroom and recommends that we leave the door to that bedroom and the upstairs bathroom open at all times. KB also adds an electronic temperature control switch.

Result: Unbearable difference in temperature between upstairs and downstairs rooms. Problem: Creaky floor upstairs. KB Explanation: "That is to be expected" KB Solution: Nothing is done. Result: The entire floor upstairs creak and now there are noticeable waves. Problem: Wind coming through windows and electrical sockets. KB Explanation: "We build our homes with the proper insulation." KB Solution: "This would be a good weekend project for your husband." "He can seal the sockets, and put up heavier curtains". Result: Wind coming through windows and electrical sockets. Special Report on Foreclosures KB Home Foreclosure Rate MORE THAN DOUBLE other builders

By David Ross

This investigation was launched following a meeting with KB Home representatives in February of this year. In our meeting, I mentioned I was seeing significant foreclosure activity in my four-year old neighborhood. The number of foreclosures at this time stands at 17. This unfortunate activity is driving my property value down on the order of 20%, a figure that represents more than a \$24,000 potential loss in value if I were to attempt to sell my four year old home (I was among the first to move into this subdivision). This severe decline in value for my home is in spite of the fact that they are appreciating the base price of similar sized new homes in the very same neighborhood by at least 10% in the same time period. Somehow, they feel that their new homes are worth more than they were a few years ago, yet mine is worth much, much less. In some way, they are not reflecting the market realities in the neighborhood that their

“old”; customers are being forced to confront. I told them that it was insulting to have such a huge disparity in appreciation and depreciation between “old”; and new homes, a fact to which they agreed at the time.

However, KB has consistently attempted to assume no responsibility whatsoever for the foreclosures and subsequent loss in value of homes in the neighborhood. I was told by the representatives and other KB employees since that meeting, in effect, “We just qualify people and sell them homes using FHA and other guidelines, so foreclosures are not due to anything on our part.” If this were true, I believed that investigating foreclosure rates of several builders and comparing them with KB would yield similar results. After all, if the same standards are being used by different companies, the resulting foreclosure rates should also be similar. This letter only provides a summary of my findings; the original data is available for your review upon request.

#### Summary of Findings:

The chart below is based on three KB neighborhoods compared with neighborhoods from other builders. In this chart, the average foreclosure rate of the KB Home subdivisions is MORE THAN DOUBLE the nearest builder. In fact, one KB neighborhood has a foreclosure rate that is almost 30%, meaning almost 1 in 3 homebuyers have been unable to continue paying for their homes and have had to leave! Admittedly, it is possible that somehow I happened to select exceptional subdivisions for all builders involved.

Read more...

## Chandler Creek

### A Brief Organizational History

2001-2004 – Our Chandler Creek Community was built by KB HOME Dec. 2004- We began to talk to each other about problems with our houses and noticed a “pattern” of problems in our community that we saw as systemic of our builder’s business as well as, building practices. Jan. 2005 – We started picketing at our neighborhood entrance. People began to stop and tell us of their own “nightmare” stories. Our group began to grow. We Participated in a press conference held in our neighborhood by HOBB and Campaigns for People. Jan. 2005 - We wrote letters to KB to buy back our houses due to bad craftsmanship, inadequate repairs, decline in our builder’s reputation, and realtors declining or offering to list our homes at a considerable loss. Each of began to get harassing letters from our HOA for petty issues. Feb. 2005 – Several of us were called to meet with KB executives to discuss our letters. KB refused to address our problems, instead offering to take us to the RCLA. We declined their offer. We continued to picket, this time taking it on the road and visiting other KB communities. Again unhappy KB homeowners stopped to tell us their difficulties with KB customer service and product. We spoke at a Round Rock City Council meeting. We were asked questions about the high foreclosure rates in our community and why we blamed our builder. As a result, David Ross researched and wrote the Foreclosure report. We put up our web sites. We participated in a press conference at the capitol and visited with State Senators and Representatives about the TRCC and its injustices towards Texas Homeowners. March 2005 – KB sales people told us that KB executives said we did not matter. We began to be “flipped off”, cursed at, and badgered with racial slurs, called “terrorists”, “extortionists”, and “low life’s” during our peaceful protests by KB sales staff. We began a daily campaign at the Showroom where the security guard, and the newly moved sprinkler system victimized us. Several members testified before a Senate hearing on HB 3404 which was to reform the TRCC and make it more homeowner friendly. The bill died in committee. April 2005 – We visited homeowners in other KB communities and were informed about how new homeowners were “persuaded” with expensive gift cards, pies and appliances by KB sales staff, in order to obtain a favorable JD Powers survey. We contacted several government agencies, including the FTC, BBB, HUD, the Governor, and State Comptroller. May 2005 – We held our own “open house” at Silverado in Cedar Park. KB began to hire off duty Cedar Park police officers to “watch us” during our peaceful protests at the Silverado sales office. Half the people in our group were served subpoenas in a Lawsuit that pertains to a community in Dallas, of which we know nothing. Obviously this was a scare tactic that did not work, since KB later canceled these.

