



ASSURANCE

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News from Prairie Title

Change, Change, Change

By Frank Pellegrini - Prairie Title CEO

Summer dissolves into fall, which quickly becomes winter, a rapid change of seasons to close out the old year and bring on the new. We're also experiencing rapid change in the real estate industry in so many ways.

The housing market has whipsawed this way and that since the beginning of the COVID-19 pandemic. Through summer 2022 those changes generally were positive for our industry, which had been struggling in 2019.

As 2022 moved along, the residential market seemingly began to tilt toward buyers after a sustained period in which inventory was lower than demand. Rising interest rates, however, have put all in doubt.

Consider this quote from Doug Duncan, Fannie Mae's chief economist. "...the rise in rates is having the Fed's desired effect on housing, as house price growth began to slow in June. We expect the slowdown in housing to continue through 2023 as affordability constraints mount for potential homebuyers, and considering, too, that refinance activity has been significantly curtailed by the rise in mortgage rates."

Overall, real estate economists are not bullish. My hope is that if the Fed's actions can curtail inflation by 2022's end or early in 2023, then perhaps the rate hikes will stop and mortgage rates will decrease. If that does not happen, 2023 may indeed be a tough year for our industry.

On the more technical side of the business, developments are moving quickly with remote

online notarization (RON) – a positive – and AOLs (attorney opinion letters) – a negative in my view. See page 3 for much more information about the movement toward RON becoming a national reality.

Regarding AOLs, as a result of Equitable Housing Finance Plans announced earlier this year by the FHFA, both Fannie Mae and Freddie Mac are now accepting written AOLs in lieu of a title insurance policy under limited circumstances.

ALTA continues to take the lead in engaging with state regulators, the Federal Housing Finance Agency (FHFA), both Fannie Mae and Freddie Mac and lenders about the risks alternative title insurance products, including certain AOLs, present to lenders and consumers who need it the most.

Historically, lenders have preferred the protection of a title insurance policy because it provides the best mix of strong protections and low cost. Lenders considering the use of AOLs or other alternatives must understand the risks they are taking on by not getting title insurance since they will be on the hook given Fannie Mae and Freddie Mac's life of loan representations and warranties related to title.

To sum up the subject, Diane Tomb, ALTA's chief executive officer, gave extensive remarks on the issue at a HousingWire forum. As Diane explained:

"Alternative products only cover title defects that can be found by a public records search.



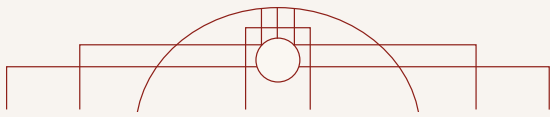
Frank Pellegrini accepts Prairie Title's Top Producing Agent Award from Westcor, one of Prairie Title's underwriters. Pictured with Frank from left: Westcor's Dan Mennenoh, Grant Zehner, and Amy Greenstein.

If you can't find it, they don't cover it. On the other hand, title insurance protects against known risks found during public records searches as well as unknown risks not found in a search. Federal tax liens are an example. These liens do not get recorded until they reach a certain amount but have super priority status. HOA liens are similar. Another important example is fraud or forgery of title documents. This is typically one of the largest sources of claims paid by the industry. Title insurance covers when a seller's deed was a forgery or there was fraud with the previous owners will, an AOL does not. Additionally, title insurance provides lenders and consumers with a defense—including all attorneys' fees—of litigation in which a third party asserts a claim potentially covered by the policy."

Congratulations to my wife and business partner, Mary Pellegrini, who was elected president of the Illinois Land Title Association at the summer convention. Mary has an interesting year ahead of her working with association members on the key issues that affect our industry.

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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.



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Prairie Title at ALTA One

Prairie Title was represented at the annual American Land Title Association convention – ALTA ONE – by Frank and Mary Pellegrini. ALTA ONE was held in San Diego in October.



Top: Melissa Meade, Chief Operating Officer of Allied Capital and Tina Manuel, Director of Title Operation at Allied Capital with Mary Pellegrini. Bottom left: Frank Pellegrini with Steve Day, President, National Agency Operations, Fidelity National Title Group. Bottom right: Mary with Colleen Durga of Ramquest during an event at the WW II aircraft carrier Midway.

Have a Knotty Title Issue?

Consult the experts at Prairie Title. Whether you're an attorney or a lender facing a challenging title issue on a commitment we did not issue, we're here to help.

