

## A Busy Spring, the Regulatory Environment, and an Uncertain Second Half

By Frank Pellegrini - Prairie Title CEO

It was a busy spring in the real estate business. Busy with transactions, busy with following the travails of the national economy, and busy with news that affects the future of our industry. Two of those news items are very important, in my view. Each is covered in more detail in this issue of ASSURANCE, but they have much in common and I wanted to address them here.

An unfortunate trend in our business is lack of overall guidance regarding ethical standards and the lack of enforcement of the laws that exist regarding those standards. On a national level, the Consumer Finance Protection Bureau announced a rules interpretation that read, in part:

“In the years leading up to the financial crisis, federal regulators undermined states seeking to protect families and businesses from abuses in the mortgage market,” said CFPB Director Rohit Chopra. “Our action today demonstrates our commitment to promoting state enforcement, not suffocating it.”

To me, that’s an important step toward giving states including Illinois the latitude and even encouragement from the federal government to enforce regulations regarding Controlled Business Arrangements, an effort which has been challenging for our state regulators for some time.

My hope is that the Illinois legislature will pass the pending Title Insurance Act next year



Frank and Mary Pellegrini with Illinois Senate President and Oak Park native Don Harmon (center) at an advocacy event held at Navy Pier.

following the 2022 elections and, together with the CFPB’s actions, needed regulatory enforcement will be coming to our industry, perhaps by mid-decade.

Also on the state regulatory front, the Illinois Department of Financial and Profession Regulation in March was set to enforce use of the new 2022 Disclosure of Financial Interest (DS-1) Form when a Temporary Restraining Order was issued February 28 that paused implementation of the new Form. Near the end of May IDFPR and the Illinois Real Estate Lawyers Association came to an agreement whereby the 1997 DS-1 form would continue to be accepted by IDFPR for at least 36 months barring a change in state law in the meantime. (See page 4 for more information).

I am encouraged that active and appropriate regulatory enforcement of our industry is being discussed openly and may be on horizon. I believe the real estate business, which has been a very important part of my life for 40+ years, is hurt when appropriate regulatory enforcement is lacking.

I am less encouraged, unfortunately, by the prospect of a slowing economy (maybe a recession?) and idling real estate market in the second half of the year, and perhaps beyond. Economic pessimism abounds.

Let’s hope that by the time I sit down to write a pre-second half article at this time next year we have avoided a steep decline and the economy is on the rebound.

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This year we celebrate the 246<sup>th</sup> anniversary of the founding of our great nation. Those of you who remember the country’s bicentennial in 1976 will recall that times were challenging then too as we worked together to pull out of the miasma of Watergate and the resignation of a president for the first time in U.S. history. Today’s many challenges are different, but as we approach the nation’s 250th birthday, there is much that ails us. And we’re all responsible for finding solutions.

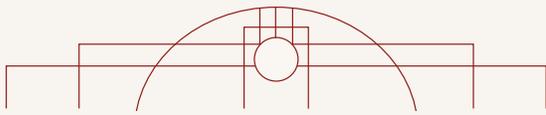
As Thomas Paine said, “Those who expect to reap the blessings of freedom, must, like men, undergo the fatigues of supporting it.”

Let’s remember, we’re all in this together.

Have a great summer!

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## 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.



**Frank Pellegrini**  
Founder and CEO  
708-386-7900 x 1301



**Mary Pellegrini**  
Executive Vice President  
708-386-7900 x 1306



**Maria Cristiano**  
General Counsel  
708-386-7900 x 1316



**Van Hante**  
Account Executive  
708-692-2824



**Michael Guerin**  
Account Executive  
847-651-5635



**Maureen O'Donnell, ITP**  
Title Team Leader  
708-386-7900 x 1334



**Nicole Caputo**  
Closing Team Leader  
708-386-7900 x 1341



**Gary Snyder**  
Underwriting Counsel  
708-386-7900 x 1323



Mary Pellegrini shown with Walt Adams, Midwest Agency, Fidelity National Financial, at an FNF agency event.

## Prairie Title Supports Wright Plus 2022

On May 21, the Wright Plus Architectural Housewalk took place in Oak Park with the support and cooperation of 350 volunteers and many sponsors and patrons, including Prairie Title. This year's housewalk featured beautiful Oak Park residences on blocks neighboring the Home & Studio.



## Commercial Corner

### *Commercial/Multifamily Borrowing up 72 Percent in Q1*

Commercial and multifamily mortgage loan originations increased 72 percent in the first quarter of 2022 compared to the same period last year, according to the Mortgage Bankers Association's (MBA) Quarterly Survey of Commercial/Multifamily Mortgage Bankers Originations. In line with seasonality trends, originations during the first three months of 2022 year were 39 percent lower than the fourth quarter of 2021.

