Spring 2021

PRAIRIE TITLE

ASSURANCE

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News from Prairie Title

Happier Days are Here Again?

My Perspective - By Frank Pellegrini, Prairie Title CEO

The new year got off to a rough start with the terrible events at the U.S. Capitol on Jan. 6 that resulted in five deaths and a black eye for our democracy. But democracy prevailed with a very late night vote that affirmed the presidential election results. Coupled with the continuing Coronavirus pandemic and a national economy that is in crisis mode, 2021 came in in a way that did not give much reassurance that the new year would be better than the old.

But there is hope nationally and locally, I believe, on the strength of vaccines going into the arms of Americans by the millions and prospects for the real estate industry that are good following a much better than expected year in 2020.

There is definite hope for the economy in general and the real estate market in particular in 2021 according to Fannie Mae's comprehensive "Economic & Housing Outlook" report. Fannie Mae's experts expect a reversal of recent economic headwinds starting in late spring when growth typically accelerates.

"Expanding vaccination efforts, the emergence of warmer weather, and the passing of greater than previously expected fiscal stimulus point to an economy ready to take off once COVID-19-related effects begin to subside," noted the report's authors. A successful rollout of the COVID-19 vaccine will accelerate recovery, the researchers said.

"COVID-19 remains the dominant force altering the path of the economy through the behaviors of people, businesses, and policymakers," added Doug Duncan, Fannie Mae's chief economist in a press release. "Therefore, the best policy for economic recovery is the broad distribution of an effective vaccine, which is underway. The sooner this can be successfully accomplished the sooner growth can accelerate, and our thought is that by mid-year vaccine distribution efforts will be well-established, allowing for a strong second half."

In residential real estate, we saw a surge in refinancings last year as interest rates reached historic lows. Though it's likely that interest rates will slowly rise this year, refinancings may still remain a strong element of our business with the caveat that refinance numbers will slow commensurate with the pace of rising interest rates.

"Refinance activity will depend on rates. Even if rates rise a few basis points above where we're at now, we can expect a pretty robust refi demand market in 2021," says Odeta Kushi, deputy chief economist for First American Financial Corporation, a title insurance underwriter. "There are still many homeowners who can save money by refinancing."

With that economic news in mind, here are five story lines that I believe could be significant nationally and in our state in for 2021:

1. COVID-19 vaccine development and distribution
2. Change in direction for the Consumer Financial Protection Bureau (See our article about this on page 6.)
3. Potential federal tax law changes including a reversion to full deductibility of state and local taxes
4. The annual budget dance in Illinois

see MY PERSPECTIVE page 2

Lenders Corner:

Do you really need a deed?

If your customers are refinancing and one of them has changed their name, you may not need a new deed.

For example, if the parties were married after they bought the property and one spouse had a name change, the first page of the mortgage can simply be amended to state, "New name f/k/a Old name." (f/k/a stands for formerly known as). The signature line on the last page of the mortgage can then simply reflect the new name. The identification that is tendered to the Notary Public should match the new name.

On the other hand, if you are adding or removing a titleholder, you may very well need a new deed.

When you have a situation that may require a deed, please call our office and speak to Maureen O'Donnell , Gary Snyder or Maria Cristiano. They will help you explore the situation and figure out the best path forward for your transaction.

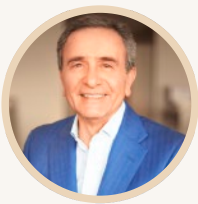
If a deed is required, it is always best to consult an attorney to discuss the issues and prepare the deed. It is also a good idea to talk with an accountant regarding any tax consequences.

If you do need a Quit Claim deed, keep in mind that often requires a trip to the village or city hall of the municipality where the property is located to fulfill its requirements. This often requires providing a copy of the signed deed, filling out forms, and obtaining an exempt stamp which may result in fees.

IN THIS ISSUE

Meet the Prairie Team

Prairie Title's excellence is directly attributable to the quality of our people. Our professional staff members have decades of experience in the industry, and they are dedicated to the notion that great customer service begins with them. As a result, our clients have easy access to dedicated real estate professionals in an environment where decisions are made quickly, but not imprudently.