Just contact your Prairie Title pro who can offer a fresh perspective on the title challenge you face.

Our advice is free.

Call 708-386-7900 and ask for Frank Pellegrini, Maria Cristiano, Gary Snyder or Maureen O'Donnell. Or email: title@prairietitle.com



RON Use Projected to Increase as Secure Notarization Act Passes House

Companies currently offering remote online notarizations (RON) expect these types of closings to increase, according to ALTA's latest 2022 Digital Closing Survey.

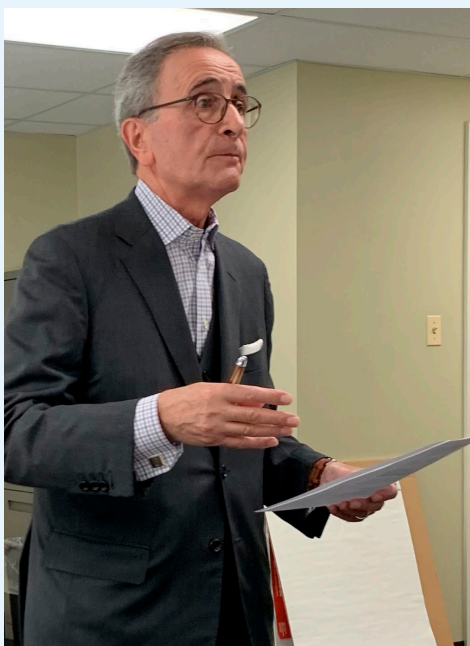
Currently, 42 states have enacted laws allowing permanent access to remote online notarization. The ALTA-supported Securing and Enabling Commerce Using Remote and Electronic (SECURE) Notarization Act (H.R. 3962) was passed by the U.S. House of Representatives during the summer. A bipartisan companion bill has been introduced in the Senate. The bill would permit immediate nationwide use of RON, create national minimum standards for its use and provide certainty for the interstate recognition of RON.

"The U.S. House took a major leap toward establishing a more modernized notarization system that doesn't leave anyone behind," said Diane Tomb, ALTA's chief executive officer. "Unfortunately, too many consumers and businesses across several states still do not have access to technology that allows them to execute critical documents remotely. This legislation is a gamechanger for homebuyers with disabilities and active-duty service members stationed overseas, as well as those who need to social distance after testing positive for COVID-19 and those who cannot take time off work. We are optimistic that all consumers across the country will soon be granted permanent access to RON."

The SECURE Notarization Act includes critically important security standards to protect consumers, including requirements for two-way audiovisual communication, multifactor authentication and tamper-evident technology.

Survey Results

The ALTA RON survey of 390 title professionals showed that 62% of companies offering RON believe this offering will increase over the next year, while a third reported they don't anticipate any change.



Frank Pellegrini leads Prairie Title's first in-office staff meeting since 2019. Topics included inflation, increases in CPI (the largest component of which is shelter costs) and interest rates.

Meanwhile, according to the 2022 survey, the number of companies offering RON decreased to 30% in 2021 compared to 35% who indicated their company offered RON in 2020. Prior to the health crisis, a 2019 survey showed that 14% of companies offered digital closings three years ago.

Survey results show responses remain fairly split as the industry continues to adopt and get more familiar with the technology.

- Of companies that offer RON, 64% utilize one RON platform. This is a significant change as more than 50% in the 2021 survey indicated they used two or more vendors. The results indicate that companies are identifying preferred RON platforms to work with.
- 65% of customers have a positive perception of RON closings, up from 60% the prior year.
- 78% of those surveyed said they are training a team of experts versus training their entire staff to support RON closings.

ALTA Letter to FHFA Addresses Technology, Alternate Products

ALTA recently submitted a letter in response to a request for information issued by the Federal Housing Finance Agency, which is focused on the use of technology in the housing finance space.

ALTA recommended the FHFA put particular emphasis on innovation initiatives that address the needs of all homebuyers and protect the privacy of consumers. Innovation that evades established regulatory frameworks or compromises security or privacy should not be considered, according to ALTA.

Promotion of using attorney opinion letters in lieu of title insurance in certain circumstances is one area that draws particular concern.