"The strong momentum in commercial and multifamily borrowing and lending at the end of 2021 carried into the first quarter," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research. "The continued growth in lending activity is the result of the ongoing strong demand for certain property types like industrial and multifamily, as well as renewed interest in other property types that saw more dramatic declines during the early stages of the pandemic, such as hotel and retail."

Woodwell continued, "It's likely that the rise in interest rates will take some wind out of the sails of borrowing in upcoming quarters, but strong market fundamentals, property

values and investor interest should continue to support the market."

### *CRE Market Expected to Grow Despite Rising Interest Rates*

While rising interest rates are posing a risk to economic growth, NAR Chief Economist Lawrence Yun expects the commercial market to perform well despite the headwinds, especially in the short term.

During the 2022 REALTORS Legislative Meetings' Commercial Economic Issues and Trends Forum Yun explained that while the commercial market generally follows the overall economy, some things are different this time.

"Outside of the office sector, which is lagging behind as employers allow increased remote work flexibility to keep and attract talent, commercial real estate continues to strengthen," Yun said. "The industrial sector is booming, retail is turning positive, the hotel industry is recovering, apartments are doing very well, and rents are rising in all commercial sectors."

Yun added that the residential housing shortage will result in solid rent growth over the next two years, with apartment rents expected to keep rising by more than 10%.

# LexisNexis Risk Solutions Report Reveals Mortgage Fraud Costs

*Mortgage-Related Fraud Increases Over Past Three Years as Online and Mobile-Only Mortgage Transactions Increase*

In May, LexisNexis Risk Solutions released the inaugural edition of the True Cost of Fraud Study for Real Estate which surveyed 360 risk and fraud executives in the industry to analyze current fraud trends in the United States mortgage originator, mortgage services and title/settlement markets.

A large majority of firms report that overall fraud has increased during the past 1-3 years with consumer fraud accounting for about two-thirds of lender and servicer fraud losses over the last 12 months. A significant majority of firms indicated that the pandemic increased application fraud across channels, not just for online and mobile. As the front end of the mortgage process, application fraud is a key entry point for fraudsters.

Key findings from True Cost of Fraud Study for Real Estate:

- Attacks and Costs:** The cost and volume of mortgage-related fraud is high for originators, servicers and title/settlement firms, with labor for fraud detection, investigation, reporting and recovery being a significant part of these costs. Depository originators have the highest cost, where every \$1 of fraud costs them \$5.34. Non-depository originators (mortgage lending companies) realize an

average cost of \$4.66 for every \$1 of fraud, a significantly smaller figure.

- Digital Transactional Impacts on Fraud:** Fraud costs are largely coming from consumers seeking to purchase a new home through online and mobile transactions. Direct-to-consumer (retail) and correspondent lending are the leading transaction types, with direct-to-customers representing a larger share of fraud costs and average monthly attacks.

However, depository originators and title/settlement companies also experience a sizeable portion of fraud losses from construction-related loans.

- Top Fraud Challenges:** Identity verification is a top challenge for mortgage originators, servicers and title/settlement companies. The challenge involves assessing digital identity attributes such as email/phone number and identifying synthetic identities. This contributes to other issues related to customer friction, the inability to detect malicious bots and difficulties distinguishing between legitimate and fake consumers. The pandemic and growing mobile channel have added fuel to these issues and increase risk of fraud with call center/phone-based interactions.



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## Phishing: Don't Take the Bait

Phishing is when you get emails, texts, or calls that seem to be from companies or people you know. But they're actually from scammers. They want you to click on a link or give personal information (like a password) so that they can steal your money or identity, and maybe get access to your computer.

### The Bait

- Scammers use familiar company names or pretend to be someone you know.
- They ask you to click on a link or give passwords or bank account numbers. If you click on the link, they can install programs that lock you out of your computer and can steal your personal information.
- They pressure you to act now — or something bad will happen.

### Avoid the Hook

- Check it out.**
  - Look up the website or phone number for the company or person who's contacting you.
  - Call that company or person directly. Use a number you know to be correct, not the number in the email or text.
  - Tell them about the message you got.

### Look for scam tip-offs.

- You don't have an account with the company.
- The message is missing your name or uses bad grammar and spelling.
- The person asks for personal information, including passwords.
- But note: some phishing schemes are sophisticated and look very real, so check it out and protect yourself.**

### Protect yourself.

- Keep your computer security up to date and back up your data often.
- Consider multi-factor authentication — a second step to verify who you are, like a text with a code — for accounts that support it.
- Change any compromised passwords right away and don't use them for any other accounts.

### Report Phishing

- Forward phishing emails to [spam@uce.gov](mailto:spam@uce.gov) and [reportphishing@apwg.org](mailto:reportphishing@apwg.org).
- Report it to the FTC at [ftc.gov/complaint](https://www.ftc.gov/complaint).