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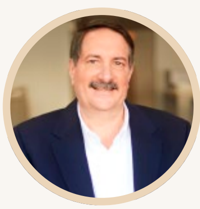

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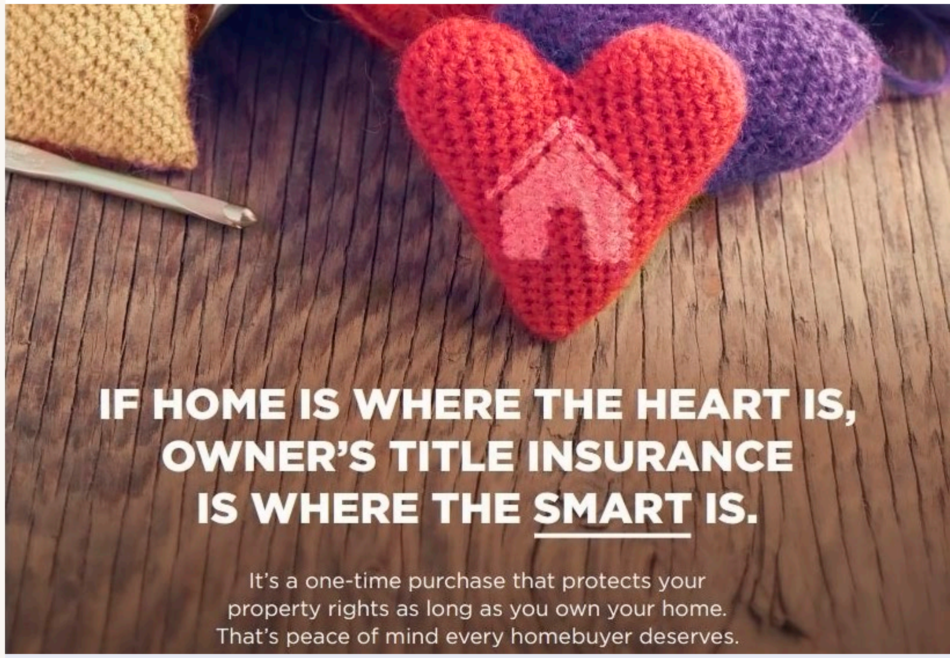
made even more complicated by the voters' decisive rejection of the progressive income tax proposal. Can the new Speaker of the House play a role in slowing the Illinois exodus through the adoption of sensible economy policies that put our state on better financial footing?

5. Consideration of the much needed reforms embodied in the Title Act by the Illinois General Assembly.

While the first half of 2021 will continue to be dominated by COVID, once large numbers of Americans are vaccinated we can start to emerge from our shells and, in my estimation, the economy will really start to take off. In the meantime, we'll have plenty of real estate transactions to process as we focus on serving our customers, keeping our employees safe and tweaking our business models in response to an ever-changing environment.



NAHB: Multifamily Housing Down in 2021 but Will Rebound in 2022

Regulatory and supply-side challenges coupled with slowing rent growth and rising vacancy rates will weaken the multifamily construction market in 2021. However, the development market should stabilize by 2022, according to National Association of Home Builders (NAHB) economists.

"Though the multifamily sector is performing much better than nonresidential construction, developers are facing stiff headwinds in 2021," said NAHB Chief Economist Robert Dietz. "Shortages and delays in obtaining building materials, rising lumber and OSB prices, labor shortages and a more ominous regulatory climate will aggravate affordability woes and delay delivery times."

NAHB analysis of Census data reveals that 34% of total multifamily construction occurred in lower density, lower cost markets in 2020. "These areas have outpaced higher density markets over the past four quarters and we anticipate this trend will continue this year," said Dietz.

NAHB®

Turning to the forecast, multifamily starts are expected to fall 11% this year to 349,000 units from a projected total of 392,000 in 2020. The downturn will be short-lived, as multifamily production is expected to post modest gains in 2022, up 5% to 365,000 units.

After four years of a steady, upward trajectory, rent growth flattened in 2020. "Due in part to pandemic-related issues, rent growth in December 2020 was up just 0.4% from a year ago," said Danushka Nanayakkara-Skillington, NAHB's Assistant Vice President of Forecasting and Analysis.

Stealing Houses?

By Frank Pellegrini, CEO, Prairie Title

Reprinted with permission from Trusts & Estates, published by the Illinois State Bar Association, January 2021.

