



ASSURANCE

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News from Prairie Title



Another Year, More Uncertainty

By Frank Pellegrini - Prairie Title CEO

People ask me all the time to predict the short-term future of the real estate market. I suppose I've been around long enough that some feel that I have gained the ability to peak around the corner and see what the future holds. Well, I do not possess that type of prescience, nor do I care to speculate.

I will go so far as to say that the real estate market has to be better in 2024 than 2023. Right?

Some of the underlying factors that may play a role in an improved 2024 include:

- Lower interest rates (though not nearly as low as we'd like)
- Pent up demand on the part of buyers, but also for sellers who would have liked to have moved on from their current home in 2023 but were thwarted as high interest rates shrunk the demand side
- A strong jobs market
- Signs that we will avoid a recession

Deferring to experts, I'll share MBA's view (as

of early March) of the 2024 real estate market:

- Mortgage origination volume is expected to increase 22% in 2024 to \$2 trillion, with a 16% increase in purchase and a 50% increase in refinance volume (off an extremely low base in 2023). In terms of units, we forecast a 17% increase in the total number of loans originated in 2024, above the 4.3-million-unit volume in 2023, the lowest level since at least 1997.
- We are forecasting a 5% increase in existing home sales and a 13% increase in new home sales in 2024. Coupled with ongoing, but slower, growth in home prices, this sales growth will support higher purchase volume. The lock-in effect will continue to suppress existing inventory which opens the opportunity for builders to provide a higher share of total sales.

I'd also refer you to page 4 for CBRE's outlook on the commercial market.

Let's switch gears to a subject matter that has bubbled up nationally in the past few years: The predatory practice of filing unfair real estate fee agreements in property records, known as Non-Title Recorded Agreements for Personal Services (NTRAPS).

NTRAPS have been recorded in property records since 2018. The practice preys upon homeowners, offering small cash gifts in exchange for decades-long contracts for the exclusive rights to sell the property. Submitting NTRAPS for inclusion in property records characterized as liens, covenants, encumbrances, or security interests in exchange for money creates impediments and increases the cost and complexity of transferring or financing real estate in the future.

Legislation is pending in Springfield that would follow the lead of our Indiana neighbors and other states by eliminating the use of NTRAPS. Please see page 4 of this issue for more information, and I urge you to work within your industry association and with your state legislators to advocate for passage of legislation that will make Illinois NTRAPS-free.

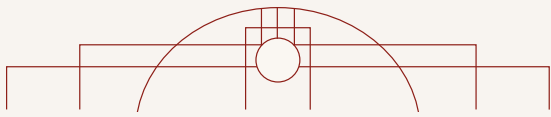


Oak Park Realtors Recognize Prairie Title

Prairie Title received the 2023 Affiliate Appreciation Award from the Oak Park Area Association of Realtors. The award was presented to Frank and Mary Pellegrini by Catherine Simon Vobornik (left) of Baird and Warner.

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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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National Update

U.S. Reps Introduce Bipartisan Bill Requiring Title Insurance on Loans Purchased by GSEs

U.S. Reps Andrew Garbarino (R-N.Y.) and Vicente Gonzalez (D-Texas) introduced a bipartisan bill that requires title insurance issued by a state licensed and regulated title insurance company on all loans purchased by Fannie Mae and Freddie Mac.

U.S. Rep. Gonzalez added that the bill would ensure that people “who use government-backed mortgages, like veterans or low-income homebuyers, are protected from unforeseen risk and high legal fees.”

In addition, the legislation would require that any new activities, programs or risks taken on by the government sponsored enterprises (GSEs) be approved by both the director of the Federal Housing Finance Agency (FHFA) and the secretary of the Treasury. The director

of the FHFA would also be required to appear semiannually before the House Financial Services Committee and the Senate Banking Committee to testify on any of these approved new activities, programs, or risks undertaken by the GSEs.

“We thank Representatives Garbarino and Gonzalez for their bipartisan leadership in introducing the Protecting America’s Property Rights Act,” said Diane Tomb, ALTA’s chief executive officer. “They know the vital role that title insurance professionals play in protecting consumers and lenders and ensuring the integrity of property rights nationwide. We will continue to work with Congress to enact this legislation and promote homeownership opportunities for all Americans.”



DID YOU KNOW?

We offer e-signing for non-notarized closing documents!