For more information, visit [ftc.gov/phishing](https://ftc.gov/phishing) or [aba.com/phishing](https://aba.com/phishing)



## 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.



**Michael Guerin, Residential Account Executive**

**Where were you born?**  
Arlington Heights, IL.

**What do you love most about the real estate business?**

Every real estate transaction is unique. There is always something new to learn,

and there are some great people in this space.

**What's your favorite vacation spot?**

Ireland! My father was from there, and I still have family residing there. The food & people are terrific!

**Why do you like working at Prairie Title?**

I think one of the best aspects of

Prairie Title is our people. We are like one big family.

**What historical figure is most important to you?**

Being an aviation enthusiast, I would say The Wright Brothers, as they developed the first successful airplane to take flight and dreamed and persevered to accomplish an amazing task.

# CFPB Issues New Interpretive Rule on States' Ability to Enforce Consumer Financial Protection Laws



In May, the Consumer Financial Protection Bureau (CFPB) issued an interpretive rule that describes states' authority to pursue lawbreaking companies and individuals that violate the provisions of federal consumer financial protection law. Because of the crucial role states play in protecting consumers, the Consumer Financial Protection Act grants their consumer protection enforcers the authority to protect their citizens and otherwise pursue lawbreakers, CFPB said.

"In the years leading up to the financial crisis,

federal regulators undermined states seeking to protect families and businesses from abuses in the mortgage market," said CFPB Director Rohit Chopra. "Our action today demonstrates our commitment to promoting state enforcement, not suffocating it."

When Congress passed the Consumer Financial Protection Act in 2010, it recognized the important role of states in protecting consumers from financial fraud, scams, and other

wrongdoing, CFPB noted. In the run-up to the Great Recession, federal banking regulators took numerous steps to undermine state regulators and enforcers, deteriorating protections for mortgage borrowers and setting the stage for the subprime crisis. Through the Consumer Financial Protection Act, Congress significantly restricted the ability of federal banking regulators to broadly preempt state consumer financial protections.

## ALTA, Other Industry Associations Comment on Administration Plan to Ease the Burden of Housing Costs

The American Land Title Association (ALTA) released the following statement regarding the Biden Administration's Housing Supply Action Plan to increase affordable housing for prospective homeowners and renters.

"We commend the Biden Administration for its announcement today and overall efforts

to ease the burden of housing costs for more Americans," said Diane Tomb, ALTA's chief executive officer. "As the President's Housing Supply Action Plan notes, the most important action that can be taken to reduce costs and improve affordability is to boost the supply of quality housing in communities nationwide.

"ALTA looks forward to working closely with the Administration as various initiatives within the plan develop, and are committed to assisting American families achieve and protect the dream of homeownership across the United States," Tomb continued.

## Meet Alicia Acevedo

Alicia Acevedo recently joined Prairie Title's Customer Service unit. A born and raised Chicagoan from the Albany Park neighborhood, Alicia has worked primarily in the medical industry.

After years of fulfilling her aspiration to help the community via the medical field on a larger scale, Alicia explained, she took a sharp left turn and made the personal choice to fulfill another dream. Culinary school. She attended Kendall College's Chicago campus and worked for several restaurants before landing in the hands of The Chopping Block, instructing recreational cooking classes, just before COVID caused many layoffs in the food industry.

Alicia comes from a large family of Mexican and Puerto Rican descent, and she and her husband Vince have a 2-year-old son. For fun, Alicia



likes to visit different neighborhoods and take photos of murals and anything else she finds interesting.

About her new gig, Alicia said: "What I enjoy most at Prairie is the positive work environment. I hear and see behavior that engages quality, open and honest communication, understanding for family life, and room for humor – allowing a productive workspace. It is not easy to find a company that supports community inside the workplace."

## New Illinois DS-1 Form Put on Hold

After the scheduled deployment of the new Illinois DS-1 Form was put on hold in March, settlement was reached late in spring between the Illinois Department of Financial and Professional Regulation and the Illinois Real Estate Attorneys Association for continued use of the 1997 DS-1 form for the foreseeable future.

The memorandum issued at the time of agreement stated:

"The parties agreed that the 2022 DS-1 Form intended to go into effect on March 1, 2022, shall not be used, and that the 1997 Disclosure Statement – Controlled Business Arrangement Form ("1997 DS-1 Form") shall be used and accepted by the Department until 36 months from May 20, 2022, at the earliest, unless an intervening Amendment to the Act or other binding change in the law alters the Department's authority or applicable legal requirements."

A copy of the 1997 DS-1 Form may be found on the Illinois Land Title Association Web site at [illinoislandtitle.org/newsroom](https://illinoislandtitle.org/newsroom).