What do you get when you combine identity theft with mortgage fraud? The FBI calls it house-stealing. The FBI warned of this activity as far back as March of 2008. At that time, the FBI noted that "House-stealing is not too common at this point, but we're keeping an eye out for any major cases or developing trends." They referred to house stealing as "the latest scam on the block." So, what's been going on since 2008? It's hard to tell. While statistics are available for all sorts of wire fraud and mortgage fraud, instances of house-stealing are not broken out. What experts do know is that, thanks to the internet, crime of this sort is on the rise.

In its most recent report, the Internet Crime Complaint Center of the FBI stated that there were 467,361 wire fraud complaints resulting in losses of $3.5 billion in 2019.[1] In the category of real estate fraud, 11,677 victims lost over of $221 million. It is not possible to extract the numbers specifically for home title fraud itself, but trends are all rising. As the numbers I just recited indicate, the number of all complaints rose from 288,012 in 2015, a 62% increase in four years. Total losses rose more than three-fold by 2019 from $1.1 billion in 2015. The growth in dollar amounts of losses far exceeds the growth in the number of complaints. This pace of increased productivity is likely not lost on the criminals perpetrating these schemes. To bring the problem home, in 2019 Illinois ranked ninth in the country in number of victims, but it ranked sixth in total losses. Individuals over 60 had the highest victim count and the highest dollar losses compared to other age groups.

In the 2008 alert, the FBI described house stealing as follows:

> The con artists start by picking out a house to steal—say, YOURS. ... Next, they assume your identity—getting a hold of your name and personal information (easy enough to do off the Internet) and using that to create fake IDs, social security cards, etc. ...Then, they go to an office supply store and purchase forms that transfer property. ... After forging your signature and using the fake IDs, they file these deeds with the proper authorities, and lo and behold, your house is now THEIRS.

Vacant homes (second homes, vacation homes, or rentals) can be particularly attractive targets for the fraudsters because the scheme may not be discovered for some time. A simple three-step process for stealing a house was laid out in the FBI article:

1. Pick a house;
2. Assume the identity of the owner;
3. Forge the signatures on a deed placing the crooks in title and record it.

After they have assumed "ownership", the crooks may sell or mortgage it, pocket the money, and disappear. Rightful owners may be able to successfully contest the interest created by the forgery (a forged instrument is void), but they may suffer sizeable expenses for attorney fees and court costs. Buyers and lenders may not ever be able to recover their losses. In a common scenario, the crook steals the identity of the owner, signs for a home equity line of credit (HELOC), accesses the account, and makes off with the cash. The property owner is left with a heavily encumbered title.

A variant on this theme is to identify property owners having financial difficulties. The owners are coaxed into selling to fake buyers who borrow the funds to close on the purchase. The fake buyers then resell the property and disappear. The owners lose their title and the bank loses their money.

What does the FBI suggest for property owners to protect against these scams? They recommend checking the county records for instruments that appear against title, and which are not recognized by the owners. Great idea, but who has the time or know-how to do this? Enter the pros at a title lock insurance company. For the price of a couple of lattes per month the guardians at title lock will monitor activity at the recorder's office and report it to you.

This sounds like a great deal until you consider that anyone with a computer can visit the recorder's website in very little time and with little or no experience. Usually, searches may be performed under the property identification number assigned by the tax collector. In Cook County and surrounding counties, this is very simple and straightforward. It costs nothing, as long as document copies are not needed. If the property owner is still feeling intimidated and overwhelmed, services offered by the recorders in at least 55 of the 102 counties in Illinois offer fraud alerts at no cost. One merely registers and provides an email, phone/text, or snail mail address and the Recorder sends an alert to the registered owner if any activity occurs on the title to the property.

For owners of property in other states (vacation homes), I found similar no-cost fraud alert programs in 16 other states, including Arkansas, Florida, Wisconsin, Missouri, Indiana, and Minnesota, to name a few where Illinoisans may have property.

The lesson here is very obvious: why pay for a service from a private company when the county offers the identical service for no charge at all.

