

What Now?

MY PERSPECTIVE - By Frank Pellegrini, Prairie Title CEO



As I sat down to write this column, intending to expound upon the joys of returning to "normal" after a trying 15 months for all of us, truthfully I could not muster any thoughts about how much fun it is going to be in the post-COVID world. I think certain numbness has set in that prevents some of us

from experiencing enthusiasm. It is much like how it feels when your leg falls asleep or when muscles and joints have had little or no exercise and have atrophied.

Least I sound too somber, let me talk about something that got my attention like a freezing cold shower and awoke my long-suppressed enthusiasm. Something that gave me hope and, perhaps, the inkling of joy. Some light shining through the dark curtain of divisiveness, conflict, incivility, and anger. It all started with a podcast (of all the unexpected places). The podcast was covered in an article at Inc.com (another unexpected place for what I found). The Inc.com piece was, in turn, mentioned in Jeremy Yohe's regular column in *Title News*. That's where it started for me. I couldn't stop thinking about it.



Prairie Title's Spring art show, in collaboration with the Oak Park Art League, featured the works of artists N.J. Hatherly, Joe Barabe and Tony Abboreno who created the artwork shown above.

The podcast featured an interview by author Tim Ferriss and the billionaire CEO of Spotify, Daniel Ek. At the end of the interview Ferris asked Ek whether there was some message he would place on a metaphorical billboard for billions of people to read. Ek's startlingly simple response was "Be kind, everyone is on their own journey." Here is an extraordinary instance that genius is only truly revealed in the elegance of simplicity.

We are all on our own journeys. We all have difficulties.

We all have disappointments. We all are challenged. When we focus solely on our "stuff" we take no notice of what others may be going through. We assume everyone else is doing fine so we get angry and competitive. We have one-way conversations where we forget to listen. What would happen if we acknowledged that others may be going through something themselves; or, that their journey has brought them to a different place than us? Walt Whitman said: "Be curious, not judgmental." What if we took the approach of curiosity in our interactions, instead of confrontation?

I have given talks on leadership; what great thinkers have taught us about great leaders. One quality of those who truly lead has been empathy. Perspectives, motivations, and experiences of others inform our relationships with them. They need to hear ours and we need to listen to theirs. Empathy is a foundation for trust. Being guided by the notion that we are all on our journey invites empathetic behavior which displaces envy, distrust, and acrimony. Our leaders need to show empathy, but so do the rest of us to each other.

Maya Angelou's take on this is: "I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel."

This is what could make the COVID experience a valuable one. So, instead of listing my favorite summer food or favorite outing, I am looking forward to working on empathy and curiosity as the summer unfolds.

RIN and Ron

On another note, this issue features articles on related subject matters of importance to the future of the real estate transaction business:

- Remote Ink-Signed Notarizations (RIN), and
- Remote Online Notarization (RON)

Regarding RIN, Fannie Mae updated its Selling Guide announcing specific requirements for remote ink-signed

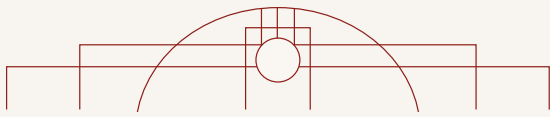


notarizations for loans issued on or after July 1. At the same time the American Land Title Association and other industry organizations have thrown their weight behind the idea of a national RON standard. To date, more than 30 states have enacted RON laws (see accompanying map page 3).

While I support Illinois' move toward RIN as an important step toward modernizing notarizations, I believe that ALTA's push toward nationwide, uniform acceptance of RON reflects what we have seen during the pandemic. Consumers want the choice and convenience of flexible closing arrangements. Although COVID-19 practices have put these desires into sharp focus, underlying forces go well beyond our current situation. Younger consumers are accustomed to shopping for most of what they need online, even houses. It makes sense that they would also want to complete those transaction on-line, as well; even closings.

IN THIS ISSUE

- 1. What Now?**
I am looking forward to working on empathy and curiosity as the summer unfolds.
- 2. ALTA Members Continue to Hold the Line against Fraud**
Training and education are working as funds were only wired to a fraudulent account in a little over 8% of these attempts.
- 3. Nationwide RON Bill Introduced in Senate**
On May 13, Sens. Kevin Cramer (R-N.D.) and Mark Warner (D-Va.) reintroduced the SECURE Notarization Act of 2021.
- 4. Economic Update**
Experts address the general and real estate economies.



