

Cybersecurity is the Top Priority, for all of us



MY PERSPECTIVE

By Frank Pellegrini, Prairie Title CEO

Despite the warnings, improved training regimens for real estate professionals, and growing awareness among buyers and sellers, wire fraud scams involving real estate transactions continue to be a major problem.

We've all seen the headlines that illustrate the problem:

Woman Loses \$35,000 Home Down Payment to Internet Hackers

(CBS-2 Chicago, July 2019)

Or this headline, introducing a story written by Forbes **real estate writer** Aly J. Yale about her own experience.

Real Estate Wire Fraud Is Real—And It Almost Happened To Me

In the piece Yale writes:

It all started with an email.

Just days before closing on a home, I got a message from my escrow officer—or at least someone pretending to be her. Our closing costs needed to be wired to the title company right away, she said, or our closing date would be pushed back.

Considering the six weeks I'd spent waiting to close on the property—not to mention the disdain I had for our current rental home—the message sent my heart racing.

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The font was right. The signature was right. There was even a CC to my real estate agent. But something seemed off.

A closer look at the header revealed the problem. Each email address—one for my agent, one my mort-

gage broker and one for my escrow officer—was a single character off.

It was a fake.

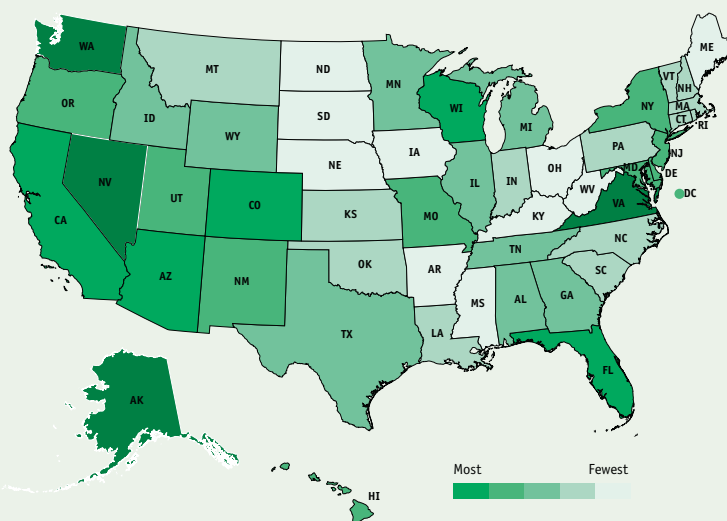
According to the FBI, Americans lost nearly \$150 million to real estate scams just last year, a 166 percent increase from the year before. Scams in the industry have jumped more than 1,000 percent since 2015.

Lurking behind many of these scams are efforts to capture then replicate emails moving back and forth from business email accounts, known as Business Email Compromise (BEC), and these scams are aimed at both consumers and industry professionals.

Hackers spend time researching an organization and its employees before launching an attack. They impersonate an executive or other employee in an email, requesting a wire transfer. Once the money has been transferred to a fraudulent account, it's usually impossible to get it back.

The key to preventing these frauds lies in vigilance and then verification. To achieve the right level of vigilance businesses such as ours need to implement transaction standards, train employees in those standards

Cyber-scam data shows which states had most victims and lost most money



Source: Techspot.com

CenturyLink examined the FBI's annual report based on the Internet Crime Complaint Center to discover the number of victims of cyber scams of all kinds in each U.S. state and how much money was lost in 2018. Locally, Illinois is right in the middle, Wisconsin is among the states with the most victims and Indiana and Michigan are at the low end of the scale.



Tried Prairie Title's Rate Estimator?

Have you checked out Prairie Title's rate estimator, and recommended it to your clients as they look to purchase or sell real estate? Just go to Prairietitle.com/rate-estimator and get instant estimates of Prairie Title's charges for buyer or seller in any residential transaction.

Attorney Update

Closing Disclosure Forms must be filled out completely

Lenders need to be certain each closing disclosure is filled out completely, including information about the individual agents involved in a transaction, not just the name of the brokerages. Lenders will not approve funding until that information is included.

To make sure this happens, attorneys can send in the signature page of the contract or provide the information when they place an order with us. Both listing agent and buyer's agent need to be noted.

It helps smooth the process, too, if attorneys include the broker commission statement when

they send their transaction figures.

Prairie Secure enhanced

Our paperless closing system now includes signed ALTA statements and other documents attorneys request in Word format, as well as certificates from the City of Chicago Water Department and much more. Prairie Secure offers 24/7 access to your closing documents in a secure environment you can always count on. Go to PrairieTitle.com and click on For Attorneys then Prairie



Secure to sign up.

