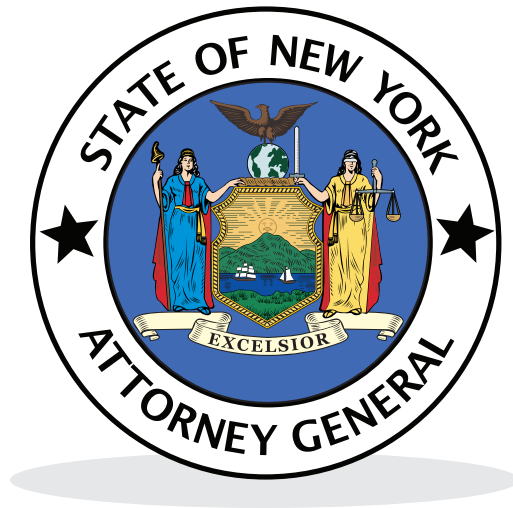


Hurricane Sandy

One Year Later



From the Office of:

New York State Attorney General
Eric T. Schneiderman



October 2013

Dear New Yorker,

Superstorm Sandy hit New York on October 29th, 2012, with high winds, heavy rain and a storm surge of more than 13 feet. In New York State alone, 48 people were killed directly by the storm. Sandy also displaced thousands of people from their homes, caused widespread power outages and gas shortages, and cost the state approximately \$42 billion.

For many New Yorkers, the nightmare didn't end when the skies cleared. Some were victimized by price gouging on essential goods such as gasoline. Homeowners faced red tape with mortgage servicers, insurance companies, and contractors as they tried to rebuild. Workers who helped with rebuilding efforts, or kept essential services running during the crisis, were cheated out of their legally owed wages. Scammers ripped off taxpayers, stealing benefits that were intended for victims of the storm. And, while thousands responded by volunteering and donating funds to help their neighbors, questions remain about millions of dollars in charitable funds that remained unspent more than nine months after Sandy, and the clarity of communication between charities and the public.



As the one-year anniversary of Sandy approaches, this report details the efforts of my office to help New Yorkers overcome these challenges and others. We're proud of what we've accomplished:

- Tracking \$575 million in charitable giving after Sandy to ensure that help gets to those who need it;
- Providing funding to counsel 1,500 homeowners on a range of Sandy-related home retention issues, including mortgage modifications and insurance problems;
- Obtaining almost \$300,000 worth of penalties and costs from 43 gas stations that engaged in illegal price gouging after the storm;
- Securing more than \$5.3 million for workers who were underpaid on Sandy recovery projects;
- Intervening to prevent New Yorkers from being denied vital communications services in the post-Sandy rebuilding process.

It's been a difficult year of rebuilding and recovery, and our work isn't done yet. We're pursuing more cases against price gougers. We're also continuing our inquiry into the fate of charitable funds raised for Sandy, including funds that remain unspent, and some that may have been spent for purposes other than aiding Sandy victims. And my office continues to provide support to foreclosure prevention organizations that can help homeowners who were impacted by Sandy.

We have made a lot of progress, and I am confident that New York will come back from this tragedy stronger and more resilient than ever.

Sincerely,

A handwritten signature in black ink that reads "Eric Schneiderman". The signature is fluid and cursive, with the first name "Eric" being larger and more prominent than the last name.

Eric T. Schneiderman

Stopping Price Gouging

Prior to Sandy, Attorney General Schneiderman warned vendors in areas forecast to be affected by Sandy against price gouging—inflating the price of necessary goods and services.

New York State's Price Gouging Law (General Business Law § 396-r) prohibits merchants from taking unfair advantage of consumers by selling goods or services for an “unconscionably excessive price” during natural disasters. The price gouging law covers New York State vendors, retailers and suppliers. A price may be considered excessive if there is a “gross disparity” between the prices charged immediately before and after the emergency and the disparity is not attributable to higher costs imposed upon the seller.

Nevertheless, Attorney General Schneiderman received hundreds of price gouging complaints following Sandy. As a result of his ongoing investigation into high gas prices in the wake of Sandy, he has secured \$289,118 in penalties and costs from 43 gas stations in New York City, Long Island and the Hudson Valley that engaged in price gouging.



While some gas stations, like this one in Manhattan, suffered damage from Sandy and were forced to close, others exploited the disaster to gouge consumers.