For those who have not registered for the county monitoring service, there are clues that they may have fallen victim to title fraud. Utility bills, real estate tax bills, or assessment notices stop coming. Rent payments due to the owner get diverted. Payment statements for loans or default notices arrive. The Kiplinger newsletter published a very good article on this in June of 2019.[2]

Statistics on the success of title fraud alerts are not readily obtainable. My attempts to contact the Cook County Recorder of Deeds to ask about them were not successful. However, Karen Miller, an old friend and fellow member of the Illinois Land Title Association who is now the LaSalle County Recorder, spent a few moments on a phone call with me. LaSalle County is one of the many counties that offers a free fraud alert program. Ms. Miller's Office tracks the number of registrations for the program. She reported that there is increasing interest in the program and there are regular inquiries about it, as well. The number of property owners registering for fraud alerts is growing year-to-year. However, the Recorder's Office is not able to track instances of criminal activity. The Recorder's role is confined to notifying property owners of activity on the registered property.

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An interesting aspect of this service that Ms. Miller mentioned is that it is somewhat popular among children who register for the alerts on behalf of elderly parents. In some instances, the children are concerned about caretakers or even siblings attempting to obtain title of the older person's home.

Residential property owners in several states have an additional shield against "house stealing" that we do not yet enjoy in Illinois. While the coverage in the standard Owner's Policy is generally limited to occurrences before the effective date, the "Homeowner's Policy of Title Insurance" is an enhanced policy which expands covered risks to include certain stated post-policy occurrences. Provision #3 of the Covered Risks section of the policy jacket states: "Someone else claims to have rights affecting Your Title because of forgery or impersonation." Provision #7 of Covered Risks states: "Any of Covered Risks 1 through 6 occurring ***after*** the Policy Date."[3] Clearly, the two portions taken together provide continuing coverage against forgery occurring after the policy's effective date.

In states where underwriters offer the Homeowner's Policy, a higher premium is charged and a sworn statement by the proposed insured is required. There are also provisions for deductibles assumed by the insured. Underwriters doing business in Illinois either avoid or flatly refuse to issue the Homeowner's Policy. The reasons I have gleaned for the reluctance to issue the Policy stem from the lack of a proper rate structure which would allow for higher premium amounts retained by the underwriter to support prudent reserves against claims stemming from these post-policy occurrences. Yet another reason why title insurance rates in Illinois should be thoroughly examined and made more favorable for consumers.

Before concluding, another scheme designed to separate people from their money involves mailing notices to addresses of properties recently purchased offering the new property owners a copy of their "official deed" for a mere $100 or so. As real estate lawyers know, deeds are returned from the Recorder's office within a reasonable period of time after closing (before COVID-19 anyway). It is not necessary to pay a fee for the "official" document. It is becoming good practice for the buyers' attorneys to alert their clients at the closing that they should be wary of these offers.

From the beginning of time, humans have spent considerable time and effort concocting various clever schemes to pick the pockets of others. The rest of us have to spend considerable time and effort to prevent that happening to us and sharing what we know with others more vulnerable.

1. www.ic3.gov.

2. https://www.kiplinger.com/article/real-estate/t048-c050- s002-how-to-protect-your-home-from-deed-theft.html

3. Emphasis added.

Survey Shows 547 Percent Spike in RON Use

The use of remote online notarization (RON) increased 547 percent in 2020 when compared to 2019, according to a survey ALTA conducted of vendors that offer this technology.

This increase can be attributed to heightened demand for RON during the COVID-19 pandemic, coupled with the fact that 29 states have passed permanent laws authorizing the use of RON.

Today, RON is being utilized most extensively in Florida, Texas and Virginia. Additionally, use of this technology is trending up significantly in Midwestern states. A decade ago, Virginia became the first state to enact a RON law. Texas approved RON legislation in 2017. Adoption of RON in Florida has been rapid since the state passed legislation in 2019, the survey found.

Notarizations are used extensively in real estate transactions on documents like deeds, mortgages, lien releases, and frequently for home equity loans. Many RON providers focus their business exclusively in this space. While RON provides homebuyers a convenient experience and can be used to execute a fully digital mortgage, this technology is also utilized for affidavits, powers of attorney, living trusts and advanced health care directives. Firms offering remote notarizations to a broader base of customers indicate 75% of their business is non-real estate related. Being able to remotely notarize documents during the pandemic—whether real estate or not— has been critical to keeping people safe and promoting social distancing.

