

Conestoga Quarterly



2024 Second Quarter

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- ♦ Remediating Audit Findings
- ♦ Strategies To Thwart Cybercrime
- ♦ Maximize Website Client Interaction
- ♦ Complexities in Commercial Real Estate
- ♦ Spring CE/CLE Seminar Held

Celebrating
over 50 years
of providing
exceptional
personal
service for our
independent
agents and
approved
attorneys



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A Message from the President

I am deeply honored to acknowledge and extend my heartfelt gratitude to our network of agents and approved attorneys, whose unwavering support and trust have been the cornerstone of our company's success. Your loyalty and confidence in our services inspire us to continually strive for excellence and innovation. We are committed to listening to your needs, understanding your expectations, and exceeding them at every opportunity. It is your feedback and engagement that drive us to refine our offerings and push the boundaries of what we can achieve together.

We listened to your feedback and are now introducing an examined title search product!

While we encourage our agents to utilize its employees and local independent contractors for title searches, the increasing trend in the title industry has been for title insurers to provide title search services to its agents. A few years ago, Conestoga Title began offering a title search product for its agents throughout the states in which we do business. Since then, we have received positive feedback on the quality of the service that we provide.

As the industry continues to evolve, numerous agents are now seeking an examined title search product. Over the past year, we have invested a significant amount of time and money in the technology necessary to provide an examined product in a seamless and efficient manner. During the third quarter of 2024, we will begin production. Initially, we will be providing the examined title search product exclusively to select agents utilizing Qualia's settlement software platform. It is with excitement that we will be offering this new service which we believe will increase our company's market share. Feel free to contact me at jnikolaus@conestogatitle.com if you would like to learn more about how Conestoga Title can enhance your operations by using our newly developed examined title search product.

Have a safe and enjoyable summer!

John M. Nikolaus, CLTP
President, Conestoga Title Insurance Co.

Foreclosures & Tax Sale Transactions: A Review

Anna Marie Sossong, Esq., Underwriting Counsel

Conestoga has noticed an increase in the number of agents submitting transactions involving sheriff's sale (either foreclosure or tax sales) that have occurred within the last 5 years. In order to help us respond to your coverage requests more expeditiously, we want to remind everyone what we need to review and why.

As you all know, the foreclosure action begins with the filing of a foreclosure complaint in court and proceeds to final judgment, after which the plaintiff (presumably, the lender) executes on the judgment by scheduling a sheriff's sale, where the lender frequently ends up with title. (Every state is a bit different, but more or less as described here.) Occasionally there will be a third party bidder at the sale who will end up as the successful bidder. In either case, the sheriff then proceeds through the sheriff's notice requirements, distribution calculations and finally, issuance of the deed to the successful bidder.

The process is fraught with potential for error. That is why Conestoga requires information not only on the foreclosure action (the civil docket and copies of the documents listed) but also on the sheriff's actions. The sheriff's office has its own file system and docket entry. It is NOT included in the court docket. When ordering a search for a property that you know was involved in a sheriff's sale, you must also ask for a copy of the sheriff's docket and documents.

Why do we need to see all of this information? What are we concerned about? The most important issue is service of process. Was the current owner advised of the suit? Was the owner served properly? If there was no personal service, was the posting and advertising done correctly?

Secondarily, we need to make sure that all the creditors or potential creditors were notified. A foreclosure sale does NOT strip all liens. (For example: Municipal liens and municipal real estate taxes are not divested by a foreclosure in PA.) Notice must be sent to all lienholders as well as several governmental agencies that have potential unrecorded liens (like the IRS and Revenue).

Thirdly, we need to see the results of the sheriff's sale. Was there an appeal of either the sale itself or the schedule of distribution? That information is only available in the sheriff's office docket (at least initially).

So, when you know there's a foreclosure or sheriff's sale in your recent chain of title, review the Foreclosure Sale Checklist on the [Agent Resource Page](#) (under Forms/Checklists) and make sure to get the full file to

Underwriting on your initial request.

That way everything can go much quicker and more smoothly.

These requirements are important – or as the Elvis Presley estate found out – “Suspicious Minds” help keep everyone out of the “Heartbreak Hotel.”



How to Remediate Audit Findings

Don Delgado, VP Agency Administration

Conestoga's agency audit program is intended to be constructive. When exceptions are listed in the findings sections of your audit report, we understand that it may just be an innocent oversight in one particular file. Other findings suggest that there is a more consistent deficiency that needs remedied. Following are some of the most common audit findings along with recommendations for remediation. We encourage all agents to review their last audit report, and if any of the findings below were included, institute the recommended remedy.