Following are key facts about the price gouging cases that have been brought by Attorney General Eric Schneiderman in the wake of Sandy:

- \$289,118 in total penalties and costs assessed;
- Cases cover 43 gas stations spread across New York City and Nassau, Suffolk, Westchester, Rockland, Putnam, and Ulster counties;
- Biggest percentage increase in “spread” between retail and wholesale price: 135% (Alliance Energy/Lukoil, 600 Pelham Parkway, Bronx, NY 10462);
- Highest price charged: \$7.90/gallon (Shell, 92-10 Astoria Boulevard, East Elmhurst, NY 11369);
- Biggest settlement with a single operator: \$50,000 in penalties, CPD Energy Corp., based in New Paltz, NY, for charging unconscionably excessive prices at six stations that it owns in Westchester, Putnam and Ulster counties;
- Biggest penalty for a single station: \$23,733 against Mena Inter Inc., doing business as a USA Petroleum gas station in Farmingdale, Long Island.

Safeguarding Charitable Dollars for Those Who Need Them

New Yorkers, and people of good will around the world, responded to the Sandy disaster with an outpouring of charitable giving. As the top regulator of charities in New York State, Attorney General Eric Schneiderman examined charitable fundraising and spending related to Sandy in an effort to promote transparency and donor confidence, and to ensure that funds raised for Sandy relief are used properly. Within a month after Sandy hit, Attorney General Schneiderman sent letters to 75 nonprofits requesting information on their fundraising and relief activities related to Sandy. In March and April 2013, the Charities Bureau sent questionnaires to 90 charities, seeking additional information and updates on fundraising and spending. The letters asked for certain basic information, including:

- The amount raised and spent to date for Sandy relief;
- Whether donations will be used solely for Sandy relief;
- The services provided to date to those affected by Sandy;
- Whether the charity is providing funding to other organizations, or making direct financial grants to individuals, families or businesses;
- What the charity plans to do with any surplus funds.



Attorney General Schneiderman announced the release of the preliminary report on Sandy charities at an event in the heart of the Breezy Point neighborhood, which was devastated by fires started by Sandy.

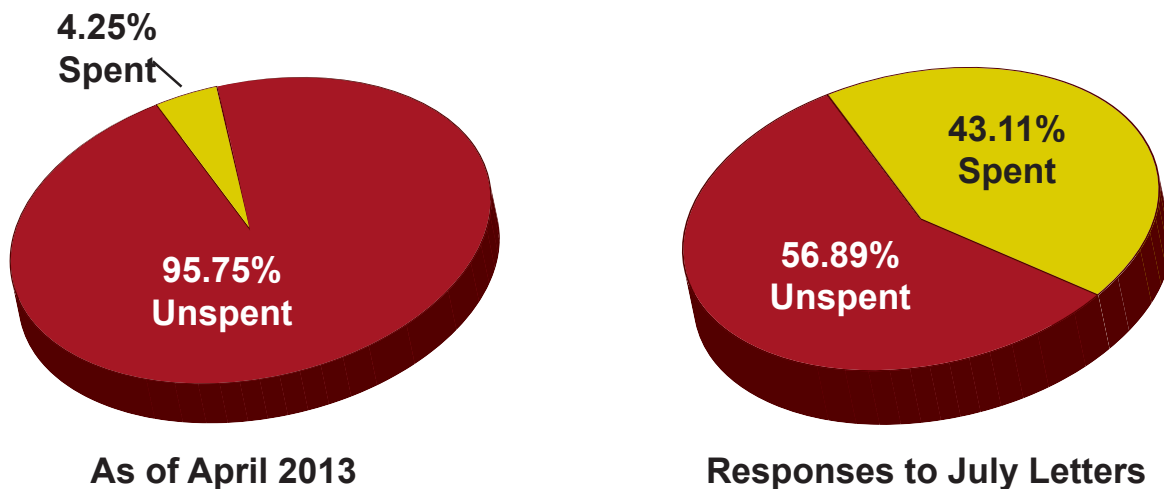
The Attorney General's Charities Bureau compiled the information that was received in response to the letters and issued a preliminary report that describes the landscape of charitable activity after Sandy. The report also identifies areas of concern, and the Attorney General is obtaining additional information from charities to address these areas:

- **Understanding why Sandy donations remain unspent.** Charities reported raising more than \$575 million in funds for Sandy relief as of July 2013. That amount continues to increase. As of July, charities reported spending approximately \$336 million, which left \$238 million, or 42% of the total raised, unspent as of mid-summer. The Attorney General is assessing whether organizations have realistic plans and the capacity to use the funds they raised for Sandy relief. The Attorney General recognizes that disaster recovery is a long-term effort, and his office supports thoughtful spending, but organizations that collected thousands, if not millions, of dollars from generous donors who wished to help their neighbors must have the capacity and plans to get that money to those who need it.
- **Ensuring that Sandy donations go to Sandy relief.** Seventeen organizations reported that they may use funds raised following the storm for non-Sandy purposes, including for future disasters. Other organizations reported that only those funds "restricted" by donors for Sandy would go to Sandy relief activities. The Charities Bureau is requiring further information from charities to ensure that funds raised in the name of Sandy relief are in fact used for that purpose.
- **Clarifying direct expenses:** The Charities Bureau is requiring further information about whether funds raised for Sandy relief were used to pay organizations' regular operating costs.
- **Assessing gift-in-kind donations:** Many organizations reported receiving large amounts of donated goods and services that they then provided to victims. The Charities Bureau is requiring further information about the methods used to value in-kind donations, as well as information regarding the sometimes circuitous routes traveled by goods before they were delivered to Sandy victims.

Since the Attorney General issued the preliminary report, organizations have reported making additional expenditures. As of April 2013, the five organizations with the highest percentages of unspent funds had collectively raised \$10,366,889 and had spent only \$439,864. As of the most recent reporting, those five organizations had spent a total of \$4,469,223.

The following charts represent the change in unspent funds for those five organizations.

Change in Sandy Funds Spent/Unspent Following A.G. Inquiry



In light of the substantial needs that still exist and the public's expectation that donations will be used to help storm victims, the Charities Bureau will ask organizations to take steps to ensure that funds raised for Sandy are being used for Sandy relief and recovery.

The Charities Bureau continues to work with organizations to implement best practices in transparency and accountability in fundraising and disbursements, and to continue to ensure that organizations raising money for Sandy are properly registered to solicit funds in New York.

Protecting Workers

Even in a disaster, New York State wage and hour laws still apply and must be enforced. Some workers who helped to rebuild from Sandy suffered damage to their own homes and needed their paychecks promptly for their own rebuilding. Attorney General Schneiderman's Labor Bureau secured several settlements for unpaid wages on Sandy-related projects:

- He secured a settlement with National Grid, the multi-state electric and gas utility company, after it failed to properly pay its New York workers in the months after Sandy. In addition to repaying previously unpaid wages, the agreement requires National Grid to pay another \$750 to every hourly employee who worked for the company between November 1, 2012, and March 31, 2013, and take steps to ensure that such a breakdown does not occur again. The total in additional monies, going to 6,500 workers, is more than \$4.8 million.
- He secured a settlement with a public works contractor for underpaying workers on cleanup and reconstruction of three hospitals following Sandy. The agreement requires the contractor, Signal, to pay \$512,026 in back wages to hundreds of workers who were denied prevailing wage rates and, in some cases, overtime pay.
- He secured a \$65,000 settlement with an emergency restoration contractor that underpaid more than 100 workers performing emergency post-storm reconstruction work in several stores owned by national retailers, including Michaels stores and Staples, in New York City and Nassau County.
- He created a statewide hotline for workers who have labor problems related to the cleanup, recovery and rebuilding from Hurricane Sandy.

Protecting Homeowners

Many communities that were hit hard by Sandy were already suffering high foreclosure rates before the storm as a result of the collapse of the housing bubble. After Sandy, Attorney General Schneiderman launched several initiatives to help homeowners rebuild and keep their homes.

- He created an initiative to assist homeowners struggling to maintain and repair their homes in the wake of Sandy. He provided \$732,000 to 18 organizations currently funded by the A.G.'s Homeowner Protection Program (HOPP) to assist consumers with home-retention issues as a result of Sandy, including improper denials of insurance claims, long delays in collecting benefits and insurance payments that are dramatically less than homeowners expect under their policies. With this additional funding targeted to Sandy relief, HOPP providers assisted more than 1,500 homeowners over eight months with a broad range of issues.



New York State Attorney General

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- His staff directly intervened with insurance companies and other Sandy benefits providers at the request of housing counselors and legal service providers to help resolve issues including improper denials or long delays in paying Sandy-related recovery benefits.
- He issued a guide to New Yorkers recovering and rebuilding after Sandy, including tips on how to avoid scams related to repair, cleanup services and tree removal as they restore and rebuild their homes and businesses.
- He issued a letter to Wells Fargo warning the bank to reverse a policy that temporarily suspended review of mortgage relief applications from New York homeowners after Sandy. He warned the bank that its decision to suspend reviews after the storm likely violated the National Mortgage Settlement.