Several of us began to receive solicitation in the form of calls and or letters from the TRCC telling us we had “files” with them. Even though we have never contacted nor filed a complaint with the TRCC. The TRCC has no jurisdiction to solve our issues.

#### Members

Natalie Shanks

Renee Tanguma

Kim Leto

Ross and Irma Maxwell

Mike Zawaideh and Rana Aljibouri

Emmitt Amaya

KB Home is Naked! There is a fairy tale written by Hans Christian Anderson called "The Emperor's New Clothes". The story goes something like this&hellip;.

"Once upon a time, there lived a vain emperor whose only worry in life was to dress in elegant clothes. He changed

clothes almost every hour and loved to show them off to the people around him. Word of the Emperor's refined habits spread over his kingdom and beyond..."

The long and the short of this story is that two enterprising tailors decided to take advantage of the Emperor's extreme vanity. They convinced the Emperor that after many years of extensive research, they had invented a cloth that was so extraordinary, that it was invisible to anyone who was too ignorant to appreciate the fine quality and craftsmanship. The cloth could even be individualized for each particular customer. The Emperor, in his eagerness and vanity, gave the two tailors bags of money upfront, continuously having others check the progress of his wonderful new creation.

The Emperor had many of his advisors go and see for themselves this magnificent new cloth. But when they saw "nothing", they were too scared of being called "ignorant" and "stupid". They instead went along with the Emperor's imaginary creation, reinforcing the Emperor's extreme vanity. When the Emperor finally received the news that the tailors were finished, he went and they dressed him in his new outfit. It was then suggested to him that he show the new creation to the people of his kingdom. Since the Emperor was convinced that only the ignorant and the incompetent would see him naked, he was confident that they too would appreciate the tailors' hard work. So, as he walked through the streets of the kingdom, everyone commented about the beauty and the greatness of the Emperor's new outfit. They all acted just as the tailors had predicted.

Then, all of the sudden out the crowd, a small child called, and "The Emperor is naked!" The child repeatedly stated this to all who were standing around him until they all began to shout, "The boy is right! The Emperor is naked! It's true!" The Emperor, of course, realized about this time that what the child and the others were saying was true; but in his vanity, he decided to keep up the farce and the procession under the "illusion" that anyone who could not see his clothes was extremely ignorant &ndash; he knew the truth. He had all of the evidence he needed in his own mind.

If we now take this children's fairy tale and compare to a modern day, billion- dollar corporation, there are many similarities that can be drawn. KB Homes, in their effort to create many new homes, have created the same imaginary "new clothes". They have come into communities and built "fairy tale" homes for imaginary prices. They have tried to create an American Dream. They shroud their model homes in wonderful decorations, covering up the second rate carpeting and potentially moldy walls behind bright paint and Berber. They continue, like the tailors, to create this illusion by convincing all of those around them that what they are building is an affordable reality. Because of our "ignorance" and belief in the basic goodness of humanity, we (the public) choose to go along with the crowd, forcing ourselves to admire and buy into something that is affordable and within our reach.

Or so we think. Little do we realize that the fairy tale has turned into a nightmare until plaster begins to fall off walls, rusty nails protrude through the gaping holes, mold insinuates its way into the cracks and crevices of leaky windows, toilets and plumbing back-up and explode, foundations are jack-hammered in an attempt to fix said plumbing, tension cables are cut and not repaired correctly as a result of jack-hammering, carpet and padding are irreversibly damaged, other bathrooms in the same house now have the same "back-up" problem that was supposed to be fixed the first time around &ndash; and the list goes on and on. Of course, if this was only one person's nightmare than it would be hard to blame the builder - or the tailor's - in question. But this same nightmare is repeated over and over again.

We, as the consumer, have come to the point that we have turned around and taken another look at the "imaginary" American dream home. We are not "ignorant" or "stupid". We are simply tired of being taken advantage of because of one large corporations desire to make an easy buck off of good, honest, "real" people. We, like the young boy in the fairy tale, are now screaming, "Look! KB Homes is not what they led us to believe! KB Homes is naked!"

By: T R

Does KB HOME have a heart?