Accounting

Finding - Three-way reconciliations are not completed in a timely fashion and/or are not reviewed by senior management. **Recommended Remedy** – Utilize a third party reconciliation service who specializes in title agency three-way reconciliations. They will ensure that your reconciliations are done each and every month in a timely fashion and they'll highlight issues that require your attention. Contact us for recommended vendors. A senior manager or owner should create a calendar reminder for the 10th day of each month to review and signoff on the prior month reconciliation.

Finding – The Trial Balance Report has files with negative balances and/or has numerous files with positive balances that carry over from month to month. **Recommended Remedy** – Assign someone in your office the responsibility of researching and resolving all files on the Trial Balance Report each and every month. Excess funds should be refunded to the appropriate parties and files with negative balances should be funded from operating if necessary. Files listed on the Trial Balance report should not be carrying over from month to month unless funds are being held in connection with an escrow agreement. Files are not considered properly closed until all funds received balance with all funds disbursed.

Underwriting

Finding – The title insurance commitments for transactions involving entities (i.e. – Corporations, Partnerships, LLC's, etc.) are missing the applicable requirements calling for copies of Articles of Organization/Incorporation, Good Standing Certificates, Board Resolutions, etc.) and/or the documentation is not in the file. **Recommended Remedy** – Review the Exceptions and Requirements Manual on our Agent Resource Center to familiarize yourself and your staff with the requirements that need to be included for entities. Take measures to ensure that everyone who is responsible for preparing commitments knows and has a plan to remind them - even if it is a simple matter of a sticky note reminder on their computer monitor. The person(s) responsible for closing should be responsible for ensuring all of the required documentation is in the file before closing is conducted. Include this as an item on your closer's checklist.

Finding – Pre-settlement bringdowns are not performed and/or documented. **Recommended Remedy** – The person(s) responsible for closing should be responsible for verifying and documenting pre-settlement bringdowns for each file before closing is conducted. Include this as an item on your closer's checklist.

Underwriting continued

Finding – Underwriting approval is not obtained for commitments in excess of your limit of authority as stated in your agency agreement. **Recommended Remedy** – Know your limit of authority and make sure your staff knows it. Contact your agency rep if you do not know it. Make sure all closers are responsible for verifying over-limit approval was obtained before they close any file in excess of your limit of authority. Include this as an item on your closer's checklist.

Finding – Documentation of recorded satisfactions/releases for liens paid at settlement was missing.

Recommended Remedy – Utilize a lien release tracking service such as reRequire or PropLogix. Alternatively, create a spreadsheet to log all mortgages paid from settlements and assign someone the responsibility of searching for recorded satisfactions/releases in county land records. Lenders should be contacted for any satisfactions/releases that are not recorded within 60 days of payoff.

Market Conduct

Finding – An enhanced policy rate was charged, but a standard policy was issued and vice versa.

Recommended Remedy – Make sure everyone in the office understands that an enhanced owner policy is only permitted when the purchaser is a natural person (not an entity) and the property is a completed 1-4 residential unit or condominium. The person(s) responsible for issuing policies should also be responsible for checking the rate that was charged and ensuring that the corresponding policy is issued. If the enhanced rate was improperly charged, the excess should be refunded when the standard policy is issued.

Policy Issuance and Reporting

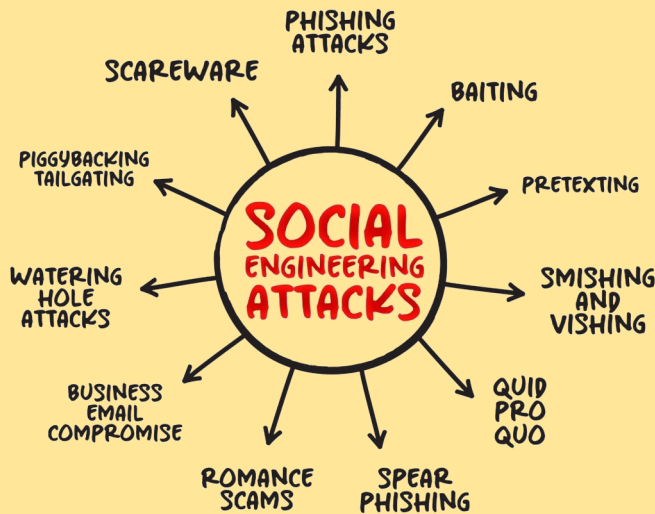
Finding – Policy premiums are not remitted within thirty days of settlement. **Recommended Remedy** – Create a folder for Conestoga's premium checks and settlement statements to be put in when files are disbursed. At the beginning of each month, send all of the contents of the folder to Conestoga.

