

Fifth Circuit Rules Against Unlawful Debt Collections Targeting Hurricane Katrina Survivors

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Ruling cites multiple violations of the Fair Debt Collection Practices Act in attempting to collect alleged overpayments under the Road Home Program

LOUISIANA — The United States Court of Appeals for the Fifth Circuit ruled in favor of Louisiana homeowners Iris Calogero and Margie Randolph. The court reversed a lower court’s ruling that allowed a Louisiana law firm to seek collection of alleged overpayments to homeowners who participated in the Road Home Program. The Southern Poverty Law Center (SPLC), along with attorneys Margaret Woodward, Jenny Deasy and Keren Gesund represent the plaintiffs.

“We are enormously gratified by the ruling of the Fifth Circuit that the Defendants clearly violated the Fair Debt Collection Practices Act in many ways,” **said attorney Margaret Woodward**. “The Defendant debt-collectors in this action turned a substantial gift from the federal government into a nightmare for thousands of Louisiana residents by refusing to do right by the people they harmed.”

The Plaintiffs’ case in *Calogero v. Shows, Cali & Walsh LLP* contends that the state of Louisiana’s debt collectors, lawyers with the firm Shows, Cali & Walsh, violated the federal Fair Debt Collections Practices Act in attempting to collect what the state says

were duplicative payments from the Road Home Program, an initiative created by the U.S. Department of Housing and Urban Development (HUD) after much of the city of New Orleans was devastated by Hurricane Katrina in 2005. Over ten years after the storm, Plaintiffs received letters that demanded repayment or risked being responsible for the attorneys' fees resulting from litigation to recover those payments.

"I'm grateful to the Fifth Circuit for continuing to uphold the rights of consumers. These are tough economic times and, unfortunately, more and more people are dealing with debt collectors," **said attorney Keren Gesund**. "It's important for debt collectors to know that it is illegal to lie in collection letters or threaten to sue to collect old debts. Their actions cause real harm to consumers."

The Fifth Circuit determined that the Plaintiffs presented evidence of three violations of the Fair Debt Collections Practices Act by the law firm of Shows, Cali & Walsh. Therefore, the lower court was wrong to rule against Ms. Calogero and Ms. Randolph, who are seeking relief not only for themselves but for all other Homeowners' Grant recipients who experienced similar harm.

"This case has always been about fairness and accountability," **said attorney Jenny Deasy**. "Our years of hard-fought litigation were validated by the Court of Appeals, which recognized that Shows, Cali & Walsh's demands for repayment of certain Road Home funds violated the law. Representing Mrs. Calogero and Ms. Randolph has been a privilege, and we will press on to fully enforce their rights under the law."

Critics of the Road Home Program have questioned its treatment of Black residents, with the Greater New Orleans Fair Housing Action Center filing suit against HUD, claiming that the criteria for estimating grant amounts was biased. A settlement was reached in 2011 providing about 1,300 homeowners in four parishes \$62 million in additional compensation.

"This decision by the Fifth Circuit ensures that our clients, and others similarly situated, will be able to pursue their damages and claims for the unlawful debt collection practices by the law firm that the state of Louisiana contracted with to collect these alleged overpayments," **said SPLC Deputy Legal Director Kirsten Anderson**.

In February 2023, HUD announced that it was ending efforts to reclaim funds from homeowners who received money through the Road Home Program. Ms. Randolph received partial relief that she sought in this lawsuit when HUD forgave the outstanding balance on the debt she allegedly owed.

The Court's decision paves the way for Ms. Randolph, Ms. Calogero and other Road Home grant recipients represented by the Defendants to seek compensation for the harm caused by their unlawful debt collection practices.