I have asked this question numerous times the past few years. One would certainly believe KB HOME has a heart if you look at the advertising in the paper, on TV, and on the company's website. There you are exposed to pictures of smiling happy families through a barrage of multimedia. Couple this with the ever-mentioned award from JD Powers gleaming at you on billboards along the I-35 corridor, and from entrances to new subdivisions everywhere, and any unknowing person would believe it was true.

Well, I own a KB HOME. I am not smiling. I am not happy. On the contrary, I am very sorry I ever set foot in a KB HOME sales office a few years ago. In addition to my personal problems with KB HOME, I have first-hand account of the heartless and inconsiderate ways in which customers are treated by KB HOME employees and executives. Yes, the same executives that send out form letters claiming they will not stop until all customers are "100% satisfied". In visiting with my neighbors and those in other KB HOME communities, I have found that my dissatisfaction is not unusual. I have found numerous unsmiling, unsatisfied and unhappy owners of a KB HOME. How do they claim the JD Powers award? Don't my neighbors and I count? After all, we have picketed, gone to City Council meeting in Round Rock and Commissioner's Court sessions in Williamson County about our dissatisfaction with KB HOME. Due to this disparity between my reality and what was being said by KB HOME, I decided to do some investigating.

As I started to do so, a neighbor doing his own investigating, found some shocking information from the county appraisal district. One thing we had noted was a seemingly high number of foreclosures in the neighborhood &ndash; a fact dismissed by KB HOME representatives as being a result of the economic downturn in recent years. Yet, this did not ring true with what we saw for ourselves. So this neighbor, in visiting the appraisal district, found more evidence that something was amiss with our subdivision. In summary, he discovered that the foreclosure rate in the two KB HOME subdivisions in our area (including ours) stands at around 20% - that is 1 in every 5 new homebuyers that are unable to continue living in those homes a few short years later! A nearby community built by another builder in the same time period and price range had a foreclosure rate of only around 5%. He is still researching, but yet another builder that is known for selling to first-time homeowners, again building during the same time period in Williamson County, is showing a foreclosure rate of around 8%. KB HOME has a foreclosure rate at least DOUBLE that of other builders! Surely the economic downturn was not all to blame &ndash; could there be something more to explain this?

While polishing my magnifying glass and putting on my Sherlock hat this morning, I thought to myself, "Wouldn't it be great to come across some real evidence to back up our statements to the Round Rock City Council a few weeks ago? What if we were right in alluding that the amount of foreclosures in our new neighborhood was a result of KB HOME using "questionable financing practices?" After all, we believe that the foreclosure rate and KB HOME financing are connected since KB HOME built the community exclusively and financed a large percentage of the homes that have experienced foreclosure, but the question remained - how to prove it? In addition, is there some way to prove the rumor that realtors won't list or show a KB HOME? After all, following the Round Rock City Council meeting, several realtors in the audience approached us and said as much. Yet, where would I find tangible evidence to the fact? These were all burning questions as I headed out the door to face the day.

As part of my investigation, I visited another KB HOME community about two years old. Several homeowners there told me that after fighting for months or even years with KB HOME Customer service, some were so fed up that they began to attempt to sell their homes. After hiring contractors, making improvements and searching for agents who would willingly list their homes, they were furious that other realtors would not show their homes to clients. They demanded in writing the fact that clients would not put an offer on the homes after finding out who built them &ndash; and guess what? They have it in writing! They were shocked further when clients waiting to be let into their homes were approached by KB HOME sales associates who told them, "Don't look at this house, I can get you into a new one for less than what these people are selling." During this time, this group decided to walk through the neighborhood to count the growing numbers who left in the middle of the night, leaving the homes to foreclose. Out of 85 homes, 18 were in foreclosure at the writing of this article.

They also revealed another thing I had only heard whispered stories and jokes about concerning the JD POWER Customer Satisfaction rating. Apparently KB HOME has been paying people off for that JD Powers rating. In looking into this tidbit, I found an entire neighborhood of KB HOME owners who were told, "We will do anything to get a good rating from you". These people took full advantage of the bad KB HOME customer service they had been getting with their new homes and began to milk them. Who can blame them? They were given such items as: \$500 dollar gift certificates, grass (new/replaced sod), and \$500 dollar furniture store gift cards. One homeowner according to her neighbors was even given a washer, dryer and refrigerator! Despite my amazement and disgust at this information, I was surprised to find one of the women that had a friend who used to work for the KB HOME mortgage office. As she spoke I began to feel funny - was I dreaming? Was I hearing this correctly? As I pinched myself and recovered from the shock of actually being awake while hearing what I heard, I grabbed a pen and took notes in my evidence book - names and phone numbers. If this information really existed, I would finally have something to take back to the City Council and to tell the world! She gave me the name of her source.