RON Temporarily Permitted in Illinois

In March, Illinois Governor J.B. Pritzker issued an executive order permitting remote online notarization as long as the Notary and signer are both physically located in the state at the time of the notarization, and the notarization "follows the guidance posted by the Illinois Secretary of State." The executive order is in force as long as the Gubernatorial Disaster Proclamation regarding the Coronavirus pandemic.

Notaries may use an electronic or remote notarization platform that meets industry standards and each of the requirements provided by the Governor's Executive Order.

The Illinois Land Title Association and other stakeholders, meanwhile, have been lobbying the General Assembly to permit RON usage permanently in Illinois, as is the case in 30 states including all of Illinos' neighbors. A bill has been crafted and is being considered by the Illinois General Assembly.

Industry News from ALTA

FTC Warns Small Businesses of COVID Scam

Small businesses are the targets of a new email scam, the Federal Trade Commission (FTC) warned.

According to the FTC, fraudsters send an email that claims to come from the "Small Business Administration Office of Disaster Assistance." It says you're eligible for a loan of up to $250,000 and asks for personal information like birth date and Social Security number.

Here are some clues to know the email is fake:

1. You got an email or phone call out of the blue that claims to be from the IRS, the Social Security Administration or—in this case—the Small Business Administration. The FTC has warned about government imposter scams like this.

2. You were told that you're automatically eligible for a loan. Real lenders never do this.

3. You're asked to provide date of birth and Social Security number. This is a tip-off that the sender is trying to steal your personal information.

Report fraud to the FTC: reportfraud/ftc./gov

Beneficial Ownership Registry Becomes Law

The National Defense Authorization ACT, which became law in January, created a new beneficial ownership registry for shell companies.

"A requirement for companies to report their beneficial ownership to a national repository will help law enforcement identify and combat the use of real estate in money laundering without creating new compliance burdens," said Diane Tomb, chief executive officer of ALTA. "This is integral for efforts to modernize the United States anti-money laundering rules and to help counter the financing of terrorist activity. Financial institutions with customer due diligence obligations will be able to access the FinCEN data with their customers' permission. This could help streamline reporting burdens for title insurance companies and give them more assurance that the information they report under Geographic Targeting Orders is accurate."

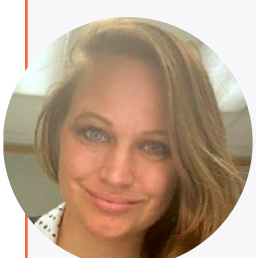
With the law passed, FinCEN will get to work building the registry system. Over the next two years, shell companies will have to file their beneficial ownership information with FinCEN. The information will be updated whenever the company's ownership changes hands. There are a number of exemptions to the filing, especially if the company already has to file this information as part of an SEC or other financial regulatory requirement.

Title companies report beneficial ownership information to FinCEN as part of Geographic Targeting Orders. This is the one piece of information the industry does not have another business reason to collect and has no verification source.

Under the provision, once the beneficial ownership database is developed, financial institutions with customer due-diligence obligations (such as under the GTO rules) will be able to access the FinCEN data with their customers' permission. This could help streamline reporting burdens and give title companies more assurance that the information they report under GTOs is accurate. Additionally, once the database is established, FinCEN is supposed to re-evaluate its reporting requirements to reduce burdens, especially in instances where they are collecting the same information elsewhere.

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.



Carrie Douma, Closing Officer

Where were you born?

In Southwest Michigan where we lived until I was eight, then moved to Chicago's South Loop.

What do you love most about the real estate business?

It keeps me on my toes. There are always new problems to find solutions to, new people to work with, and you deal with many different personality types.

What's your favorite vacation spot?

Anywhere in the mountains is excellent, especially remote villages in Tibet. Montana is excellent too. Just as long as the vacation is not at the end of the month! My dream vacation is to go to New Zealand.

Why do you like working at Prairie Title?

The people, of course!

What historical figure is most important to you?

I wouldn't say most important, but Einstein sticks out. If you Google a photo of his desk on the day he died, it's completely relatable to any desk at a title company!

Roz Belmonte, Receptionist, Title & Accounting Clerk

Where were you born?

Chicago

What do you love most about the real estate business?

I love talking to the attorneys and Realtors, and seeing first-time buyers being so excited about their first home. It brings back memories of when we bought our first home, which I'm still in.