Homeowner Highlights

Statistics can't tell the full story of the struggles homeowners have faced trying to rebuild from Sandy, or the difference that has been made by having extra assistance available to homeowners through the A.G.-funded Homeowner Protection Program. Here are just a few stories of challenges homeowners have faced and overcome with the help of HOPP:

- **The Greater Sheepshead Bay Development Corporation (GSBDC)** was helping a client who lost income, because her hours were cut back at her job, to apply for a loan modification before Sandy. Then Sandy hit. Her place of employment was flooded and closed, leaving her unemployed. She struggled to pay her mortgage for a few months by using her 401(k). In February, her bank gave her a temporary reprieve on her mortgage payments until she could find employment and reapply. Fortunately, she did find work, and GSBDC helped her to reapply for a loan modification. The homeowner received a trial modification beginning in August that reduced her mortgage payment from \$2,698 to \$1,658. This reduction in her mortgage payment is helping her to recover from her hardship, and GSBDC is preparing an application to make her modification permanent.
- **MFY Legal Services** helped one couple on Staten Island whose home sustained approximately \$25,000 in damage. Their flood insurance paid them only approximately \$9,000. When they protested on their own, they got nowhere with the flood insurance adjuster, who advised them that the first floor of their house constituted a restricted area where only limited coverage applied. After MFY's extended advocacy, the company reversed its decisions and issued an additional payment of more than \$13,000.
- **South Brooklyn Legal Services (SBLS)** assisted a disabled homeowner who was caught in a bureaucratic Catch-22 — he couldn't get work done to repair his Sandy-damaged home because he couldn't pay the contractor, and his mortgage servicer refused to release the funds to pay the contractor until the work was 80% completed. He was told by the mortgage servicer to front the money himself to complete the repairs, but he couldn't afford to on his fixed income. SBLS filed a complaint on his behalf and advocated directly with his mortgage servicer to obtain release of the funds he needed. Construction on his home has now resumed, and SBLS is working with him on a supplemental insurance claim and Build It Back application.

Stopping Scams

When disaster strikes, and aid flows to victims, con artists inevitably try to get a piece of the pie. Attorney General Schneiderman has been vigilant in protecting taxpayer funds, so money goes to those who are truly in need.

- He secured a 60-count indictment against two Suffolk County store owners and 24 Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp program) recipients for illegally trading cash for hundreds of thousands of dollars in SNAP benefits. The ringleader is charged with felony Grand Larceny and Money Laundering for orchestrating a scheme to steal more than \$670,000 from the

government program, and faces up to 15 years in prison. The co-owner of the store faces up to 7 years behind bars.

- He arrested a scammer who engaged in an elaborate scheme to defraud city and federal relief agencies, a private insurance company and charitable organizations by representing herself as a Sandy evacuee. In so doing, she obtained more than \$87,000 in benefits. She is charged with multiple felonies and faces a maximum sentence of 7 years in prison.

Protecting Utility Customers

Sandy caused extensive damage to communications infrastructure, and in the rebuilding process, some consumers faced the possibility of losing vital services permanently. Attorney General Schneiderman intervened to protect the interests of these New Yorkers.

- After Sandy destroyed copper phone cables on western Fire Island, Verizon requested permission from the Public Service Commission and the Federal Communications Commission to replace them with a wireless system called Voice Link that could not support DSL Internet access, fax machines, burglar alarms or medical alert systems. Verizon also requested the right to ask the PSC to permit the company to abandon its copper networks in other parts of the state in the future.

Attorney General Schneiderman submitted comments to both agencies opposing the plan and urged consumers to submit comments as well. The PSC limited Verizon's rollout of Voice Link to a pilot project on Fire Island or whenever individual customers agreed to it as an alternative to traditional phone service. In the face of public criticism citing poor sound quality and unreliable service from Voice Link on Fire Island, Verizon withdrew its tariff request in September. By Memorial Day 2014, Verizon will offer western Fire Island customers a choice of voice over fiber at the same price they paid for voice service before Sandy, and/or broadband Internet access over FIOS. This means they can have much more reliable telephone service and faster internet connections than they had with DSL service before Sandy.

- Because many consumers lost power, telephone and Internet service for long periods following Sandy, he issued tips to consumers to ensure that they were not charged for service they did not receive or could not use.