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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ALTA Members Continue to Hold the Line against Fraud

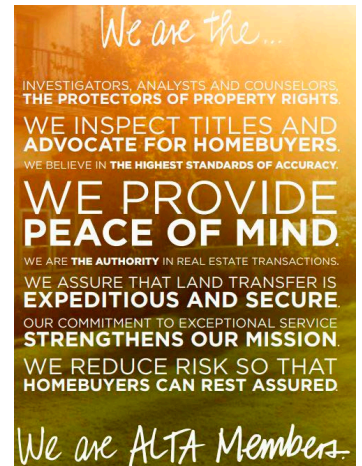
While ransomware attacks have been the cybercrime getting the most attention in the media of late, and with good reason, wire fraud is a continuing issue in our industry.

Title insurance professionals, in fact, reported cyber criminals attempted to trick employees to wire funds to a fraudulent account in a third of all real estate and mortgage transactions, according to ALTA's 2021 Wire Fraud and Cyber Crime Survey. However, training and education are working as funds were only wired to a fraudulent account in a little over 8% of these attempts.

Nationwide, 76% of title agents reported wire fraud attempts were the same or increased in 2020. Fraud attempts and losses were up nationwide due to the pandemic, according to the Federal Trade Commission.

The survey of nearly 550 title agents nationwide was conducted in March 2021 by ALTA's Research & Analytics Work Group. It asked agents about their experience with cybercrime and wire fraud.

"The title and settlement industry continues to lead the charge raising awareness about wire transfer fraud, educating their staff and implementing procedures to safeguard real estate funds," said Diane Tomb, ALTA's chief executive officer. "Unfortunately, criminals continue to modify their tactics and prey on unsuspecting consumers. Working with our partners involved in the real estate transaction, along with government officials, our members continue to educate people about how they can protect their money when purchasing a home or refinancing a mortgage, so they continue to trust and have confidence in our digital world."



Siete de Mayo, Fri-yay, Office Shenanigans!

Just after Cinco de Mayo, the Prairie Title gang gathered after work on May 7 to celebrate the season with Margaritas, chips, salsa and games. It was all in good fun including a great game of Suspension between Maggie O'Donnell (left) and Agatha Sobczyk. Thanks to Carrie Douma for being a great host and to Paloma Vazquez for bringing Mexican treats as well.

A full recovery of lost funds was only possible in 29% of cases. In 40% of the cases, less than 10% of the funds were recovered. Of companies that recovered funds, 58% started the process by contacting their bank. This highlights the need to quickly work with the financial institution involved in the wire and to report all criminal activity to the FBI's Internet Crimes Complaint Center.

On a broader scale, the FBI reported that through its Recovery Asset Team, the IC3 (Internet Crime Complaint Center) worked with its partners to successfully freeze approximately \$380 million of the \$462 million in reported losses due to all types of wire fraud in 2020.

"IC3 has continued to strengthen its relationships with industry and others in the law enforcement community to reduce financial losses resulting from BEC scams," the FBI said.

Nationwide RON Bill Introduced in Senate

A record attendance of nearly 400 title professionals during the 2021 ALTA Advocacy Summit held more than 250 virtual meetings May 18-20 asking members of Congress to support nationwide use of remote online notarization (RON). On May 13, Sens. Kevin Cramer (R-N.D.) and Mark Warner (D-Va.) reintroduced the SECURE Notarization Act.

“Remote online notarization is a transformative technology that offers consumers a convenient way to safely and securely complete important documents. While the COVID-19 pandemic presented a number of obstacles to essential tasks such as executing wills, completing financial documents, buying or selling a home, or purchasing or selling a car online, many states demonstrated how to effectively deploy this type of technology to meet the needs of Americans,” Sen. Warner said.

The bipartisan bill would allow notaries in all states to perform RON transactions. Like the bill from the previous Congress, the SECURE Notarization Act of 2021 creates national standards requiring use of tamper-evident technology, multifactor authentication of a signer and retention of an audio-visual recording of the notarial act.

The bill would allow signers outside the U.S., such as military personnel and their families, to easily and securely notarize documents.

There have already been 34 states (shown in green on accompanying map) that have enacted laws enabling the use of RON. The federal legislation would complement existing state laws, while allowing states the flexibility and freedom to implement their own RON standards.

