

Presentation to House Committee on Financial Services
Subcommittee on Oversight & Investigations and Housing & Community
Mold: A Growing Problem
Given by Melinda Ballard, President, POA
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My name is Melinda Ballard and I run an association of homeowners called Policyholders of America or "POA". Since we founded POA six months ago, we have 18,763 American families in our membership – all victims of toxic mold. That number should demonstrate what a crisis the American homeowner is in when it comes to toxic mold.

Our members range from welfare families to some of the most affluent in America. We are all active in politics only because we understand that you all can and will make a difference. We all know that our problems are not your problems and we never want you, or any other American, to suffer the financial turmoil and devastating health effects our families have suffered. This is why we are so passionate about this issue.

I'd like for everyone here to put themselves in the shoes of a young family who bought their first home after years of squirreling away enough money for a down payment. Imagine that a storm ravages your roof and driving rain enters your home. Imagine calling your insurance company to report this claim and being told that "it's not covered" even though the policy says it is. Imagine watching blood come out of your youngest child's ears and nose while she gasps for every breath and not having a clue as to why this is happening. Then imagine discovering that the roof leak that happened several months before, wrongly denied by your insurance carrier, caused mycotoxin-producing molds to overtake several rooms in your house, including an entire wall in your child's bedroom. Now imagine that you and your entire family must abandon your home and all of your possessions because they are all contaminated and continued exposure to these toxins, now airborne, could cause your five-year-old daughter irreparable harm. You get remediation bids and find that the cost of fixing your home is greater than the value of the home. Apart from losing your home and everything you own, your family also faces tremendous health care costs and will be burdened with the costs associated with renting temporary housing while you battle it out with your insurance carrier over the coverage you bought. You try to hire an attorney but can't. They say your property damage is \$200,000 and think it will cost far more than that to pursue the case. You can't afford to pay the out of pocket litigation costs so you have no recourse against your Goliath insurance company.

If you are that family, you have only a few choices: you can walk away from your mortgage and let the house go back to the lender; you can pay the tab for remediation by taking out a second mortgage but wait a minute...then the total loan would be greater than the house is worth; you can sell your home to some poor unsuspecting family and not disclose the problems or you can continue to expose your family to a health hazard,

let everyone suffer the health consequences and rack up medical bills to the point you must claim bankruptcy. These are currently the choices of every family in our membership. It's not a pretty picture and just think about the domino effect. The economy suffers. Lenders and mortgage companies suffer. The family who unknowingly buys the problem because of nondisclosure suffers. The medical profession suffers. There are NO winners. Just losers.

I've asked the staff here to provide you with a page from a legal publication noting first party mold claims by state and by year as of February 5, 2002. POA worked with a major university to produce these numbers from our membership database of insurance claims. Claims for mold began in 1987. They peaked in the first six months of 2001. Usually these claims are traced to water related events that occur between January – March of each year. But, by early February of this year, there were more than 16,000 homeowners with insurance claims that began as relatively inexpensive water damage claims and because of delays, wrongful denials or disputes over proper repairs, the claims turned into expensive claims requiring remediation of toxic mold.

POA has outlined a few recommendations that we'd like you to consider. Hopefully, these suggestions will help you carve out solutions to this very real and devastating problem.

Insurance companies have successfully excluded, capped or limited coverage for mold, even when it's a result of a "covered peril" like a busted water heater or frozen pipes. In a few years, there will be little if any coverage for this massive problem. This leaves millions of Americans not covered against this catastrophic loss. POA is not in favor of a government hand out but is a huge supporter of a self funded government pool much like flood insurance. If a homeowner opts to purchase mold coverage, they've got it. If not, they don't. The real benefit is allowing homeowners the opportunity to purchase a safety net because their insurer is not going to be there when they need them the most.

Insurers have recently gone on record that they don't want to cover mold regardless of the cause and they don't want standards set by the EPA. In articles I've read, they claim such a FEMA-like pool is premature. If so, then you all should put some sort of "stay" on the coverage they offered, including mold, until such time they decide the pool's timing is appropriate.

If such a pool, which shifts the burden of mold clean up from carriers to a FEMA-like entity, insurers should price their policies to reflect their new coverage liabilities. If and when premiums reflect coverage, homeowner's insurance premiums should drop. Consumers would then be able to afford this government-sponsored mold coverage if the consumer opts to buy it. If the consumer opts not to buy this coverage, Mr. or Ms. Homeowner could pocket the savings.

But, it's really not all gloom and doom. There's some good news. There are new products, like the one developed at Texas Tech University, that can be manufactured into sheetrock and other building materials that change the pH level and prohibit mold growth

from happening. It's cheap. It works. But, builders need to demand it otherwise manufacturers will not alter the materials we put in homes, schools and offices. I can only speak to the efficacy of this product because it's the only one tested that I've seen work in my now infamous home in Dripping Springs, commonly called Toxic Tara by the locals. I am sure there are other products coming on stream too.

I urge you all to connect with constituents on this issue. Go onto our association's site. Ask me for names, phone numbers and email addresses of our members residing in your state. I will provide this information. Hear their personal stories. Talk to their kids who had blood stained sheets while living with these toxic mold infested homes. Meet the elderly who've been so devastated. Talk to surviving family members who lost loved ones and autopsies showed Aspergillus growing in their lungs was the cause of death. This problem crosses all socio economic lines. It does not discriminate. It could happen to you, your hairdresser or barber, your niece or nephew, your daughter, your parents, or the US Representative sitting next to you.

Only you can knock the ball over the fence for your constituents. Let's give them a place to turn in case this catastrophe happens to them. Or, let's mandate that there be a stay on mold coverage in each state until insurers deem the time for such a pool is right.

Thank you all so much for the opportunity to come before you and share our association's views. I welcome any of your questions about this topic.