

CONESTOGA COLLEGE 2025

Course Materials



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To learn more, visit us
conestogatitle.com.



Conestoga College Classroom January 20, 2025

Conestoga College Course Moderator	William J. Parker, Esq., CLTP Vice President Claims & Underwriting, Conestoga Title Insurance Co.
8:30AM	Opening Remarks John M. Nikolaus, CLTP, President, Conestoga Title Insurance Co.
8:45AM	Elevating Data Security Standards in Title Insurance Rick Hecker, Esq., Sr. Vice President-General Counsel, Donegal Insurance Group
9:45AM	Break
10:00AM	Artificial Intelligence: Hype & Hope for Title Processes Bill Svoboda, CloseSimple
11:00AM	Break
11:15AM	Anti-Money Laundering Regulations from FinCen Anna Marie Sossong, Esq., Underwriting Counsel, Conestoga Title Insurance Co.
12:15PM	Lunch
1:30PM	Wire Fraud Evolution & Examples in Real Estate Tony Capaldi, Link Bank
2:30PM	Break
2:45PM	Professional Ethics & Title Fraud John Papoutsis, Esq. Commercial Counsel, Conestoga Title Insurance Co.
3:45PM	Break
4:00PM	Holy Title Batman! Religious Organizations & Sportsmen Clubs William Parker, Esq., CLTP, VP Claims & Underwriting, Conestoga Title Insurance Co.
5:00PM	Drinks/Hors d'oeuvres

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Tax Lien Report

Report detailing Corporate Tax Status from Division of Revenue.

Legal Existence

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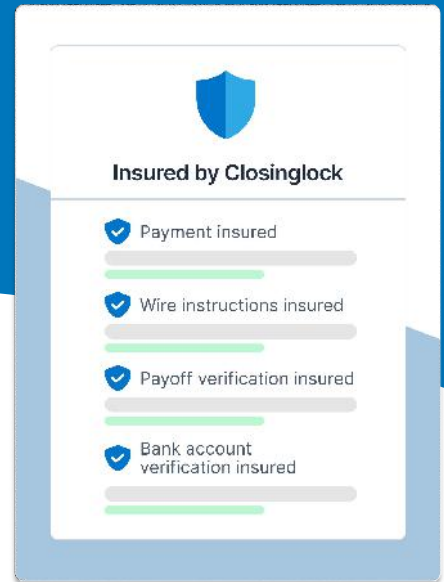


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We are a family-owned and operated specialty insurance brokerage. For over 30 years, we have assisted Title Professionals create individualized insurance portfolios that fit their needs and budgets.

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Deep Industry Experience

We have been active members of multiple Land Title Associations for decades while also providing continuing education opportunities.



Consulting Expertise

Every business has different exposures. We find tailored solutions that work for you.



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- CFPB Defense Coverage

Crime

- Employee Theft Coverage
- \$100k Social Engineering Coverage
- ERISA Coverage
- Funds Transfer Fraud Coverage
- Forged Documents Coverage

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- Premiums to fit any budget
- Up to \$500k Cyber Crime Limits
- IT Vendor Partnerships & Assistance
- Full Limit Ransomware Coverage
- 24/7 Cyber Breach Assistance

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- Title Agency Bonds
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Conestoga College 2025

Elevating Data Security Standards in Title Insurance



CONESTOGA TITLE
INSURANCE CO.



Rick J. Hecker, Esq. currently serves as **Senior Vice President and General Counsel** for Donegal Mutual Insurance Company. A native of Lancaster County, Rick joined the Donegal family of affiliated insurance companies in 2018 as Underwriting Counsel for Conestoga Title Insurance Company.

He earned his B.A. from Hillsdale College and graduated *magna cum laude* with a J.D. from Liberty University School of Law. During his six years with Conestoga Title, Rick worked in various roles, including underwriting, claims, and support of the management team as general counsel.

In his current role, Rick focuses on legal and regulatory matters, ensuring compliance with insurance industry laws, mitigating legal risks, and supporting business operations through contract management.



CONESTOGA TITLE
INSURANCE CO.



Elevating Data Security Standards in Title Insurance: Ensuring Compliance and Best Practices

Rick J. Hecker, Esq.
Sr. Vice President & General Counsel
Donegal Mutual Insurance Company



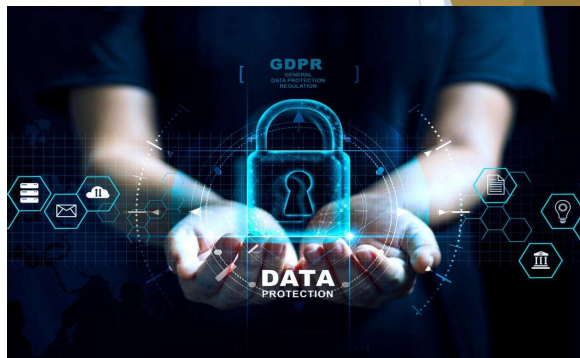
Disclaimer

This material is for educational purposes only and does not constitute legal advice. I assume no liability for errors or omissions.



Introduction

- ▶ Importance of Data Security in Title Insurance
 - ▶ Protecting client trust and confidentiality
 - ▶ Avoiding financial and reputational damage
- ▶ Growing Threats to Sensitive Information
 - ▶ Rise in cyberattacks targeting the industry
 - ▶ Increasing complexity of compliance requirements



Real World Examples

First American Financial Corporation (2019)

- ▶ **Incident:**
A significant data breach exposed approximately 885 million records related to real estate transactions, including sensitive information such as Social Security numbers, bank account details, and other personal data. The breach was caused by a vulnerability in a publicly accessible website, which allowed unauthorized access to customer files without authentication.
- ▶ **Lessons Learned:**
 - ▶ **Regular Security Audits:** Comprehensive and ongoing security assessments could have identified the vulnerability earlier.
 - ▶ **Access Controls:** Implementing stricter access controls, such as user authentication for all files, could have prevented unauthorized access.
 - ▶ **Data Minimization:** Storing only essential information and securely deleting outdated records can reduce exposure in the event of a breach.
 - ▶ **Incident Response Planning:** A robust response plan and timely notification of affected parties are crucial for managing the fallout of such incidents.

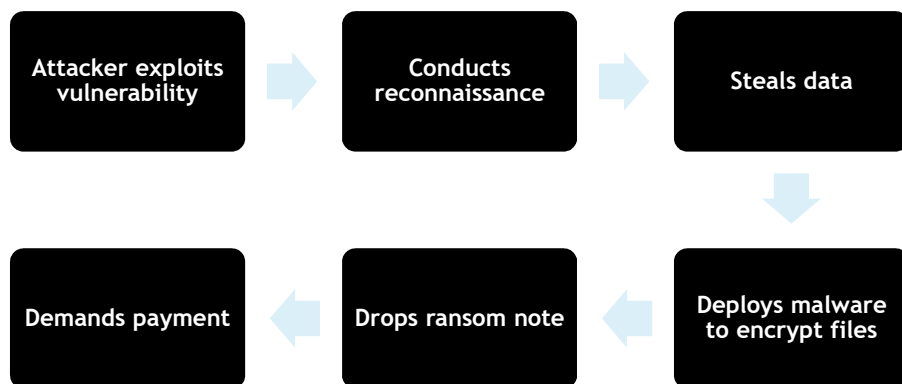


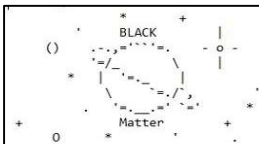
Case Study 2 - Title Insurance Firm (Anonymized Example, 2022)

► **Incident:**

A mid-sized title insurance firm fell victim to a ransomware attack, locking its systems for over a week. The attackers demanded a substantial ransom and threatened to release sensitive client data unless payment was made. The company ultimately had to pay the ransom to regain access and avoid reputational damage.

