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News from Prairie Title



Challenging FinCen Rule is on the Horizon

By Frank Pellegrini - Prairie Title CEO

At the outset of 2026, a new challenge looms for those of us in the residential real estate settlement business. March 1 is the go live for The Financial Crimes Enforcement Network's (FinCen's) new Anti-Money Laundering rule which will have a major effect on our businesses. (See page 3 for an in-depth look at the rule).

To summarize, the new FinCEN rule requires title/escrow companies to report detailed beneficial ownership for non-financed residential real estate purchases (all-cash to entities/trusts). This will create challenges for Prairie Title and other settlement businesses including higher compliance costs, data privacy risks, longer timelines, and significant operational burdens for verifying identities, leading to industry legal challenges over scope and authority (though reliance on provided information is allowed).

Last November we received the welcome news that FinCen had postponed the implementation date from Dec.

1 of last year to March 1. We would have preferred more time to prepare to implement this complicated rule, but it is unlikely that there will be another postponement.

"FinCEN's decision to postpone its reporting requirements showed recognition of the valid concern raised by ALTA members and Congress about implementation," said ALTA CEO Chris Morton in November. "There are serious concerns about the immense financial and compliance burdens of this rule on

the small businesses that comprise 90% of the title insurance industry."

The new rule is poised to significantly impact title and settlement agents and real estate attorneys involved in non-financed real estate transactions as the burden is going to fall on whoever closes and records the transaction.

Among other challenges, there is still ambiguity around how "beneficial owner" is defined in certain contexts, especially when entities or trusts are involved. Compliance could involve collecting sensitive personal information and submitting it through a secure government portal.

In Summary: The rule significantly expands the role of title companies, forcing them to become financial gatekeepers for all-cash deals, creating major new compliance hurdles and legal battles.

Ours is not to reason why, as

Tennyson wrote nearly 175 years ago, and that maxim certainly applies to our obligation as title underwriters and real estate attorneys in this new regulatory environment. We will fully comply, of course, with very much appreciated guidance from ALTA and our underwriters. We pledge to you that we will work hard to minimize any disruptions to our normal flow of business due to this regulatory change. Please bear with us as we adjust.

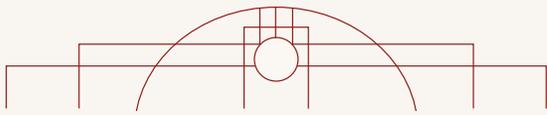


Key Challenges for Title Companies

- **Operational Burden:** Implementing new data collection/verification systems for sensitive information.
- **Increased Costs:** Investing in tech, staff, training, and compliance.
- **Data Privacy/Security:** Protecting extensive personal data adds significant risk and responsibility.
- **Verification Complexity:** Needing robust Know Your Customer (KYC) tech, as older methods (KBA) may not suffice.
- **Extended Timelines:** Due diligence processes slow down closings.
- **Legal Liability:** Risk of hefty fines for errors or non-compliance.
- **Defining Scope:** Distinguishing reportable transactions from exempt ones (like bank financed deals).

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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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From left: Augie Butera of Advocus, Frank Pellegrini, Mary Pellegrini and Maria Cristiano enjoy holiday cheer.

Study: Mortgage Refinances Have Significant Fraud Risks



Fraud and forgery claims tied to re-finance transactions have risen considerably in recent years, representing over 40% of all title insurer losses and expenses, according to a new study released by global consulting and actuarial firm Milliman Inc. The study, commissioned by the American Land Title Association (ALTA), also shows that the average cost for fraud and forgery claims is almost seven times higher than all other claim types from refinance transactions.

For refinance transactions, fraud and forgery claims now average almost \$207,000. These two specific issues cannot be identified through public records searches.

“This study underscores that refinances are by no means risk-free,” said ALTA CEO Chris Morton. “Fraud and forgery, which cannot be detected through a public records search, are actually more common and more costly in refinance transactions compared to purchase transactions. Title professionals and title insurance play a critical role in protecting homeowners and lenders from these risks, leveraging technology and expertise to prevent catastrophic financial losses and create certainty in the real estate market.”

Key Findings:

- Fraud and forgery claims account for over 40% of the total cost of refinance-related claims, issues not discoverable through a public records search.
- The average cost of fraud and forgery claims is nearly seven times higher than all other refinance claim types.
- The cost to defend claims, like those related to elder financial exploitation, is substantial and adds significantly to overall losses.
- Lender title policies provide critical protection against hidden risks like fraud (23%) and forgery (16%), along with protecting lien priority (15%), which is the third-most-common claim on lender's policies after fraud and forgery.
- For this study, the participating title insurance underwriters represent over 90% of the industry's annual premium volume in 2023. The claims data provided by participants reflects data on nearly 162,000 claims (including purchase and refinance transactions), which represents approximately 80% of the industry's total number of reported claims associated with policies issued between 2014 and 2023.

