To: Independent Review Administrator
From: Steven Peterson, Loan #0002009278
Belleville, IL
Date: 01/15/2012
Re: Independent Foreclosure Review

Dear Sir or Madam,

Thank you for soliciting information regarding the foreclosure process initiated by PNC Mortgage on Loan #0002009278 for a property located at 103 Goldenrod, Bloomington, Illinois. This loan originated with National City Mortgage when I purchased the home in March of 2003 for $144,000. It was a standard loan (i.e., not a “sub-prime loan”), for a home that became my primary residence. I made all payments on time until September of 2009. National City was purchased by PNC Financial Services in October of 2008, and PNC Mortgage took over my loan following the purchase. Over a period of 6.5 years, I sent in more than $92,000 in monthly payments on this loan.

As a result of the financial crisis of 2008, I was laid off from my professional position in Bloomington, Illinois in July of 2009, and immediately applied for unemployment insurance and participation in the HAMP program. I also inquired about a home equity loan at this time, and was told that I had not accrued enough equity to qualify: my outstanding balance in July of 2009 was $133,000.

I accepted a professional position in O’Fallon, Illinois in December of 2009, and immediately placed the house on the market at fair market price ($159,000). I moved my family to Belleville, Illinois in January of 2010 and signed a rental agreement for the house we currently reside in. Over the next 14 months, we did not receive any offers on the property, despite the best efforts of our real estate agent.

In June of 2010, PNC Mortgage initiated foreclosure proceedings on the loan. The effort was complicated by an attempt to attach another debt collection effort to the proceeding. This additional debt was incurred by a woman in the Bloomington area that happens to have the same name as my wife, Diane Peterson. We notified PNC of the mistake, and their legal representatives re-filed the paperwork after establishing the additional debt was not, in fact, owed by my wife. In the summer of 2010, the attempt to attach this debt to the foreclosure was renewed, and we repeated the effort to remove this collection from the proceeding with PNC legal representatives. The paperwork was re-filed, and a foreclosure date was set for March of 2011.

Approximately two weeks before the expected foreclosure date, we received a short-sale offer of $126,000 from the current owner of the property. It was the only offer of any kind we received in the sale process, and we had little choice but to accept the offer. PNC Mortgage also accepted the offer, and the sale was completed in April of 2011. I received a $750 check following closure, and a negative entry on my credit report.

In the Request for Review form, I am asked to "describe any other way I believe that I may have been financially injured as a result of the mortgage foreclosure process." In addition to $92,000 in monthly mortgage payments, I also invested more than $10,000 in improvements to the property: we replaced the central a/c unit, windows, a sump pump, the dishwasher, and painted the interior of the house after moving. This property was, and remains a desirable home in a good location. Prior to the housing collapse in 2008, it would have sold in a very short period of time at a premium price. When we purchased the home, it was considered a wise move by our peers. It was modestly priced, well within our price range – my income at the time was $65,000 a year, and my position was very stable until the 2008 crash – and we had every reason to expect a reasonable return on our investment.

PNC Mortgage realized a return of $202,000 ($92,000 in payments and $110,000 in net proceeds from the sale) on a $144.000 loan over a period of eight years. Their interest, or net profit on the loan totaled $58,000, less administrative costs. The current owner of the property purchased a home valued at $159,000 for $126,000, gaining $33,000 in equity. With the nature of the market, some or all of that $33,000 in equity may not be realized for some time, however. The $750 I received after the close of the sale represents my entire return on a $102,000 investment. When you ask if I may have been financially injured as a result of the mortgage foreclosure process, it is hard to take the question seriously. My entire life savings, and my credit, were destroyed.

I am confident that the foreclosure process itself was performed in a legal fashion. The HAMP program offered no assistance to those of us forced to relocate – we were left to the mercy of a free market that is largely deregulated. It is now legal for the mortgage lenders, and those who are able to purchase homes, to strip all equity from another homeowner without any consideration for the material or social cost to our culture.

With the benefit of hindsight, I now understand that I should have taken more time to consider the conditions of the mortgage loan I signed. Before accepting the provisions of the loan, I should have performed the calculations required to identify how long it would take to accrue any equity, and negotiated for better terms. It is hard to accept the fact that the terms of a standard mortgage are defined in such a manner, and the consumer is just expected to live with the inequitable nature of such a common business proposition.

After my experience with PNC Mortgage, it is highly unlikely that I would ever agree to the terms of any "normal" mortgage again. I have accepted the fact that home ownership is no longer an option for anyone outside of the top income brackets in this country, and have learned not to trust any of my fellow citizens to act in a moral or ethical fashion in a de-regulated market. It is too much to expect people to show mercy or respect if they are left to their own devices in a virtual shark tank.

I do recognize that PNC Mortgage is not responsible for the collapse of the housing market in 2007, or the economy in 2008. The largest banks in this country, including Goldman Sachs, J.P. Morgan Chase, Morgan Stanley, Citigroup, Bank of America and Wells Fargo, and a host of others (including AIG and Lehman Bros) acted in a manner that set the stage for the collapse and my personal misfortune. When I placed my house on the market, there were at least twelve other, newer homes valued at over $300,000 that were available for around the same price point as my fifteen year old, modest house. PNC Mortgage did not create this condition, it simply did its best to realize the greatest return on its investment that it could within the letter of the law.

As I raise my three daughters, I will do my best to prepare them for life in our new economic order. I will ask them to read “The Leviathan” by Thomas Hobbes and “Lord of the Flies” by William Golding before I introduce them to the ideas of Mr. Keynes and Milton Friedman. Explaining the reasons for the upheaval in their young lives has given me the greatest challenge of my life as a parent, and it is my goal to send them into the world with an understanding of the social and economic philosophies that are at such odds with the moral and ethical foundation our country was built on.

When I teach my children, the current practices of the lending industry will make it easy to illustrate the difference between the sacred and the profane, to differentiate between the broken promise of a social contract and the reality of a deregulated free market they must live in. While I may have no legal recourse to address my economic loss, I still retain my First Amendment rights to publish my story, to place this letter in the public domain for all to use as an object lesson for their children. I will seek no profit from this story, and any who wish to use it for educational purposes are free to use it in any way they see fit. I also invite our political leaders to introduce this letter as testimony when considering issues of regulatory oversight and legislative action.

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