Ransomware Attack - Flow of Events





```
>>> What happens?
Your network is encrypted, and currently not operational.
We need only money, after payment we will give you a decryptor for the entire network and you will restore all the data.

>>> We downloaded over 500gb company information from all domain.

Data includes:
- Personal company info
- Finance information
- Client information
- Accounting
and other sensitive info;

>>> What guarantees?
We are not a politically motivated group and we do not need anything other than your money.
If you pay, we will provide you the programs for decryption and we will delete your data.
If we do not give you decrypters or we do not delete your data, no one will pay us in the future, this does not comply with our goals.
We always keep our promises.

>>> How to contact with us?
1. Download and install TOR Browser (https://www.torproject.org/).
2. Open http://\[REDACTED\]

>>> Warning! Recovery recommendations.
We strongly recommend you to do not MODIFY or REPAIR your files, that will damage them.
```

Are demands paid?

March 2021 CNA Evil Corp	April 2021 Colonial Pipeline Darkside	May 2021 JBS Foods REvil	July 4th holiday, 2021 Kaseya REvil
<ul style="list-style-type: none"> • Insurance Company • Ransom Paid: \$40M 	<ul style="list-style-type: none"> • Oil Pipeline Company • Ransom Paid: \$4.4M 	<ul style="list-style-type: none"> • Meat Processing Company • Ransom Paid: \$11M 	<ul style="list-style-type: none"> • IT Company; Supply Chain Attack • Ransom Paid: <i>unknown</i>





Lesson's Learned

▶ Lessons Learned:

- ▶ **Data Backups:** Regular and secure data backups could have enabled the firm to restore systems without paying the ransom.
- ▶ **Employee Training:** Cybersecurity training for employees on recognizing phishing emails and avoiding malicious links is critical.
- ▶ **Endpoint Protection:** Advanced threat detection tools can help identify and mitigate ransomware before it takes hold.
- ▶ **Incident Simulation:** Running ransomware response drills ensures preparedness for similar attacks.

Background - National Association of Insurance Commissioners (NAIC)

The **NAIC** stands for the **National Association of Insurance Commissioners**. - It is a U.S. organization comprised of state insurance regulators from all 50 states, the District of Columbia, and U.S. territories. The NAIC's mission is to help regulate the insurance industry and ensure that the practices within it are fair, efficient, and consistent across states.

- ▶ **Setting Standards:** The NAIC develops model laws, regulations, and guidelines for insurance regulators to adopt.
- ▶ **Promoting Solvency:** The NAIC helps ensure that insurance companies are financially stable, so they can fulfill their obligations to policyholders.
- ▶ **Providing Data and Research:** The organization collects, analyzes, and disseminates insurance-related data, providing valuable insights into the market.
- ▶ **Advocacy and Education:** The NAIC advocates for sound public policy related to insurance and offers educational resources to both regulators and the public.
- ▶ The NAIC is not a government agency but plays an essential role in insurance regulation at the state level.

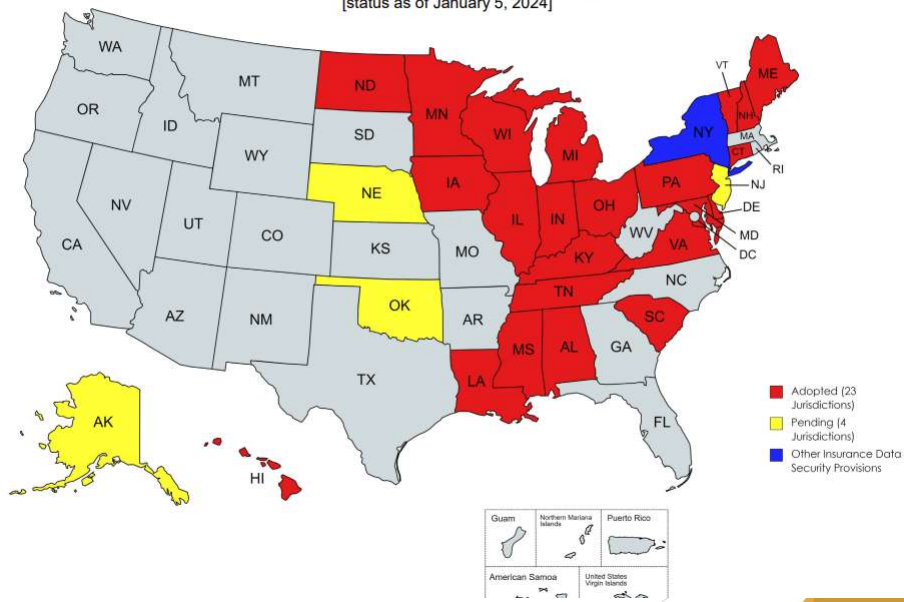


NAIC Model Data Security Act

- ▶ The **NAIC Model Data Security Act** is a set of guidelines developed by the **National Association of Insurance Commissioners (NAIC)** aimed at improving data security in the insurance industry.
 - ▶ Risk-Based Information Security Program
 - ▶ Chief Information Security Officer (CISO)
 - ▶ Data Encryption
 - ▶ Third-Party Vendor Management
 - ▶ Incident Response Plan
 - ▶ Board-Level Reporting
 - ▶ Cybersecurity Risk Assessment
 - ▶ Notification Requirements



Implementation of Model Act #668
Insurance Data Security Model Law
[status as of January 5, 2024]





Pennsylvania Insurance Data Security Act - 40 Pa.C.S.A. § 4501

- ▶ Pennsylvania Insurance Data Security Act
 - ▶ Effective December 11, 2023
 - ▶ Mandates comprehensive data security measures
 - ▶ Alignment with broader national standards



Key Requirements and Limited Exemptions

Requirements:

- ▶ Annual Risk Assessment
 - ▶ Identifying vulnerabilities in IT systems
 - ▶ Prioritizing risks based on impact
- ▶ Information Security Program
 - ▶ Establishing written policies and procedures
 - ▶ Continuous updates to address emerging threats
- ▶ Corporate Oversight
 - ▶ Designating senior management responsibilities
 - ▶ Regular board updates on security initiatives
- ▶ Incident Response Plan
 - ▶ Defining clear roles and responsibilities
 - ▶ Steps for containment and communication

- ▶ Oversight of Third-Party Service Providers
 - ▶ Vetting vendors for security standards
 - ▶ Monitoring ongoing compliance
- ▶ Notification Requirements

Exemptions:

- ▶ (1) The licensee has fewer than 10 employees;
- ▶ (2) The licensee has less than \$5,000,000 in gross revenue; or
- ▶ (3) The licensee has less than \$10,000,000 in year-end total assets.