"These alternative title products increase risks which are ultimately shifted to both lenders and consumers," ALTA wrote. "Should a title issue arise on a property covered by an attorney opinion only, the buyer would need to prove negligence on the part of the attorney to pursue a claim. If negligence is not proven, a claimant would likely need to pay the legal costs involved to litigate the title matter. Additionally, consumers could be pushed into foreclosure, as that is a condition to make a claim under terms of alternative products currently in the market. By contrast, title insurance policies are backed by statutorily required financial reserves to cover future claims risks."

ALTA also informed the FHFA of several technology advancements the title industry has made over the past decade to improve processes and reduce search and turn times. For example, while curative time can vary, title search-related innovation has decreased the time to complete a title search from days or weeks to hours—and in some areas—minutes.

ALTA pointed out that the cost for title insurance has decreased 7% since 2004.

Other Voices

"I feel remote online notarizations could streamline the process for larger entities, hedge funds and investor builders," Rachel Luna, agency development manager at Patriot Title Co. told *Housing Wire*. "Though I still feel that there's going to be a lot of pushback from the lenders on allowing us to do those virtual notaries because they still are waiting for pen-and-paper signatures."

"If we get a national bill passed, a standard across the U.S., it is a game-changer because the next generation of buyers and sellers are connected via technology," Marcus Hunt, co-founder and attorney at South Oak Title and Title Success Solutions told *Housing Wire*.



Survey: Consumers Believe Time to Close Should Be Shorter

Consumers are placing great value on speed across the mortgage process, but especially during closing, according to a survey conducted by Arizent.

The survey showed three weeks is the upper limit of how long many consumers feel a mortgage transaction should take. Nearly three fourths said they think the process should take no more than 21 days from initiation of the application to closing, with 64% indicating one to three weeks is a sufficient amount of time, and 10% saying it should occur in even less time.

The survey group consisted of 503 respondents who took out a new purchase mortgage and 511 participants who refinanced an existing loan within the previous 12 months. The respondents were spread evenly across baby boomers, Generation X and millennials.

The type of mortgage made little difference, with an equal share (64%) of purchase and refinance customers agreeing transactions should close within a three-week window. According to the survey, consumers going through the mortgage process for the first time with their particular type of transaction are even more likely to believe it should proceed more rapidly than those who had obtained a mortgage previously.

These expectations deviated from reality. According to ICE Mortgage Technology, the average time to close a purchase was 51 days,

while it took 49 days to close a refinance.

Overall, 49% of borrowers said faster closings would have resulted in a better experience for them, far outpacing other factors, such as paperless transactions at 29% and enhanced technological efficiencies at 21%.

The Arizent survey showed that the younger the consumer, the more likely they are to expect to close in three weeks or less. Only 52% of Generation X respondents were satisfied with the amount of time their transactions took to close. This is a possible reflection of those age groups growing up accustomed to a digital world where business decisions come quickly and orders are frequently turned around with just a few taps. On the flip side, 64% of baby boomers said they are very satisfied with the amount of time their transactions took to close.



Data Shows Digital Notarizations Help Remove 800K Cars from Roads

According to new data from Notarize and The Bridgespan Group, digitizing the entire notarization market across all industries by 2031 is expected to have a positive social return on investment and positive environmental impact.

The findings show that Notarize's platform leads to material positive environmental impacts for notorious paper, car and shipping-dependent industries like real estate, financial services and automotive by reducing their dependencies on processes that produce greenhouse gas (GHG). By 2031, digitizing the entire notarization market across all industries is expected to reduce nearly four million metric tons of GHG emissions, or the equivalent of over 800,000 cars a year, according to the data.

According to Notarize, 1.25 billion documents are notarized in the U.S. each year, and prior to the COVID-19 pandemic, these notarizations overwhelmingly took place in-person.



Mary Pellegrini Elected President of Illinois Land Title Association

Prairie Title's Mary Pellegrini was elected president of the Illinois Land Title Association during the group's annual meeting in late summer. Mary will serve in the role for one year during a time when the association has a busy agenda.

In accepting the role, Mary told ILTA members:

"I am humbled by the opportunity to lead this extraordinary association in the coming year. ILTA is here to serve you with educational opportunities; advocacy to our regulator, legislators, industry partners; and opportunities to work and socialize with others in the title business.



Her fellow Prairie Dogs greeted Mary with a celebration cake upon her return from the ILTA convention.

"I am proud to be part of an association that has challenged our regulators, advocated on our behalf, educated our staff, and worked hard to raise our profile with industry partners."