Finding – An enhanced policy rate was charged, but a standard policy was issued and vice versa. (Yes – this is both a market conduct issue and a policy issuance issue.) **Recommended Remedy** – Make sure everyone in the office understands that an enhanced owner policy is only permitted when the purchaser is a natural person (not an entity) and the property is a completed 1-4 residential unit or condominium. The person(s) responsible for issuing policies should also be responsible for checking the rate that was charged and ensuring that the corresponding policy is issued. If the enhanced rate was improperly charged, the excess should be refunded when the standard policy is issued.

Please contact the auditor who issued your report if you have any questions on remedying a finding in the report.

Cybercrime Activity Continues to Rise

Alert from Underwriting Department



Anyone conducting business using the internet is a possible target for *social engineering* *cybercrime*. Attempting to trick people into doing something they should not is one of the most common methods cyber attackers use to target people putting businesses and individuals at risk.

You likely have crowded personal and business email inboxes, and you may have a string of unread texts; but, fortunately, you are in control and able to use the first step in defending against cyber incursion. Take your time and carefully read each message.

Be on the lookout for:

Urgency: Any message that creates a tremendous sense of urgency, in which attackers are trying to rush you into taking quick action and making a mistake. An example: A message claiming to be from the government, stating your taxes are overdue and you'll end up in jail if you don't pay right away.

Pressure: Any message that pressures an employee to ignore or bypass company security policies and procedures.

Curiosity: Any message that generates a tremendous amount of curiosity or seems too good to be true, such as an undelivered UPS package or a notice that you are receiving an Amazon refund.

Tone: Any message that appears to be coming from someone you know, like a coworker, but the wording does not sound like them, or the overall tone or signature is wrong.

Sensitive Information: Any message requesting highly sensitive information, such as your password or credit card.

Generic: A message coming from a trusted organization, but using a generic salutation such as "Dear Customer". If Amazon has a package for you or your phone company has a billing issue, they know your name.

Personal Email Address: Any email that appears to come from a legitimate organization, vendor, or co-worker, but is using a personal email address like @gmail.com or @hotmail.com.



Industry Tips for Title and Real Estate Professionals

- Warn your buyers/borrowers not to comply with any wire instructions they receive via email;
- Be extra cautious with all outgoing wires including mortgage payoffs;
- Carefully scrutinize all e-mail requests for transfers of funds to determine if the requests are out of the ordinary;
- Confirm all wiring instructions verbally – when confirming by phone, use previously known numbers, not the numbers provided in an e-mail request;
- Be highly suspicious of any change to wiring instructions or any sense of urgency created to wire funds;
- Be highly suspicious of any email from free web-based e-mail accounts (i.e. – @gmail.com, @hotmail.com, @yahoo.com, @aol.com, etc.);
- Immediately report and delete unsolicited e-mail (spam) from unknown parties. DO NOT open spam e-mail, click on links in the e-mail, or open attachments. These often contain malware that will give subjects access to your computer system;
- Do not use the “Reply” option to respond to any business e-mails. Instead, use the “Forward” option and either type in the correct e-mail address or select it from the e-mail address book to ensure the intended recipient’s correct e-mail address is used;
- Beware of sudden changes in business practices. For example, if a current business contact suddenly asks to be contacted via their personal e-mail address when all previous official correspondence has been through company e-mail, the request could be fraudulent. Always verify via other channels that you are still communicating with your legitimate business partner.

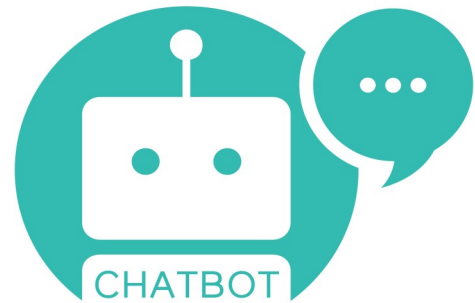


Maximize Website Client Interaction by adding a Chatbot

Doug Riggan, VP Sales

In the title industry, where accuracy, efficiency, and customer satisfaction are paramount, leveraging technology to streamline operations and improve services are essential. Chatbots are emerging as a valuable tool offering the potential to automate tasks, provide instant assistance, and enhance the overall customer experience.