Building an Information Security Program

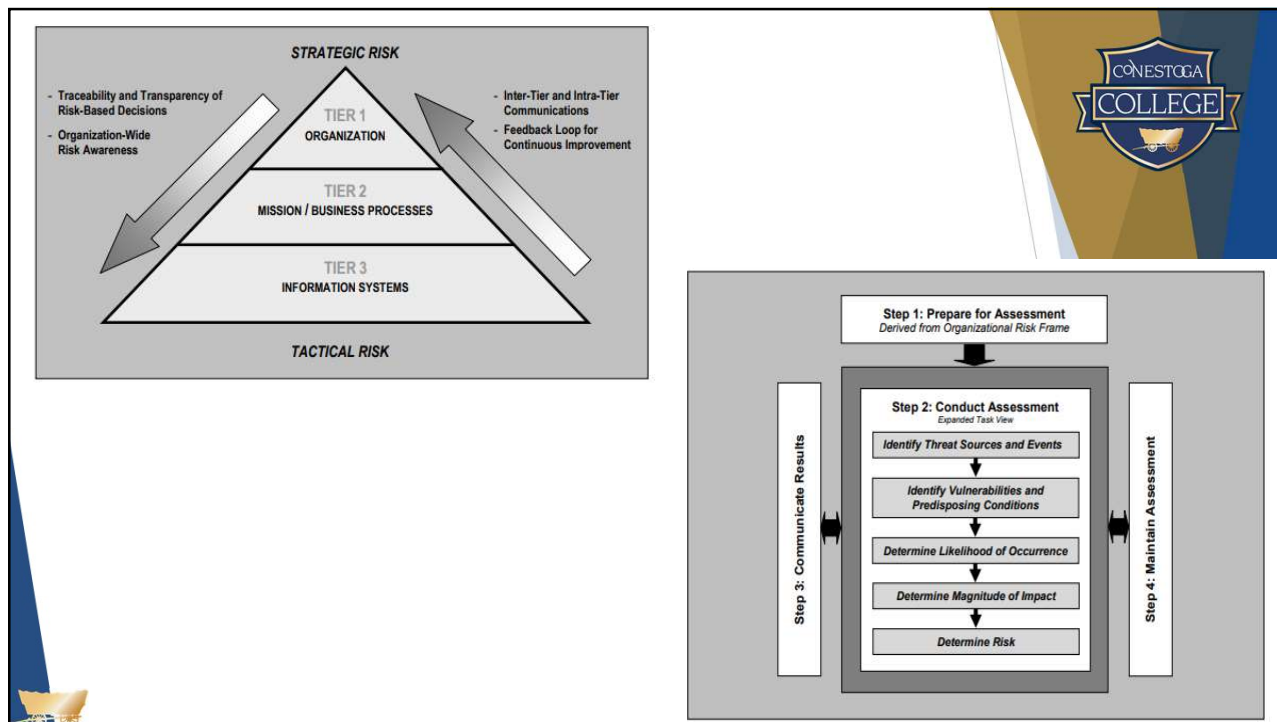


- ▶ Core Elements of an Effective Program
 - ▶ Access controls
 - ▶ Data encryption standards
 - ▶ Network monitoring and logging
- ▶ Policy Development
 - ▶ Aligning with organizational goals
 - ▶ Regular employee training and updates

Annual Risk Assessment



- ▶ Key Components of a Risk Assessment
 - ▶ Asset inventory
 - ▶ Threat modeling
 - ▶ Likelihood and impact analysis
- ▶ Best Practices for Execution
 - ▶ Involving cross-functional teams
 - ▶ Utilizing industry frameworks (e.g., National Institute of Standards and Technology, or International Organization for Standardization)



Corporate Oversight Responsibilities

- ▶ Role of Senior Management
 - ▶ Establishing accountability for data security
 - ▶ Allocating resources effectively
- ▶ Role of the Board of Directors
 - ▶ Setting organizational tone and expectations
 - ▶ Reviewing annual security reports



Incident Response Plan Components

- ▶ Key Phases of Incident Response
 - ▶ Preparation
 - ▶ Detection and analysis
 - ▶ Containment, eradication, and recovery
 - ▶ Post-incident review
- ▶ Importance of Regular Testing
 - ▶ Conducting simulated breach exercises
 - ▶ Updating plans based on lessons learned

<https://www.ftc.gov/business-guidance/resources/data-breach-response-guide-business>



Oversight of Third-Party Service Providers

- ▶ Establishing Vendor Selection Criteria
 - ▶ Security certifications and audits
 - ▶ Alignment with company policies
- ▶ Ongoing Monitoring
 - ▶ Regular contract reviews
 - ▶ Performance metrics and incident tracking



Implementation Timeline Overview



- ▶ Key Milestones
 - ▶ December 11, 2024: Core program implementation
 - ▶ December 11, 2025: Third-party oversight
 - ▶ April 15, 2026: Annual certifications
- ▶ Planning for Success
 - ▶ Setting internal deadlines
 - ▶ Allocating resources to meet timelines

December 11, 2024



- ▶ Required Actions
 - ▶ Complete risk assessments
 - ▶ Establish information security program
 - ▶ Ensure corporate oversight mechanisms are in place
- ▶ Preparation Steps
 - ▶ Staff training and resource alignment
 - ▶ Review of existing policies and systems

December 11, 2025



- ▶ Required Actions
 - ▶ Full implementation of third-party service provider oversight
- ▶ Preparation Steps
 - ▶ Conduct vendor audits and assessments
 - ▶ Finalize monitoring processes

April 15, 2026



- ▶ Required Actions
 - ▶ Submit annual certifications of compliance
- ▶ Preparation Steps
 - ▶ Consolidate documentation and reporting
 - ▶ Engage external auditors for verification

Reporting and Compliance

- ▶ Cybersecurity Event Notification
 - ▶ Reporting requirements and timeframes
 - ▶ Coordination with regulatory authorities
- ▶ Penalties for Non-Compliance
 - ▶ Fines and legal consequences
 - ▶ Impact on business operations



Addressing Cybersecurity Events

- ▶ Immediate Steps
 - ▶ Isolate affected systems
 - ▶ Communicate with stakeholders
- ▶ Long-Term Actions
 - ▶ Conduct forensic investigations
 - ▶ Implement lessons learned



Employee Training

- ▶ Importance of Awareness
 - ▶ Reducing human error
 - ▶ Building a security-first culture
- ▶ Key Training Topics
 - ▶ Recognizing phishing attacks
 - ▶ Secure password practices



Tools and Resources

- ▶ Security Frameworks
 - ▶ NIST Cybersecurity Framework
 - ▶ ISO 27001 Standards
- ▶ Vendor Solutions
 - ▶ Data encryption tools
 - ▶ Endpoint protection software



Industry Trends

- ▶ Emerging Threats
 - ▶ Ransomware and supply chain attacks
- ▶ Innovations in Security
 - ▶ AI and machine learning in threat detection



Deep Fake Technology

- ▶ Video to play



Summary

- ▶ Key Takeaways
 - ▶ Importance of data security compliance
 - ▶ Actionable steps for implementation
- ▶ Looking Ahead
 - ▶ Preparing for future challenges and opportunities



Questions?