In addition to ALTA, the bill is endorsed by a wide array of organizations including the Mortgage Bankers Association (MBA), the National Association of Realtors (NAR) and the American Council of Life Insurers (ACLI).

Thanks to ALTA's advocacy, the bill's minimum standards

for RON are consistent with those provided in the ALTA-MBA model state RON bill and the Mortgage Industry Standards Maintenance Organization (MISMO) RON Standards.

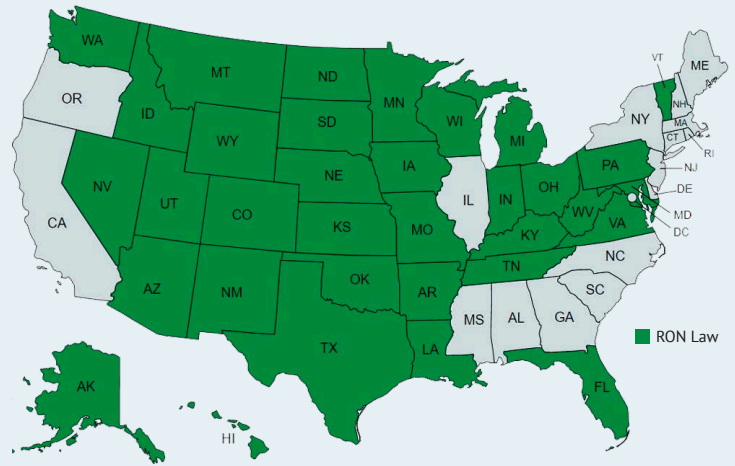
“Since the onset of the pandemic, businesses have been forced to rapidly adapt to a new normal, and the real estate industry is no exception. One of the title industry's most important tools in this process has been remote online notarization,” said Diane Tomb, ALTA's chief executive officer. “By passing the SECURE Notarization Act, we can take a much-needed step into the future by modernizing the notarization process with a secure system that has proven to meet consumer needs and expectations.”

Fannie Mae Issues RIN Guidance

Meanwhile, Fannie Mae updated its Selling Guide announcing specific requirements for remote ink-signed notarizations (RIN) for loans issued on or after July 1.

Fannie Mae had issued temporary RIN guidance in response to the COVID-19 pandemic. With the increase in audio-visual aided notarizations, both for remote online and RIN, Fannie Mae wanted to establish broad notarization requirements, including the following:

- Notarization must be in accordance with and in compliance with laws and regulations of the state.
- When not required by law (but required by Fannie Mae), notarization must be recognized as valid by the law of the state where the property is located or where the notary is registered and acting under



notarial authority of that jurisdiction.

- A notarization is acceptable when conducted outside of the U.S. if it complies with the laws of the jurisdiction in which it is performed or contains an apostille certification.
- The RIN standards address documentation or authentication (including minimum audio-visual requirements), system requirements and recording capability.

Additional requirements:

- The lender must maintain, or cause to be retained, the recording of the portions of the notarial ceremony conducted via the audio-video technology for the greater of 10 years, or the minimum period required by applicable law, in accordance with the requirements above.
- If the loan document is required to be recorded, then the county recorder in the state and county where the property is located must accept the document for recording.

Wire Transfer Scheme Targets Mortgage Payoffs, Secret Service Warns



The U.S. Secret Service issued an advisory warning of a drastic increase in wire transfer fraud related to real estate transactions and mortgages. According to the alert, cybercriminals impersonate lenders with the intent to elicit payment of mortgage payoffs. The Secret Service said the criminals send fictitious or altered mortgage payoff statements to title companies.

The U.S. Secret Service has observed a sharp increase in fraud targeting wire transfers related to real estate sales and mortgages. Millions of mortgages are paid off each year in connection with the sale and refinancing of

residential and commercial properties. Mortgage payoff statements are most often sent by mortgage lenders to title companies, who are responsible for administering payment. This fraud scheme involves the impersonation of mortgage lenders with the intent to elicit payment.