Small Business-Dominated Title Industry Generates \$30 Billion Annually to U.S. GDP, New Study Finds

The title insurance and settlement services industry directly generated \$30 billion of GDP in the United States economy and 155,000 jobs in 2022, according to a new report released by the American Land Title Association, the national trade association of the land title and settlement services industry. Conducted by Ernst & Young’s Quantitative Economics and Statistics (QUEST) team, the report measures both the direct and broader U.S. economic impact of the title industry, 90 percent of which are small businesses.

According to the new report, title and settlement companies also helped identify and collect \$3 billion in back federal income taxes, property taxes and unpaid child support, and directly supported an estimated \$13

billion in wages and benefits for those employed in the industry.

Indirectly, the industry contributed to the U.S. economy by supporting 231,000 jobs, \$19 billion in wages and benefits and \$32 billion in GDP via the purchase of goods and services from suppliers. Additionally, 174,000 jobs, \$11 billion in wages and benefits, and \$20 billion in GDP were supported by related consumer spending.

The new report identifies the states with the highest direct total economic activity from the industry:

- Texas (\$3.7B of GDP)
- California (\$3.4B of GDP)
- New York (\$2.5B of GDP)
- Florida (\$2.2B of GDP)
- Illinois (\$1.7B of GDP)



ILTA Interview with Mary

Mary Pellegrini, Executive Vice President, Prairie Title was recently featured in the Member Spotlight column of the Illinois Land Title Association's newsletter. The interview is posted below.

ILTA: How long have you been a member of the Illinois Land Title Association and why did you join?

Mary: 15 years. I joined for the information,

before that, I came as Frank's guest.

ILTA: What's your favorite part of being an ILTA member?

Mary: My favorite part is getting to know the members, many of whom have become friends.

ILTA: What advice would you give to someone who wants to enter the Title Insurance industry?

Mary: Learn as many jobs as you can and get ready for some of the most rewarding work in the world.

ILTA: What's something about you (a fun fact) that not many people know?

Mary: I like to speak with consumers calling about their real estate matters and I like to answer their questions. I also love winter and snow and don't mind shoveling it!

Focus on Cybersecurity

Strong Passwords: An Easy Way to Protect Your Accounts

Simple passwords, such as 12345, or common identifying information, like birthdays and pet names, are not safe for protecting important accounts holding critical information. Using an easy-to-guess password is like locking the door but leaving the key in the lock. Weak passwords can quickly be broken by computer hackers. But it's impossible to remember a unique strong password for every account!

The good news is that creating and storing strong passwords with the help of a password manager is one of the easiest ways to protect ourselves from someone logging into our accounts and stealing sensitive information, data, money or even our identities.

Strengthen Your Passwords with Three Simple Tips

A strong password follows ALL THREE of these tips.

1. Make them long

At least 16 characters—longer is stronger!

2. Make them random

Two ways to do this are:

Use a random string of mixed-case letters, numbers and symbols. For example:

- cXmnZK65rf*&DaaD
- Yuc8\$Rika34%ZoPPao98t

Create a memorable phrase of 5 – 7 unrelated words. This is called a "passphrase." To make it

even better, get creative with spelling and/or add a number or symbol. For example:

- Strong: HorsePurpleHatRunBaconShoes
- Stronger: HorsPerpleHatRunBayconShoos
- Strongest: HorsPerpleHat#1RunBaycon-Shoos

3. Make them unique

Use a different strong password for each account.

For example:

- Bank: k8dfh8c@Pfv0gB2
- Email account: LmvF%swVR56s2mW
- Social media account: e246gs%mFs#3tv6

It's hard to remember all these long pass-



words and we don't want to save them in a file on a computer. Instead, use a password manager.

Source: *Cybersecurity and Infrastructure Security Agency*. Cisa.gov

WATCH FOR RED FLAGS

CONSIDER HEIGHTENED SCRUTINY OR HALT A TRANSACTION WHEN A PROPERTY

- Is vacant or non-owner occupied, such as investment property, vacation property, or rental property
- Has no outstanding mortgage or liens
- Has a different address than the owner's address or tax mailing address
- Is for sale or sold below market value

CONSIDER HEIGHTENED SCRUTINY OR HALT A TRANSACTION WHEN A SELLER

- Wants a quick sale, generally in less than three weeks, and may not negotiate fees
- Demands proceeds be wired
- Wants a cash buyer
- Refuses or is unable to complete multifactor authentication or identity verification
- Is refusing to attend the signing and claims to be out of state or country
- Is difficult to reach via phone and only wants to communicate by text or email, or refuses to meet via video call
- Wants to use their own notary



New State Laws Protect Homebuyers from Predatory Contracts

The American Land Title Association (ALTA), is working together with AARP to encourage legislatures to pass state laws eliminating the predatory practice of filing unfair real estate fee agreements in property records, known as Non-Title Recorded Agreements for Personal Services (NTRAPS).