The new AML Rule, Explained by FinCen

FinCEN's new rule requires certain persons involved in real estate closings and settlements to submit reports and keep records on certain non-financed transfers of residential real property to specified legal entities and trusts on a nationwide basis. Transfers made directly to an individual are not covered by this rule.

The rule describes the circumstances in which a report must be filed, who must file a report, what information must be provided, and when a report is due. These reports are intended to assist the U.S. Department of the Treasury, law enforcement, and national security agencies in addressing illicit finance vulnerabilities in the U.S. residential real estate sector, and to curtail the ability of illicit actors to anonymously launder illicit proceeds through transfers of residential real property, which threatens U.S. economic and national security.

Among the persons required by the Bank Secrecy Act (BSA) to maintain anti-money laundering programs to counter the financing of terrorism programs are "persons involved in real estate closings and settlements."

For many years, FinCEN has exempted such persons from comprehensive regulation under the BSA. However, information received in response to FinCEN's geographic targeting orders relating to non-financed transfers of residential real estate (Residential Real Estate GTOs) has demonstrated the need for increased transparency and further regulation of this sector.

Furthermore, the U.S. Department of the Treasury (Treasury) has long recognized the illicit finance risks posed by criminals and corrupt officials who abuse opaque legal entities and trusts to launder ill-gotten gains through transfers of residential real estate. This illicit use of the residential real estate market threatens U.S. economic and national security and can disadvantage individuals and small businesses that seek to compete fairly in the U.S. economy.

FinCEN has issued a final rule that adopts the proposed rule with some modifications. The final rule imposes a streamlined suspicious activity report (SAR) filing requirement under which reporting persons, as defined, are required to file a "Real Estate Report" on certain non-financed transfers of residential real property to legal entities and trusts.

Transfers to individuals, as well as certain transfers commonly used in estate planning, do not have to be reported. The reporting person for any transfer is one of a small number of persons who play specified roles in the real estate closing and settlement process, with the specific individual determined through a cascading approach, unless superseded by an agreement among persons in the reporting cascade.

The reporting person is required to identify himself or herself, the legal entity or trust to which the residential real property is transferred, the beneficial owner(s) of that transferee entity or transferee trust, the person(s) transferring the residential real property, and the property being transferred, along with certain transactional information about the transfer.

The final rule adopts a reasonable reliance standard, allowing reporting persons to rely on information obtained from other persons, absent knowledge of facts that would reasonably call into question the reliability of that information. For purposes of reporting beneficial ownership information in particular, a reporting person may reasonably rely on information obtained from a transferee or the transferee's representative if the accuracy of the information is certified in writing to the best of the information provider's own knowledge.

FinCEN has sought to minimize burdens on reporting persons to the extent practicable without diminishing the utility of the Real Estate Report to law enforcement and believes the final rule appropriately balances the collection of information that is highly useful to Treasury, law enforcement, and national security agencies against the burdens associated with collecting that information, particularly on small businesses.

This rule requires the reporting of beneficial ownership information when legal entities or trusts purchase property without institutional financing. Unlike the Corporate Transparency Act, which is paused due to legal challenges, this FinCEN rule is specific to real estate and does not depend on broader CTA litigation.

FinCEN estimates the rule could cost the industry as much as \$690 million in its first year due to increased compliance and technology demands.



Fannie and Freddie Multifamily Loan Purchase Cap for 2026 is \$88 Billion

U.S. Federal Housing announced that the 2026 multifamily loan purchase caps for Fannie Mae and Freddie Mac (the Enterprises) will be \$88 billion for each Enterprise, for a combined total of \$176 billion to support the multifamily market.

To ensure a strong focus on affordable housing and underserved markets, U.S. Federal Housing will require that at least 50 percent of the Enterprises' multifamily businesses be mission-driven, affordable housing. Just like in 2025, multifamily loans that finance workforce housing will be excluded from the 2026 limits. All other mission-driven loans remain subject to the volume caps.

To ensure the Enterprises continue to provide sufficient liquidity and support in the multifamily mortgage market, U.S. Federal Housing will continue to monitor the multifamily mortgage market and will increase the caps if necessary. However, to prevent market disruption, if the Agency determines that the actual size of the 2026 market is smaller than was initially projected, it will not reduce the caps.

"Fannie Mae remains committed to providing dependable liquidity and innovative solutions that support the multifamily housing market in America. U.S. Federal Housing's 2026 multifamily loan purchase cap will enable us to continue this important work, ensuring people have access to quality, affordable places to live in communities throughout the country," said Kelly Follain, Executive Vice President and Head of Multifamily, Fannie Mae. "We look forward to partnering closely with our lenders and other stakeholders in the year ahead to deliver housing opportunities where they are needed most."