And if you have an idea for adding to our document offerings in Prairie Secure, let us know. We are always open to client ideas.



Top Left: Mary Pellegrini (right) with local Realtor Kay Costello as Gagliardo Realty honored Kay for her many years of service to the local community. Top Right: Frank Pellegrini (left) with Andy Gagliardo at the same event.



Our August staff game night was a big hit, as always. From left: Molly Hayes, Roz Belmonte and Maureen O'Donnell enjoying the evening.

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and adhere to the standards without fail. One of the most important of those standards is verifying wiring instructions and payoff letter information because someone working on the transaction may have a compromised email account.

Often, verifying is simply a process of picking up the phone and talking to your counterpart who can verify wire instructions or a payoff letter, or identify a fraudulent request.

It's better to take the extra step rather than leave it to chance and lose thousands of dollars. Continually reminding your clients not to accept altered wire instructions via email is critical to the consumer not being scammed. They, too, should be advised to pick up the phone and verify.

"Real estate professionals are advancing security protocols within their organization; cyber criminals are becoming more strategic with their assaults," notes the American Land Title Association. "They

are infiltrating and accessing the information by attacking your clients directly. Understand recent attacks, recognize client vulnerabilities and how you can take a proactive role in the prevention of cyber-crime. Your fiduciary responsibility may extend beyond your organization and could be impacted at every touch point of the transaction."

For more tips, take a look at the infographic at right that we created for our staff, and feel free to copy it and pass it on to your staff.

Real estate wire fraud is real, growing and scary. Together, we can defeat the scammers, thus protecting our customers and our businesses.

There are a number of great resources out there that you can tap into for information technology security (tips). One that we particularly like is KnowBe4.com where you can get great information security information and free IT security tools.



ALTA Joins Coalition to Stop Wire Fraud

The Coalition to Stop Real Estate Wire Fraud launched this summer with the American Land Title Association as a member.

According to the FBI, only an estimated 12-15% of all fraud is reported, and the Coalition notes that the best way to combat these statistics is through educating the homebuyer. Homebuyers, particularly first-time buyers, are the ones who are the most at risk of wire transfer fraud.

"While it's important to educate all consumers about the threat of wire transfer fraud, first-time homebuyers are especially vulnerable to this crime," said Cynthia Blair, attorney and president of the

American Land Title Association (ALTA).

Rich Hopen, a real estate professional and a victim of real estate wire fraud, noted at the launch press conference:

"Our \$239,000 mortgage payoff was wired into a criminal's account," Hopen said.

According to Hopen, education isn't only necessary on the consumer side, but on the real estate professional side as well.

"Most real estate professionals know of the problem, but they don't understand how it occurs and what to do to prevent it," Hopen stated. Visit stopwirefraud.org to learn more about how the coalition can help you and your customers avoid being scammed.

BUSINESS EMAIL COMPROMISE FRAUD

Security Tips to Avoid BEC Scams

Information sourced from FBI | <https://www.ic3.gov/media/2018/180712.aspx>

Business Email Compromise (BEC) scams involve criminals spoofing or accessing a victim's email account to send fraudulent wire instructions to deceive financial institutions or individuals to wire funds to the criminal's bank account.

HOW THE SCHEME WORKS

1

Criminal obtains information on a target and compromises email account

2

Criminal sends an email with fraudulent wiring instructions

3

Criminal receives funds and makes unauthorized transactions

SECURITY TIPS



Last minute change request

Be suspicious of last minute change requests to wiring instructions like bank account number, payee, and banking institution



Think before you click

Read through the email carefully and do not click on suspicious links or attachments



Urgency

Be leery of emails labeled "urgent" and the sender's insistence to wire funds immediately



Call, don't email

Confirm an email or wiring instructions by phone with a known number that is not from an email



Email address incorrect

The email address is altered with a missing letter or added characters



Avoid giving sensitive information

Do not reply to an unverified sender with private information about customers, employees, the company, or yourself



Only communicates by email

Take notice if the sender will only communicate with you by email rather than by phone or in-person



Report BEC emails

Report fraudulent emails to management and your IT Department for further analysis and reporting to law enforcement



\$12.5 billion loss

Domestic and international exposed dollar loss according to reported complaints to the FBI from October 2013 to May 2018



\$18 million+ loss

The FBI reported that the real estate industry lost over \$18 million from BEC scams in October 2017

ALTA Applauds Senators' Efforts

Late in the summer, ALTA applauded a bipartisan group of 33 senators who wrote to Federal Reserve Chairman Jerome Powell questioning the efforts the Federal Reserve has underway to limit fraud and verify payee matching on wire payments.