ALTA and AARP have teamed to advocate on the state level for eliminating NTRAPS with success in a

number states, most recently Virginia and Indiana which join the ranks of 16 other states which have passed NTRAPS legislation. The model bill created by the two organizations removes impediments to transferring or financ-

ing the impacted real estate by:

1. Making NTRAPS unenforceable
2. Restricting and prohibiting the recording of NTRAPS in property records
3. Creating penalties if NTRAPS are recorded in property records
4. Providing for the removal of NTRAPS from property records and recovery of damages

“The property rights of American homebuyers must be protected,” said ALTA Vice President of Government Affairs Elizabeth Blosser. “A home often is a consumer’s largest investment, and the best way to support the certainty of land

ownership is through public policy. We have to ensure that there are no unreasonable restraints on a homebuyer’s future ability to sell or refinance their property due to unwarranted transactional costs.”

NTRAPS have been recorded in property records since 2018. The practice preys upon homeowners, offering small cash gifts in exchange for decades-long contracts for the exclusive rights to sell the property. Submitting NTRAPS for inclusion in property records characterized as liens, covenants, encumbrances or security interests in exchange for money creates impediments and increases the cost and complexity of transferring or financing real estate in the future.

Indiana’s HB 1222 followed the objective of similar bills introduced across the country to provide a remedy for existing NTRAPS while also discouraging these types of unfair practices impacting homeowners.

CBRE Commercial Property Outlook Foresees Activity Rebound this Summer

CBRE, the world’s largest commercial real estate services and investment firm, foresees economic growth slowing in 2024, though a recession may be avoided and real estate transaction values will decline further, creating compelling buying opportunities, according to the company’s 2024 U.S. Real Estate Outlook.

CBRE’s economists anticipate that resilient consumer spending will counter economic headwinds next year including high interest rates and near recessions in Europe and China. CBRE predicts the U.S. unemployment rate rising slightly to 4.5% and an easing of inflation that will allow the Federal Reserve to reduce short-term interest rates to around 4.25% by the end of 2024 and to 3.5% in 2025.

This anticipated economic bottoming out and initial rebound will affect all sectors of commercial real estate. CBRE sees lending remaining tight, property values declining further in the first half of the year before activity rebounds in the second half, a topping out of office vacancy, and a wave of multifamily construction.

“There is a bit more real estate pain ahead, but stabilization and the early stages of recovery aren’t far behind that,” said Richard Barkham, CBRE Global Chief Economist and Global Head of Research. “Investment volumes will be down overall for 2024 but will start an upturn in the second half. And leasing activity will pick up a bit from a sluggish 2023.”

CBRE’s report details the company’s outlook for multiple sectors:

U.S. office vacancy will peak at 19.8% in 2024, up

from 18.4% in Q3 2023 and 12.1% at the end of 2019. Office-leasing activity will revive slightly in 2024 but remain significantly below prepandemic levels. Companies seeking blocks of office space of less than 20,000 sq. ft. will account for the bulk of leasing activity. Office construction will slow to the lowest level since 2014, raising the prospect of a shortage of available Class-A space later in the year.

Industrial & Logistics:

This sector will be active in 2024, with net absorption on par with 2023 and annual taking rent growth moderating to an 8% gain by year end. Construction completions will amount to half of the 2023 total. Vacancy will rise to around the five-year average of 5% by mid-2024 from 4.2% in Q3 2023 but will decline the second half of the year due to a significant decline in new construction. The forecast 7.5% increase in U.S. industrial production over the next five years bodes well for demand for U.S. manufacturing and distribution space.

Multifamily:

A wave of new supply – roughly 900,000 units currently are under construction – will define this sector in 2024. Rents will grow by a weaker-than-average 1.2%. Vacancy will increase above prepandemic levels, but enough demand will keep the average occupancy rate above 94%. Construction starts will decline in 2024 to 70% below the 2022 peak. Buying will remain more expensive than renting: The premium of the average monthly mortgage payment for a newly purchased home will remain 35% higher than the average monthly rent in 2024.