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Donegal Insurance Group
(855) 856-0246



Conestoga College 2025

Artificial Intelligence: Hype & Hope for Title Processes



CONESTOGA TITLE
INSURANCE CO.



In 2003, Bill Svoboda founded his first company in his college dorm, quickly gaining esteemed clients like Google, Facebook, and LinkedIn. His entrepreneurial journey led him to deliver a TEDx talk in front of 1,800 people, showcasing his expertise in customer experience, engagement, marketing, and growth strategies.

Currently, **Bill is the co-founder of CloseSimple, a software that simplifies and secures the real estate closing process for over 200 Title & Escrow companies nationwide.**

In his free time, Bill writes both business books and children's books, aiming to inspire creativity and innovation.

Through his stories, he motivates both business professionals and young minds to think outside the box, develop unique ideas, and embrace their creative potential.

AI

Artificial Intelligence: Hype & Hope for Title Processes

close simple.

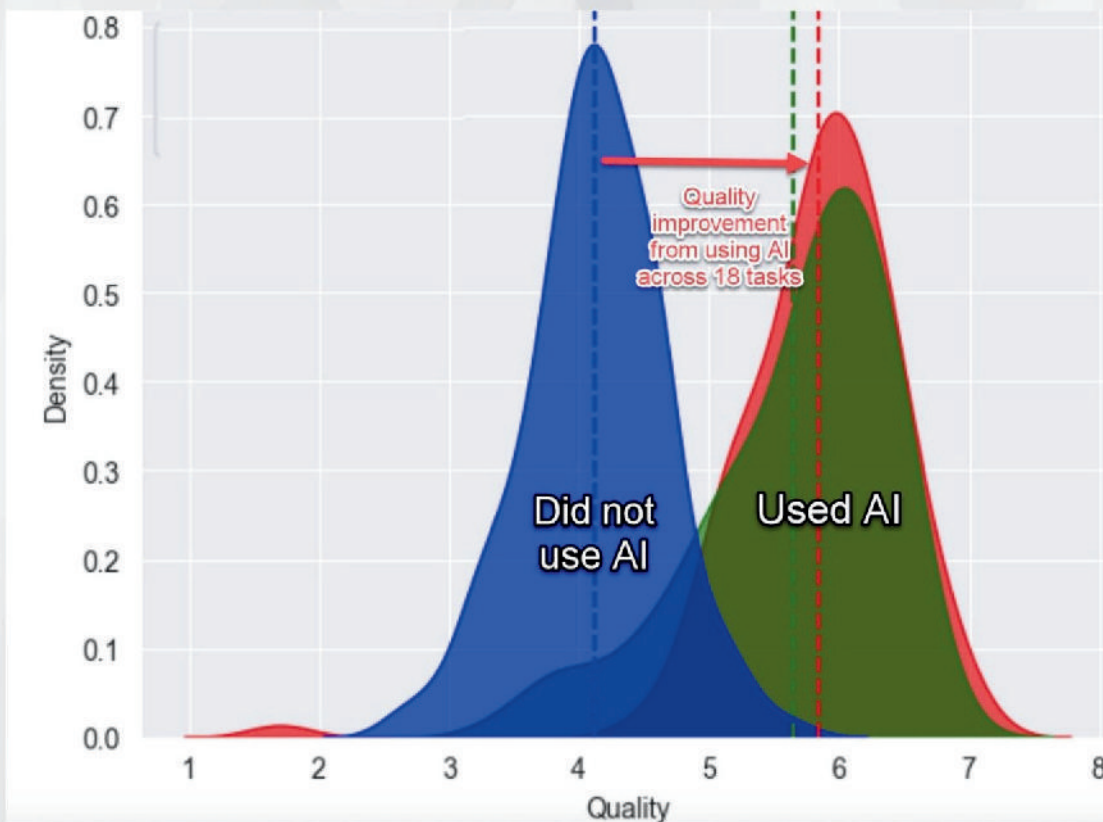
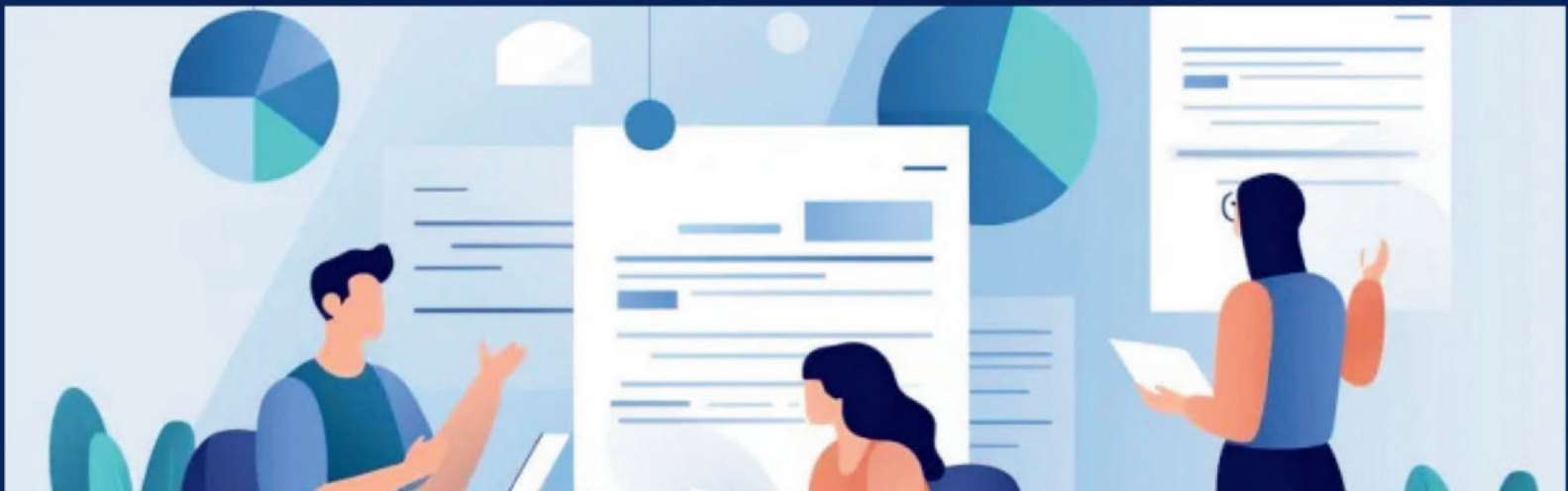
- ONE: WHAT IS AI?**
- TWO: PRACTICAL USES OF AI (TODAY)**
- THREE: THE DARK SIDE OF AI**
- FOUR: A FEW WAYS TO USE AI**
- FIVE: A FUN ENDING THAT INVOLVES TAYLOR SWIFT**

**GROUP
EXERCISE**



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Enterprise workers gain 40 percent performance boost from GPT-4, Harvard study finds



**CHAT GPT IN IT'S CURRENT
FORM IMPROVES THE RIGHT
BRAIN PERFORMANCE OF
MARKETERS BY 40%**

~ HARVARD STUDY

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**WHEN PEOPLE OVER RELY
ON GENERATIVE AI, THE
COLLECTIVE DIVERGENCE
OF IDEAS DROPS BY 40%**

~ SAME HARVARD STUDY

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AI SHOULD BE SIMPLE.