What's your favorite vacation spot?

I don't have a favorite vacation spot. I just like taking one day road trips with my family and my grandchildren.

Why do you like working at Prairie Title?

Prairie Title is my home away from home. Everyone is right there for me when I need them. I can always count on my Prairie Title family.

What historical figure is most important to you?

John Kennedy and Jacqueline Kennedy. I would collect newspaper articles about them and I once wrote to the White House asking to send me photos of them. At that time, to a 12 year-old, they were the most elegant couple. I was 13 when he was assassinated. It was very devastating to everyone.

Housing Round-up

Key Highlights from experts

According to Zillow's Home Value Index, the company expects seasonally adjusted home values to increase by 10.5% through December 2021. It also predicts home value appreciation to peak in June 2021 at 13.5%.

Zillow also predicts 6.82 million existing home sales in 2021, the most recorded in a single calendar year since 2005 and a 21.1% increase from 2020.

NAR reports that existing-home sales rose in December, with home sales in 2020 reaching their highest level since 2006.

"For 2020 as a whole, we saw sales perform at their highest levels since 2006, despite the pandemic," said Lawrence Yun, NAR's chief economist. "What's even better is that this momentum is likely to carry into 2021 with more buyers expected to enter the market." Yun predicts a continuation of the strong activity that's currently taking place in the housing market and in the overall economy.

NAR notes:

- Existing-home sales totaled 5.64 million in 2020, up 5.6% from 2019 and the most since before the Great Recession.
- The median existing home sales price in 2020 was $309,800, up 12.9% from one year before.
- Housing inventory sank to 1.07 million and a 1.9-month supply – both historic lows.

Fannie Mae/MBA interest rate predictions on same track but differ by half a point

Fannie Mae predicts average rates for the 30-year fixed loan will remain at 2.8% through 2021 and only rise to 2.9% for 2022. The Mortgage Bankers Association has a slightly bleaker viewpoint than Fannie Mae, predicting the 30-year FRM will rise to 3.3% by then end of 2021 and to 3.6% by the end of 2022.

Watch for Enhanced Enforcement under new CFPB Director

By Frank Pellegrini - Prairie Title CEO

With a new administration in Washington, management of the Consumer Financial Protection Bureau is changing, though the change in leadership resulting from the inauguration of a new U.S. President was not envisioned by the agency's original proponents.

The 2020 Supreme Court decision in Seila Law versus the CFPB declared the CFPB's leadership structure unconstitutional, saying it violated the separation of powers by placing leadership of the agency in the hands of a single director who could only be removed for cause. The court declared the director removable at-will by the president instead.

As a result, President Biden chose to replace former bureau head Kathy Kraninger (who resigned her post at the administration's request) with Rohit Chopra. Chopra, most recently a member of the Federal Trade Commission, helped establish the bureau alongside Sen. Elizabeth Warren (D-Mass.) and served as the bureau's first student loan ombudsman.

According to Lucy Morris, a partner at Hudson Cook LLP who spoke with Bloomberg News, Chopra is expected to reinvigorate the bureau quickly, beefing up its enforcement and oversight, particularly with a focus on Covid-19-related consumer relief.

"He's going to look to use all the tools in more expansive and creative ways," said Morris, a former CFPB deputy enforcement director who worked with Chopra at the bureau.

Mick Mulvaney, a critic of the agency when he was a member of Congress, was appointed acting head of the CFPB in 2017. Following Mulvaney's rocky term, including an ill-fated attempt to rename the agency, Kraninger brought stability to the agency. What did not change when she took charge was a major slowdown in CFPB enforcement actions that began in 2017.

I don't believe there is any doubt that the bureau's enforcement efforts will accelerate under the new agency management team.

As I told The Legal Description, published by October Research: "I think what we are looking at is a very passionate regulator and a very passionate watchdog. The question in my mind will be, does he have other business types in mind that are going to interest him more than RESPA cases? Student loan cases and payday lenders and things like that seem to be very much on his radar screen. What we don't know is how much of a bandwidth he has to include RESPA cases."

Many who follow the agency's initiatives also wonder whether CFPB will now take a more active role in potential UDAAP (unfair, deceptive and abusive acts and practices) cases. In my view, that is highly likely.

Time will tell, but be prepared for a very active four years at CFPB.