Redfin's 2026 Predictions: Welcome to The Great Housing Reset

The Great Housing Reset will take shape in 2026. It won't be a quick price correction or recession, but a yearlong period of gradual increases in home sales and normalization of prices as affordability gradually improves. It will start this year, with incomes rising faster than home prices for a prolonged period for the first time since the Great Recession era, according to annual housing market predictions from Redfin, the real estate brokerage.

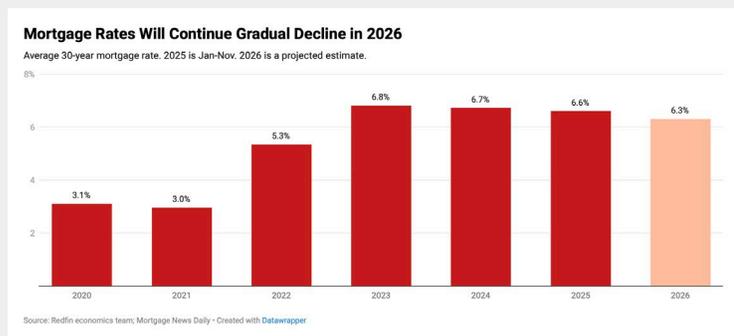
Mortgage Rates Will Dip to Low-6% Range, One Factor Improving Affordability

Mortgage rates will continue their slow slide but remain high relative to the pandemic era. The 30-year fixed rate will average 6.3% for the entire year, down from its 2025 average of 6.6%.

A weaker labor market will lead the Fed to cut interest rates in 2026 and bring monetary policy to a more neutral place, which should keep mortgage rates in the low-6% range. But lingering inflation risk and the likelihood that we'll avoid a recession will keep the Fed from cutting more than the markets have already priced in.

Homebuying Affordability Will Improve as Wages Grow Faster Than Prices

Redfin expects the median U.S. home-sale price to rise 1% year over year in 2026. Prices will tick up only marginally because still-high mortgage rates and prices, along with a weaker economy, will curb demand.



Homebuying will become more affordable because home prices will grow slower than wages for a sustained period for the first time since the aftermath of the financial crisis. The small price increase combined with mortgage rates dipping lower than they were in 2025 means monthly housing payments will grow slower than wages, too.

The improvement in affordability will be significant enough to lure back some house hunters, but homebuying will remain out of reach for a lot of sidelined buyers.

Home Sales Will Rise 3%

Redfin predicts that sales of existing homes will end 2026 up 3% from 2025, with sales coming in at an annualized rate of 4.2 million.

Redfin expects a stronger spring homebuying season in 2026 because mortgage rates were sitting around 6.8% during the spring of 2025, meaningfully higher than the 6.3% rates Redfin is predicting for this year.



Sales will increase only slightly because affordability will improve just enough to lure some on-the-fence buyers. Many house hunters will remain priced out and/or limited by a stalled labor market, including some Americans who have lost their job—or fear losing their job—as AI takes a toll on the white-collar workforce.

More Americans Will Refi and Remodel

Redfin expects U.S. mortgage refinance volume to increase more than 30% annually in 2026, ending the year at a total of

\$670 billion. More Americans will refinance largely because 20% of mortgaged homeowners have a rate above 6%, and those who bought recently with an elevated rate are chomping at the bit to bring their monthly payments down.

Redfin also anticipates more homeowners

tapping home equity to fund renovations. Strong home-value appreciation over the last several years means many homeowners have sizable equity; the typical mortgaged homeowner had \$181,000 in untapped equity as of mid-2025. That allows homeowners to take out a HELOC or do a cash-out refinance to fund remodels. For many people, renovating their current home is more appealing and less costly than moving.

Great Lakes Region Will Be Hot

The Midwest and Great Lakes regions have wide appeal because they're fairly affordable and provide relatively safe havens against climate-related events like wildfires and floods. Small and mid-sized cities are luring recent graduates with affordable rents and opportunities to build stable careers in blue-collar fields, as AI replaces some entry-level white-collar jobs.

NAR Will Let Local MLSs Call the Shots, Sparking Consolidation

NAR will step out of the role of industry rule maker and let local branches create rules about how homes are listed in their markets, something that has already started

happening. NAR, for its part, will focus on advocacy. Putting local MLSs in the driver's seat will accelerate consolidation with many smaller branches joining bigger networks. This creation of larger, regional MLSs will bring clearer rules, faster innovation, cleaner data, and better experiences for real estate brokers, home sellers and buyers.

AI Will Become a Real Estate Matchmaker

Generative AI will increasingly help people decide where to move, identifying cities, towns, neighborhoods and homes that fit users' budgets and lifestyle criteria. Instead of a typical geographic search, homebuyers will search for precisely what they want and have a back-and-forth conversation with search sites, giving feedback to tailor their search results.

These tools will allow house hunters to find homes with niche features. Redfin agents expect wellness features to become a defining feature of next year's high-end housing market; generative AI will help luxury house hunters find homes equipped with advanced air-filtration systems, whole-house water purification and amenities like meditation rooms.