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3 BUCKETS FOR AI

**OPS
PRODUCTIVITY**

**MARKETING
PRODUCTIVITY**

**PERSONAL
PRODUCTIVITY**

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WHAT IS AI?

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ME:

What is AI?

CHATGPT:

AI, or Artificial Intelligence, refers to the simulation of human intelligence processes by machines, especially computer systems. These processes include learning (the acquisition of information and rules for using it), reasoning (using rules to reach approximate or definite conclusions), and self-correction.

AI can be categorized as narrow AI, which is designed for a particular task (such as facial recognition or language translation), or general AI, which has the ability to perform any intellectual task that a human can. AI technologies include machine learning, natural language processing, computer vision, robotics, and more.

closesimple

ME:

That's way too complicated, can you please make it simple enough for a 5th grader to understand?

CHATGPT:

Sure! AI, or Artificial Intelligence, is like giving a computer the ability to do smart things, like learn from information, figure things out, and even make decisions. It's like teaching a robot to think and act like a person, but on a computer instead of a human brain.

So, when you hear about AI, just think of it as making computers really smart!

close**simple**

ME:

That makes sense ... now, in the real estate transaction, what is title?

CHATGPT:

In a real estate transaction, "title" refers to the legal ownership of a property. When you buy a house, you want to make sure that you're buying it from someone who actually owns it and has the right to sell it to you. That's where the concept of title comes in. It's like having a certificate or document that proves you're the rightful owner of the property.

When you buy a house, part of the process involves making sure that the title is clear and free from any legal issues or claims by other people. This helps ensure that you have the legal right to own and use the property without any problems in the future.

close**simple**

ME:

That's way too complicated, can you please make it simple enough for a **drunk real estate agent** to understand?

CHATGPT:

Title is like the boss document for a house, proving who owns it.

When you buy, you want it clean and clear, showing the real owner.

Otherwise, you might end up with someone else's mess.

close**simple**.

PRACTICAL USES FOR AI

- **BRAINSTORM & REFINE IDEAS**
- **EDIT & PROOF READ TEXT**
- **HELP WITH EMAILS (SUMMARIZE, SHORTEN, BULLET-POINT, ETC.)**
- **PROCESS DOCUMENTS**
- **DATA ENTRY**
- **GENERATE IMAGES, VIDEOS, LOGOS & AUDIO ...**

close**simple**.

USE THESE PROMPTS:



- I WORK IN THE TITLE INSURANCE INDUSTRY AT A COMPANY CALLED _____. PLEASE CREATE 10 CATCHY SLOGANS THAT WE COULD USE IN OUR MARKETING?
- MY FAVORITE IS # _____, NOW PLEASE CREATE 5 OPTIMIZED SOCIAL MEDIA POSTS USING THAT SLOGAN.
- HELP ME CREATE A 52 WEEK MARKETING PLAN TO REACH REAL ESTATE AGENTS AND LENDERS.
- I WANT TO TALK TO MY TEAM ABOUT INNOVATION AT OUR WEEKLY ALL-HANDS MEETING. PLEASE GIVE ME 52 WEEKS OF BULLET-POINTED TOPICS ALONG WITH AN EXAMPLE OF A COMPANY THAT EXHIBITS THOSE TRAITS.
- PLEASE WRITE A JOB DESCRIPTION THAT I CAN USE AS WE WANT TO HIRE A NEW ESCROW OFFICER.

DARK SIDE OF AI

World / Asia

Finance worker pays out \$25 million after video call with deepfake 'chief financial officer'

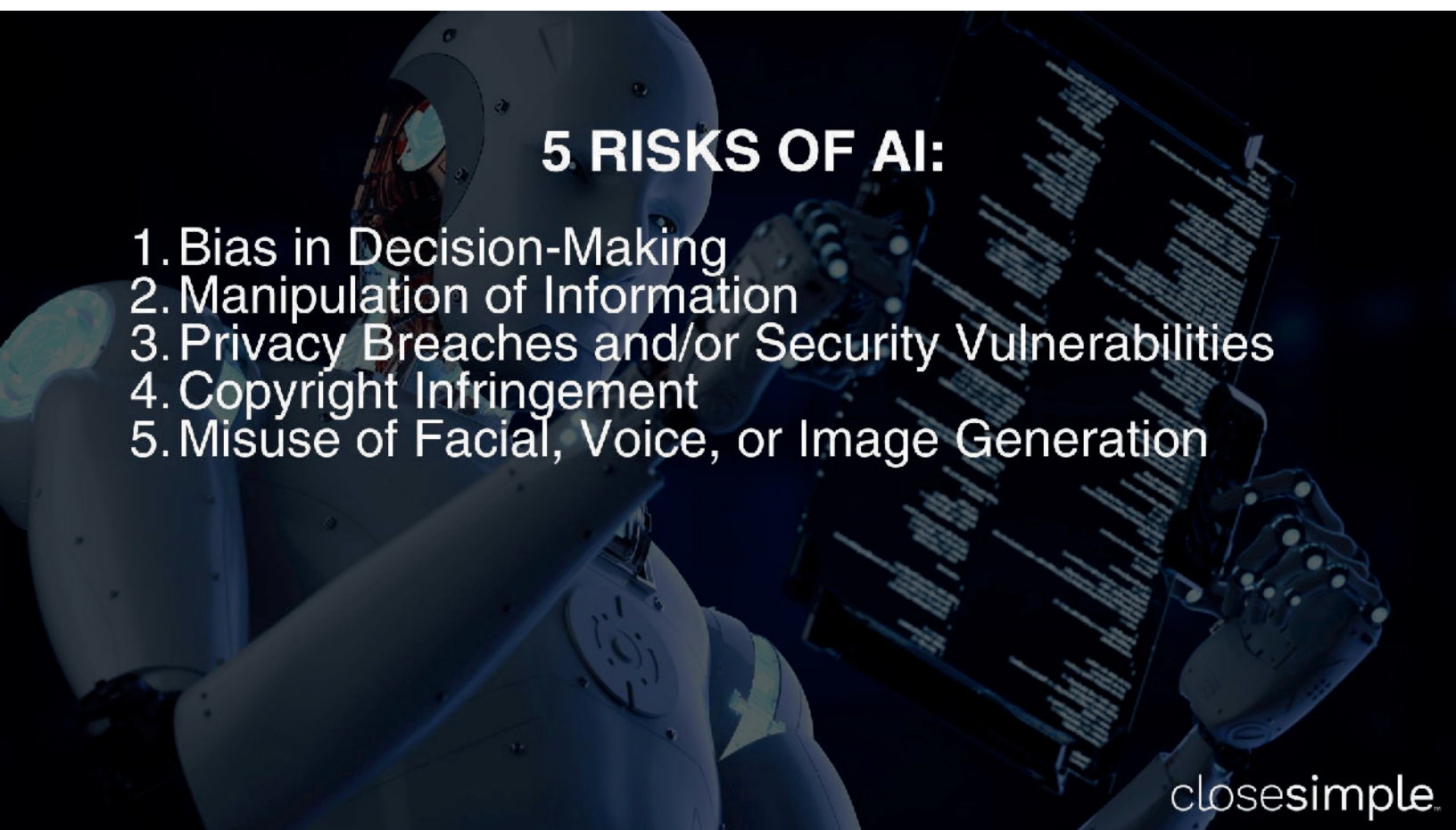
By Heather Chen and Kathleen Magramo, CNN
2 minute read · Published 2:31 AM EST, Sun February 4, 2024