Cybercriminals send either completely fictitious or altered (changing bank account information) mortgage payoff statements to title companies. This scheme is particularly concerning due to the high value of individual wire transfers and frequently the lack of confirmation from lenders that wire transfers are received,

the Secret Service said. This creates a unique challenge in discovering and recovering funds after they are transferred. The Secret Service provided the following tips to help prevent the fraud:

- Update policies and procedures to ensure proper verification of information before releasing funds.
- Independently obtain mortgage payoff statements and confirm with verified and trusted sources.
- Independently verify the authenticity of information included in correspondence and statement.
- Do not rely on third parties, such as mortgagors or other transaction participant, for information.
- Restrict wire transfers to known and previously verified accounts.
- Pay using checks when the information cannot be independently verified.
- Have a clear and detailed Incident Response Plan.



Economic Update

Consumer Spending Will Propel 2021 Economic Growth, Says NAR Chief Economist

After recording the quickest recovery in the nation's history in the wake of the COVID-19 pandemic, the U.S. economy is expected to kick into higher gear in 2021, according to analysis from the National Association of Realtors. NAR Chief Economist Lawrence Yun anticipates the economy will grow 4.5% in 2021.

With the country returning to "normal" through the summer months, "Consumers will begin to spend massive savings, and do more shopping, restaurant dining, traveling and in-person house hunting," he said.

Despite high unemployment, the economic recovery – propelled by favorable monetary and fiscal policies – has created the hottest housing market in nearly 50 years.

NAR notes that the economic recovery, both in the U.S. and globally, has raised inflationary pressures which will ultimately lead to an increase in the 30-year fixed mortgage to an average of 3.2% in 2021. Consumer price inflation is accelerating due to higher costs for a number of goods and commodities, including oil, gasoline, lumber, moving and storage fees, household appliances, rents, and houses, which have reached record-highs.

Although the low supply of housing has played a significant role in home price surges, Yun expects more home construction, a growing willingness among homeowners

to list properties due to an increase in vaccinations, and a gradual decline in mortgage forbearance.

"With more inventory and some easing in demand, home prices are expected to shift to mid-single-digit appreciation by the fourth quarter and in 2022," Yun said. "Economic expansion and the jobs recovery will lead to rises in occupancy across all commercial real estate property types."

As more homes reach the market, NAR anticipates existing-home sales to grow by 10% and forecasts new home sales to jump by 20%.

Commercial/Industrial Update

Year-to-date through April 2021, commercial transactions were 10% below the level one year ago. Commercial real estate prices continue to firm up, but valuations were still broadly down by 5% in April compared to January 2020, according to NAR.

While housing helped prop up the economy over the last year, apartments and rental markets have stumbled in the midst of the pandemic. NAR's Yun, however, expects them to regain footing as the broader national economy – particularly in urban areas – continues to recover.

Office rents have also declined over the past four quarters, and it is unclear if new leasing of office spaces will take place, even as more workers return to their offices. Office vacancies are forecasted to remain elevated at 16.5%



Prairie Title Honored by Fidelity National

David Scott (left), account manager with Fidelity National Financial, stopped by to present Prairie Title an award as a 2020 Leading Title Agency. Frank and Mary Pellegrini accepted the award which recognizes Prairie Title's, "Outstanding Dedication to Property Rights."

in 2022, while retail vacancies are projected to settle at 11.5%, according to NAR.

"The industrial sector has been the star throughout the pandemic," Yun said. "There's been great demand for industrial space, and reconversion of some disused properties like older shopping malls can help meet this demand."

On the whole, the pandemic is leading to sweeping changes in the commercial real estate sector, including modifications to vacant hotels/motels. NAR recently released, "Case Studies on Repurposing Vacant Hotels/Motels into Multifamily Housing," a report that demonstrates the feasibility of such conversions.



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.



Debbie Ledwon, Office Administration

Where were you born?

Southwest Side of Chicago, True Sox Fan from birth!

What do you love most about the real estate business?

I learn something new every day. I like seeing people achieve that ultimate goal

of owning their own home.

What's your favorite vacation spot?

Rivera Maya, Mexico. Like Kenny Chesney sings, "I'll just sit right here and have another beer in Mexico."

Why do you like working at Prairie Title?

My Co-Workers. My Prairie Title Family is the best!

What historical figure is most important to you?

Edith Rockefeller McCormick, She donated 83 acres of land to the Forest Preserves of Cook County in 1919 that became Brookfield Zoo. The Zoo has been an important part of my children's and now grandsons' lives. We all love to learn about animals, nature and conservation.