As I dialed the phone a few days later, my heart was pounding with anticipation. Would he hang up on me? Would he talk? Could I use his name? When he answered I was quickly put at ease by his earnestness. He was still working in the business for a different company and was not willing for me to use his real name, which I am going to respect. As he settled in and began to answer questions, "Michael" began to list the suspected shady and unethical lows to which KB HOME will stoop to in order to sell a home.

As I listened, I wrote furiously, asking question after question. One of the first things he told me was something I had already heard before. However, coming from a different source from within the company convinced me that I was right to believe it when I first heard it. It seems that KB HOME employees are told to stop at nothing to approve a loan. In practice, this means that they consistently over qualify customers through any means possible. Sometimes this meant telling the hard-to-qualify customer that they will "finish the paperwork later for you" before turning it in to the mortgage company. After KB HOME Mortgage has qualified the customer and has the customer's money, they sell the mortgage note to another bank very quickly. KB HOME is in the clear with the loan at that point, leaving another bank to handle the situation going forward. This new bank is the one who will end up taking the hit when the customer experiences "mortgage shock" when tax bills come due with far too little money in escrow to pay them.

"Mortgage shock" is when KB HOME establishes a monthly payment based on the estimated taxes for the land only (without improvements). The customer does not realize that the mortgage payment, which is "cheaper than rent", does not include sufficient escrow payments for taxes on the dwelling that was built. At some point in the future &ndash; often

a year or more &ndash; the new bank receives a tax bill from the Appraisal District that is often thousands of dollars more than what is in the escrow account. So, they have to approach the homeowner with the news that not only do they owe thousands of dollars in back taxes, but their escrow payment has to go up to compensate for the anticipated taxes for the coming year. Mortgage shock sometimes comes in the amount of \$800 a month or more &ndash; in some cases; this is a 50% increase in the monthly payment! I already knew that on my cul-de-sac, five out of eight mortgages were sold to Washington Mutual after first being qualified by KB HOME Mortgage. Of these five, three went into foreclosure within the first two years &ndash; and now I was hearing what I suspected from a reliable source! After all, I had suspected that my KB HOME sales person, Monica, had not told the truth when I asked her about the taxes and possible escrow shortage making my monthly note go up after I was in my home. When she told me "No", I was hesitant to believe her. I did have the experience of owning a new home previously, which prompted me to ask the question - surely she must be telling me the truth, right? Wrong! My mortgage payment went up \$800 a month after having paid \$1,000 a month for just over a year. Now I had it, proof that I was lied to by KB HOME when I bought my house because this is apparently common practice with them.

Now, I am sure that in the new home buyers paperwork there is something to the effect that "your payments will probably go up when escrow is recalculated", but was it emphasized to these new buyers? Were they told the approximate amounts involved?

My newfound elation at the truth has left me feeling heartsick as well as stomach sick! Although my sleuthing had been fruitful, which made me happy. Yet the people I end up grieving for are those who have had to walk away from their American dreams - those people whose children watched it disappear in the middle of the night huddled down in the back seat of the family car as they drove away. All of this after having packed their small belongings in order to head back to the tiny apartments they worked so desperately to leave a short year ago. I begin to wonder - do the executives at KB HOME care about these people? Do they lose sleep at night as they make plans to dump a few million dollars of stock? Do they care that these unsuspecting victims have given their life savings only to lose it because they were overqualified by KB HOME for a home they were told they could afford? Do they worry about their own employees who are trying to feed their families on the salaries they earn by doing what KB HOME tells them to do in order to "sell the home at all costs"?

My answer? No, they don't seem to care at all. This all seems to be part of the KB HOME "greed game". Over qualification of customers through suspected shady business practices and misleading the first time homebuyer into believing he can afford a home for which he truly does not qualify. Selling the overqualified customers' mortgage to another bank that will in turn take the hit when the customer walks away from a home he could not afford in the first place. This topped off with the falsely earned Customer Satisfaction rating and bad reputation with homebuyers and the agents who represent them all add up to KB HOME being what you can only describe as heartless. I personally do not believe that KB HOME employees are required to have hearts. They tell their customers and the world that they are concerned with keeping customer satisfaction at 100%. In reality, though, they have proven that this is all just advertising rhetoric. Perhaps it is a requirement for continuing to work for KB HOME that the employees not have a heart. This would certainly make it easier to do the job they are given. Perhaps that is why this former employee "Michael" no longer works for KB HOME and has, in turn, become "Michael the Archangel" to those of us looking to prove that KB HOME does not have a heart after all.

By: Natalie Shanks