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GoDaddy



5 RISKS OF AI:

1. Bias in Decision-Making
2. Manipulation of Information
3. Privacy Breaches and/or Security Vulnerabilities
4. Copyright Infringement
5. Misuse of Facial, Voice, or Image Generation



CloseSimple Co-Founder
& Brand Evangelist

closesimple™



**WIRE FRAUD ISN'T THE
REAL PROBLEM; THE ISSUE
IS THAT FRAUDSTERS
CONSTANTLY CHANGE
THEIR ATTACKS USING
NEW TECHNOLOGY.**

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PHISHING (SOCIAL ENGINEERING)

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Types of Phishing

1. Email Phishing *(An Email that Looks Legitimate)*
2. Spear Phishing *(Steal Login Credentials)*
3. Whaling *(Targets a Senior Executive)*
4. Clone Phishing *(Copy of a Previous Email)*
5. Vishing *("Voice Phishing")*
6. Smishing *(Text Message)*
7. Pharming *(Code installed, directing to fake website)*
8. Angler Phishing *(Use Fake Social Media Posts)*
9. PA'ishing



An image of a bunch of fraudsters working in cubicles in a large office

HOW PHISHING ATTEMPTS (USED TO) GO:

From: E-mail Administrator <admin@upgrade.com>
Sent: Thursday, April 28, 2016 3:34 PM
Subject: Do not loose your E-mail

Attn: Email User,

We have upgraded our database as our yearly security update & privacy policy specification.

Please take a few moment to re-confirm your account by following the link below as to verify your account and update to our new upgraded server.

[VERIFY AND UPGRADE NOW](#)

(If above link is not working, move email to inbox)

*Please note that changes to your account profile will not take effect until after upgrade is completed.

Regards

E-mail System Administrator

ME:

Do you have any examples of a phishing attack to upgrade adobe acrobat?

closesimple

CHAT GPT:

We noticed that your current version of Adobe Acrobat has reached end-of-life and is now vulnerable to security threats. To ensure the safety and security of your documents, it is critical that you upgrade to the latest version of Adobe Acrobat immediately.

The latest version includes:

- Advanced encryption for sensitive documents
- Enhanced performance and new features
- Protection against known security risks

To upgrade now and avoid any security issues, simply click the link below:

[Upgrade Adobe Acrobat Here](#)

This is an important security update, and failure to act may leave your system vulnerable to malware or data breaches.

If you have any questions or need assistance with the upgrade, please contact Adobe Support.

Thank you for using Adobe products.

Best regards,
The Adobe Team

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3 INGREDIENTS TO DELIVERING A TRUST-BUILDING CUSTOMER EXPERIENCE

CLEAR EXPECTATIONS

CONSISTENT PROCESS

THE "RIGHT" FRICTION

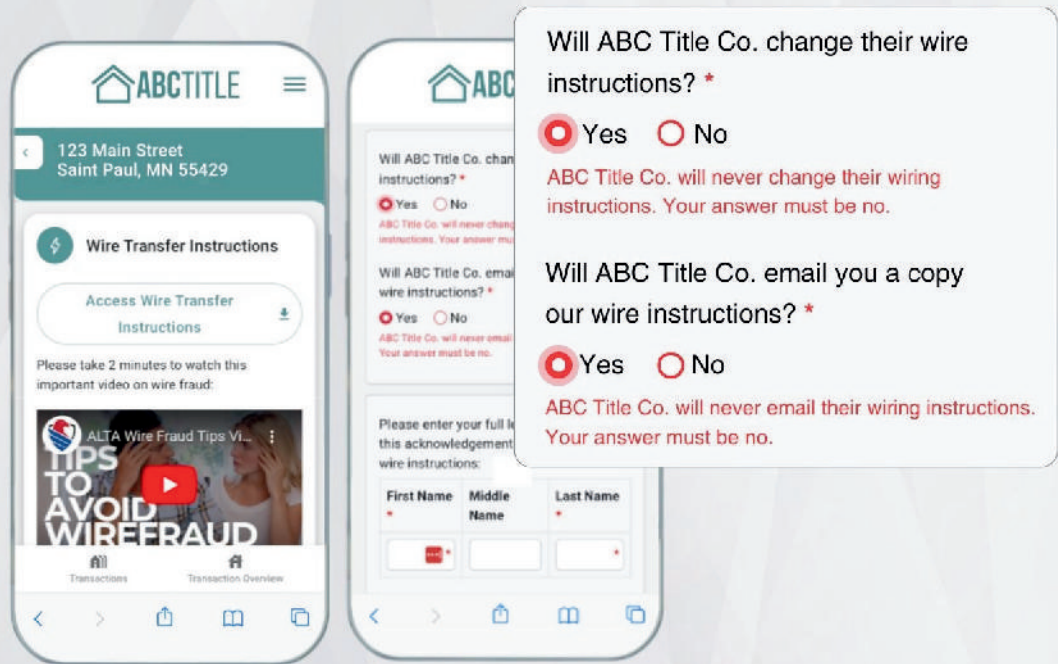
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HOW WE THINK ABOUT IT:



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HOW WE THINK ABOUT IT:



closesimple.

WHAT YOU ARE UP AGAINST:



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5 WAYS TITLE COMPANIES ARE USING AI TODAY

close**simple**™

1 CUSTOMER SUPPORT / CHAT

close**simple**™

TRAINING AI RATE MANUALS & TITLE INSURANCE CALCULATIONS

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FRAUD DETECTION

close**simple**.

4 NEW ORDER CREATION DOCUMENT RECOGNITION

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5 PAIR PROGRAMMING

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WHAT DID YOU DO WITH AI?

close**simple**

3 BUCKETS FOR AI

**OPS
PRODUCTIVITY**

**MARKETING
PRODUCTIVITY**

**PERSONAL
PRODUCTIVITY**

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Conestoga College 2025

Anti-Money Laundering Regulations from FinCen



CONESTOGA TITLE
INSURANCE CO.