"We applaud Senators Moran and Van Hollen, along with the other senators, for their letter to Chairman Powell asking for information about the work the Federal Reserve is doing to protect consumers and the wire system from fraud," said ALTA CEO Diane Tomb. "We must maintain confidence in our electronic payment system."

Commercial Corner

Are market conditions favorable for commercial real estate? There are indicators that now might be a good time to invest in commercial real estate, but a lot can depend on your location as is often the case with real estate. Commercial development is flourishing in downtown Chicago and the city's hot neighborhoods, but once you get away from those areas the market is very uneven.

At the national level, commercial and multifamily mortgage loan originations rose by 29 percent from the first quarter and rose by 10 percent from a year ago, the Mortgage Bankers Association reported in its 2Q Survey of Commercial/Multifamily Originations.

"Falling long-term interest rates and sustained strength in commercial real estate markets lifted commercial and multifamily mortgage originations during the second quarter," said MBA Vice President of Commercial Real Estate Research Jamie Woodwell. "Originations for life insurance companies and for Fannie Mae and Freddie Mac continued at record paces during the first half of the year, as did originations of loans backed by multifamily and industrial properties. With rates even lower during the third quarter, absent a major economic disruption, 2019 is shaping up to be another record year for commercial mortgage lending."

Coming back to the local, even uber-local level, an article in Forbes recently argued that now is the best time in a generation to purchase commercial real estate, especially to benefit your

business and your personal financial situation. Authored by Forbes Council Member Christopher Hurn, CEO of Fountainhead Commercial Capital, the article focuses on owning your own commercial space and cites six reasons "entrepreneurs should consider buying their buildings":

1. You can diversify your retirement portfolio with real estate.
2. You won't have to pay rent (to others).
3. You have the opportunity to become a landlord.
4. You may be able to rent your building to your successor.
5. There are options for many types of businesses.
6. Rates are currently low.

While Hurn notes that "owning is not for everyone," he concludes:

"While I can make the case that entrepreneurs should consider owning their commercial property, today's economic climate makes it even more attractive. As a wealth creation strategy, it might be tough to beat for a long time."

The important point here is, there are opportunities in commercial real estate for those whose business and personal portfolios can benefit from ownership of commercial property.

Five Fast Questions

Five Fast Questions is a feature which aims to help you get to know the Prairie Title team members you work with on a more personal level. Here are Five Fast Questions for Van Hante.



Van Hante, Account Executive

Where were you born?

I was born in Englewood on the South Side of Chicago and grew up in Chicago's Brainerd Park neighborhood.

What do you love most about the real estate business?

I enjoy the real estate title searching aspect of the business. Title searches can be very complex and interesting. Also, I love to see people purchase a home, condominium or townhouse, especially their first one because it is a great step in their lives.

What's your favorite vacation spot?

Southern California and Wrigley Field.

Why do you like working at Prairie Title?

I enjoy working with our Attorney Agents. They are very knowledgeable, loyal and nice attorneys to do business with. Our staff does an excellent job in providing quality service to them. In addition, I enjoy using my entrepreneurial skills to grow the Attorney Agent program in a small, family-owned business. I have worked in various family-owned businesses, including my own, and Prairie Title's Frank and Mary Pellegrini have provided the leadership and skills that have sustained the business for 35 years.

What historical figure is most important to you?

Franklin Delano Roosevelt, the 32nd U.S. President. FDR took office during the Great Depression and instituted the New Deal programs that helped all Americans survive the worst economic downturn in American history. He also guided us through World War II.

MISMO Announces new RON Standards

MISMO®, the mortgage industry's standards organization, announced the release of its Remote Online Notarization (RON) standards, which include an update to the draft standards issued earlier this year. The RON standards allow the use of audio-visual communication devices to notarize documents in a virtual online environment. MISMO's RON standards support model legislation that was developed by the Mortgage Bankers Association (MBA) and the American Land Title Association (ALTA), which multiple U.S. states are now using to enact RON laws in their jurisdictions.

When the comment period on the standards expired in August, the standards were moved to Candidate Recommendation status, meaning the RON standards have been thoroughly reviewed by a wide range of organizations and industry participants, and are ready for broad use across the entire residential mortgage industry.