Adding a chatbot to your existing website can be accomplished through various methods. Here is a step-by-step guide to help you get started:



- **Define Your Objectives:** Before choosing a chatbot solution, determine what tasks you want the chatbot to perform, such as answering FAQs, assist with scheduling an appointment or schedule a phone call.
- **Choose a Chatbot Platform:** There are several chatbot platforms available, ranging from DIY tools to sophisticated AI-driven solutions. Here are a few options:
 - **DIY Platforms:** Chatfuel, ManyChat, and Botsify offer user friendly interfaces.
 - **AI Platforms:** If you prefer an AI driven chatbot consider platforms like Dialogflow, IBM Watson Assistant or Microsoft Bot Framework.
- **Create Your Chatbot:** Once you have chosen a platform, create and customize your chatbot according to your defined objectives.
- **Integrate with Your Website:** Most Chatbot platforms provide integration options that allow you to embed the chatbot directly into your website.
- **Test Your Chatbot:** Before deploying the chatbot live on your website, thoroughly test the functionality to ensure it performs as expected.
- **Optimize Your Chatbot:** Monitor the performance after deployment and gather feedback from users to identify areas for improvement and to refine the chatbot's functionality.

By following these steps, you can successfully add a chatbot to your existing website, enhancing the customer experience and potentially driving more business generated from your sophisticated website that sets you apart from the competition.

Commercial Real Estate Complexities

John Papoutsis, Esq., Commercial Counsel

I am sure many of our title agents have handled closings involving commercial real estate. I am also sure you have likely found that these commercial transactions differ greatly from residential transactions.

Retail properties, apartment buildings, office complexes, warehouses, etc. – all fall under the broad term of ‘commercial real estate’. So, within commercial real estate there are varieties of differing types of property uses and descriptions. That is why, when handling these commercial transactions, it is important to treat each transaction as a unique set of circumstances which requires a unique, tailored approach to insuring title.

Over the past twenty years, I have been an attorney title agent for Conestoga Title and many of my closings involved commercial properties. One of my priorities now, as Commercial Counsel with Conestoga, is to manage our Commercial Division where we handle larger, commercial transactions. At Conestoga, I can view and experience real estate closings and title insurance from a title underwriter’s perspective, but also combine that perspective with my title agency experiences to help you navigate commercial closing challenges.

Some of the unique aspects of commercial real estate transactions are:

- Commercial transactions are typically larger transactions with more complex and creative mortgage loan financing. Loan documents typically include UCC-1 Financing Statements, Business Loan Agreements, Assignments of Rents, Personal Guarantees, and Environmental Agreements. Open communication with the commercial lender is the key here so that the proper loan documents are executed and recorded.
- The parties are also typically business entities rather than individuals, and these business entities are all created and organized in very specific ways. Limited Liability Companies, Corporations and Limited Partnerships are some of the business entities involved. As such, it is important to collect and review the organizational documents for these business entities and to insure they are in good standing with their respective government authorities.
- Attorneys are also usually involved in these deals, which brings more scrutiny and necessitates a higher degree of communication and organization on the part of our title agents.
- Title policy endorsements also differ. The ALTA 17-06 (Access and Entry), the ALTA 18-06 or 18.1-06 (Single/Multiple Tax Parcels), the ALTA 37-06 (Assignment of Rents & Leases) are some of the commercial endorsements which our title agents may be asked to issue. Also, it is not unusual for the lender to request removal of the Title Insurance Policy mechanic’s lien exception or request commercial endorsements that involve surveys. For all of these commercial endorsements, please contact our underwriting team at Conestoga Title for input and guidance.
- Since commercial transaction purchase prices and loan amounts tend to be higher amounts, please remember to reach out to Conestoga Title at uwrequests@conestogatitle.com for approval of transactions which exceed your title agent authority limits as set forth in your Agency Agreements.

Again, as a new member to the Conestoga Title team, I hope to help our title agents in all aspects of the closing and title insurance process. I especially can help you navigate some of the complexities of commercial real estate transactions.



CE CLE Seminar Held in Frederick, MD

Conestoga Title Insurance recently held an in person seminar day in Frederick, MD. Welcoming agents from Maryland, Virginia and Pennsylvania, four credits of title agent CE and attorney CLE were offered for each of the three states. Conestoga's John Papoutsis, Esq., pictured at left, delivered two sessions: Ethics for Title Practitioners and Commercial Real Estate Transactions. The day also featured Tim Murphy of AnnieMac Home Mortgage presenting on reverse mortgages and Patty Aiken of Exacta Land Surveyors reviewing property surveys and boundaries. [Click Here](#) to see more photos.

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