Anna Marie Sossong, Esq., Underwriting Counsel, came to Conestoga Title Insurance Co. in 2022. A University of Pittsburgh graduate of its College of Philosophy and School of Law, Anna Marie brings many years of real estate law experience from her time in private practice and from service to the Commonwealth. While in private practice, Anna Marie concentrated her practice in business and mergers and acquisitions. She was also an owner of a Conestoga title agency for twenty years. While with her most recent private practice firm, she managed the in-house title agency, which was also a Conestoga title agency. For many years, Anna Marie represented credit unions and savings and loans, handling residential transactions. However, she concentrated her title practice in business, commercial and developer-based transactions. She has extensive experience with commercial real estate transactions, including the requirements for federal and state lending programs, REIT financings and 1031 exchange requirements. Since joining Conestoga she has taught many CE/CLE in-person and webinar topics relevant to title agencies. She has also taught legal courses for Harrisburg Area Community College, local bar associations, private training companies and the Commonwealth of Pennsylvania. She is a member of PLTA as well as the PA Bar Assoc. Real Property, Probate and Trust section and the Dauphin County Bar Assn.



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The Corporate Transparency Act and the Bank Secrecy Act:

31 CFR Part 1010 and 31 CFR Chapter X

What Obligations are Imposed
Who is Responsible for Carrying Them Out.

Anna Marie Sossong, Esq.
Underwriter
Conestoga Title Ins. Co.



Disclaimer

Conestoga Title Insurance Co. states that this material is for educational purposes only and does not constitute legal advice. We assume no liability for errors or omissions.





Similar but Different

One applies to most entities but doesn't require anything of a title agent.

The other applies to certain cash transactions anywhere in US and requires a great deal of title agents.



Corporate Transparency Act 31 USCA 55336 31 CFR Parts 1010

What is it?



Why was it created?

BENEFICIAL
OWNERSHIP INFORMATION

Who does it apply to?

What information is required for compliance?

How do you comply?



What is it?

Requires all companies created in the United States to provide information on ownership.

Known as the “Beneficial Ownership Information Reporting Requirement” (BOI)

Act was enacted by US Congress in 2021 to address issues related to foreign companies doing business in the US.



Why was it created?

Criminals lauder dirty money through real estate by hiding behind anonymous shell companies. Those companies hide their identities during the purchase and then they collect the rent or resale income.





Who/What does it apply to?

- Any “domestic reporting company” - a corporation, limited liability company or any other type of entity that is created by the filing of a document with the Secretary of State (or similar state office).
- Any “foreign reporting company” - a corporation, limited liability company or other entity formed under the laws of a foreign country and registered to do business in the United States.
- The “company applicant” that filed the documentation that created the entity with the state.



Who/What does it apply to?

Entities created prior to January 1, 2024 - must report by January 1, 2025.

Entities created after January 1, 2024 must report within 90 days after filing the creation documents.

(This group must report the entity information as well as information on the company applicant as well.)



Texas Top Cop Shop, et.al. vs Merrick Garland, Attorney General of the United States, et.al. 2024 WL 5049220 (slip opinion)



Current Status of Reporting Obligation

Case brought in US District Ct. for the Eastern District of Texas - *Texas Top Cop Shop vs. Merrick Garland, Attorney General of the US.* (Civil Action No. 4:24-CV-478)

Court issued a nationwide injunction suspending obligation to file, largely on constitutional grounds.

Case was appealed to the Fifth Circuit Court of Appeals. (24-20792)





Current Status of Reporting Obligation

Three judge motions court panel of Appeals Court issued a stay of the injunction - once again reinstating the obligation to file (issued on 12/23/24)

On 12/26/24 the merits panel of the Appeals Court reversed the order of the motions panel and reinstated the original injunction - filing is no longer required - voluntary only.

Hearing date current anticipated as of 3/25/25.



Who/What does it apply to?

It does not apply to:

- Common law general partnerships (registration not required in most jurisdictions)
- Some types of trusts (though some do have to register)





Any exemptions? (23 categories)

- Publically traded companies (governed by Securities Act)
- Government Authority (i.e. water authority)
- Bank, Credit Union, Depository Institution or Money Services Business
- Securities dealer or exchange/clearing house
- Investment company/venture capital fund
- Insurance company or insurance producer
- Accounting firm (if Sarbanes-Oxley registered) *Law firms are NOT exempt*
- Public utility
- Tax exempt entity
- Large Operating Co.
- Subsidiary of certain exempt entities



Title Company Exemption

§1010.380(c)(2)(xiii) State-licensed insurance producer.

Any entity that: (A) Is an insurance producer that is authorized by a State and subject to supervision by the insurance commissioner or a similar official or agency of a State; and (B) Has an operating presence at a physical office within the United States





Title Agent/Closing Agent Obligations

There is no requirement for any title agent, closing agent, or title company to file the BOI on behalf of any entity involved in a transaction. **DO NOT DO SO!**

There is no obligation to confirm that this filing has been made by any entity involved in the transaction. No searchable database other than by police and Treasury.



Bank Secrecy Act 31 USC 5311, et seq. 31 CFR Chapter X

What is it?

Why was it created?

What types of transactions does it apply to?

Who is required to file the report?

What information is required for compliance?





What is it?

An expansion of the FinCen geographic targeting orders for *non-financed residential real estate* transactions.

The reporting obligation is now nationwide.



Why was it created?

When FinCEN reviewed the existing reports from 2017 - 2024, approximately **42%** of non-financed real estate transfers that were reported were conducted by individuals or entities on which a Suspicious Activity Report had been filed.

In federal money laundering cases from 2016- 2021, nearly **61%** involved at least one transfer in a county not covered by a geographic targeting order.





What types of transaction does it apply to?

- Non-Financed (a/k/a/ - Cash deals) transfers of residential real estate.
 - Single family houses
 - Apartment building(s) and complexes
 - Mixed use buildings
 - Vacant land where purchaser intends to build housing
- Also includes transfers financed by Seller or other lender not subject to US banking laws. (Private mortgage)



Exceptions to Reporting - Types

- Transfers to individuals
- All transfers resulting from death
- Transfers supervised by a Court
- Transfers incident to divorce or dissolution of civil union
- Transfers to Trusts (with certain criteria) - mostly estate planning related.
- Transfers to qualified intermediaries for §1031.
(Transfers from the intermediary to the exchanger are potentially reportable.)





Exceptions to Reporting - Transferee Entities

- Securities issuer/broker/dealer
- Government authority
- Bank/credit union/depository holding co.
- Money services business
- Securities exchange
- Insurance Co./state-licensed insurance producer
- Public utility
- Financial market utility
- Registered investment co.
- Subsidiary of an exempted entity



Multiple Transferees/Transferors

If at least one of the transferees is a reportable entity - transaction requires reporting, but only requires information for the reportable entity/individual.





Who is required to file the report? (in descending order of preference.) Referred to as the 'reporting cascade'

1. **Person listed as closing or settlement agent on the closing or settlement statement, or**
2. Person who prepares the closing or settlement statement, or
3. Person that files the deed or transfer document, or
4. Title insurance agent, or
5. Disbursing agent, or
6. Title searcher, or
7. Person who prepares the deed or transfer document.



Alternate Filing Method

Designation Agreement: Agreement between individuals listed in reporting cascade designating who is to report.

Used to have someone subordinate on the cascade do the reporting.

Separate agreement required for each transaction.



What Information is Required for Compliance?



About the Transferee or Transferor entity:

- Legal name and trade name
- Current street address (not PO box)
- Taxpayer Identification Number (TIN) (EIN)

What Information is Required for Compliance?



About every individual beneficial owner of the Transferee or Transferor entity:

- Full legal name
- Date of birth
- Current street address
- Citizenship
- Unique identifying number (SSN for US citizens)



What Information is Required for Compliance?

About each signing individual:

- Full legal name
- Date of birth
- Current street address
- Unique identifying number (SSN for US citizens)
- Description of capacity in which individual is signing
- If signer is acting as an employee, agent or partner-
name of individual's employer, principal or
partnership



Who is a Beneficial Owner?

“Individual who, directly or indirectly, either exercises substantial control over such reporting company or owns or controls at least 25% of the ownership interests of the reporting company.” *31 CFR §1010.380 (d)*

“Substantial control” - a)senior officer, b) has hiring/firing authority over senior office or a majority of the Board, c) directs, determines or has substantial influence over important decisions, d) other forms of substantial control.





What is “Substantial Control”?

- A. Serves as senior officer of the reporting company
- B. Has authority over the appointment or removal of any senior officer or a majority of the board of directors.
- C. Directs, determines or has substantial influence over important decisions made by the reporting company, including:
 - i. Nature, scope and attributes of the business of the reporting company, including sale, lease, mortgage or other transfer of principal assets
 - ii. Reorganization, dissolution or merger of the reporting company
 - iii. Major expenditures or investments, issuances of any equity, incurrence of any significant debt, or approval of the operating budget
 - iv. Selection or termination of business lines or venture, or geographic focus
 - v. Compensation schemes and incentives
 - vi. Entry into or termination, or the fulfillment or non-fulfillment of significant contracts
 - vii. Amendments of any substantial governance documents



Calculation of Beneficial Ownership

- Calculations made at present value
- **Partnerships** - calculated as a percentage of the total outstanding capital and profit of the entity.
- **Corporate** - Determined as the greater of i) voting power rule or ii) total value rule.
- **Failsafe calculation** - if otherwise not calculable, any individual who owns or controls 25% or more of any class or type of ownership interest of a reporting company shall be deemed to own or control 25% or more of the ownership interests of the reporting company.



Information about the Property

- Street address
- Legal description
- Date of closing



Information about the Money

- Amount of payment
- How was payment made. If wired from a financial institution - name and account number.
- Total consideration to be paid by transferee
- Any hard money or private loan information
- If wire or funds comes from third party - name of payor





When must you file?

Within 30 days of settlement or final day of month following date closing occurred.

(Recommendation is that you do it the day of settlement while you have all the parties available.)



How to File

- File electronic real estate report with FinCen - <https://bsaefiling.fincen.treas.gov/main.html>
- Will require individual user to create login account through login.gov. (Do this before you have to start reporting.)
- Real Estate Report has 111 distinct fields.





How to File

Review course materials for all the details on the information that you will be required to obtain from the buyer and seller.

FinCen has not finalized the regulations yet. Conestoga will advise as to final regulations. Significant changes aren't likely.



Final Take Away

All reporting will end with individual names and information.

Layered entity ownership must be reduced to individuals involved with the layered entities.

The Act is designed to track people and their money.



Take This Requirement Seriously!



You can ignore reality, but you can't ignore the consequences of ignoring reality.

— Ayn Rand —

AZ QUOTES

Additional information and reference materials on this topic are on our website

Questions for our speaker?

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Conestoga Title Insurance Co. invites you to explore business opportunities working with the exceptional personalized underwriting support we offer to all sizes of title agencies and law firms.



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Conestoga College 2025

Wire Fraud Evolution & Examples in Real Estate



CONESTOGA TITLE
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Biographies



Education

Bachelor's in Accounting from
Alvernia University

Tony Capaldi

Banker
LINKBANK

Tony Capaldi is Banker for LINKBANK. In this role, he works directly with clients to address their escrow needs.

Tony helps accomplished law firms, individuals, and other agents manage their escrow relationships thru their life cycle. Through our multidisciplinary approach, he works with clients to actively and intentionally power the goals they care about.

Tony has more than 20 years of experience in the financial services industry. His experiences have led to his ability to actively and intentionally power the goals of customers by being able to add value to their banking process.

Tony received a bachelor's in accounting from Alvernia University.

At LINKBANK, we are here to help positively impact the lives of our clients, colleagues, shareholders and community – today and for all tomorrows. We have partnered with our clients, putting our expertise and platforms to work to help them achieve their goals. Given the opportunity, Tony Capaldi and his team are committed to doing the same for you.



LINKBANK PRESENTS

Fraud Keeps Me Up at Night!

An overview of fraud in 2025 and beyond

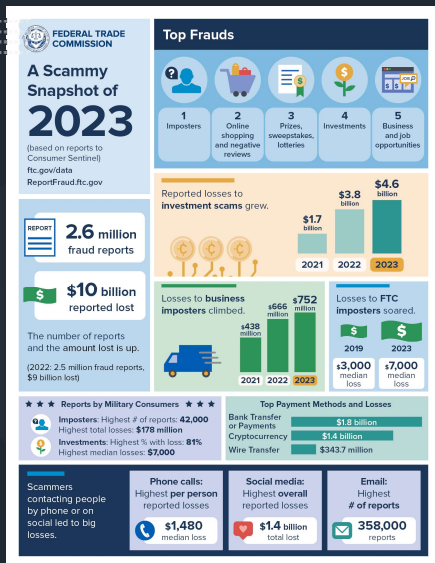
Jan 20, 2025
1:30 – 2:30

Agenda

- Fraud History
 - Past state to current state
- Just the numbers
 - Wire Fraud numbers
 - Check Fraud numbers
 - ACH Fraud numbers
 - RTP Fraud numbers
 - Account Takeover
- Do you have a plan in place?
 - ALTA emergency plan
- Real Life Examples
 - Wire Fraud Example 1
 - Wire Fraud Example 2
 - Check Fraud Example
 - ACH Fraud Example
 - RTP Fraud Example
 - Account Takeover Fraud
- How Do I Protect Myself?
- Wrap Up

Fraud History

- How did you do your banking?
 - Branch Network
 - Cash a check
 - Deposit a check
 - Online Banking
 - View Transactions
 - Self-Service Transactions
 - Ach Transactions
 - Pay a bill
 - Transfer in between accounts
 - Wire Transaction
 - Significant amount
 - Larger/Complex Transactions
 - Zelle/Real Time Payments/Paypal
 - 24/7 payments payment rails
 - Rules



Just the Numbers

When you see the snapshot what comes to your mind?

Just the Numbers

- Wire Fraud
 - Over 8 million complaints have been recorded since inception in 2001
 - 2,400 daily complaints received from consumers and businesses
 - Business email compromise accounted for \$2.9 Billion in losses in 2023
- Check Fraud
 - 680,000 reports of check fraud last year (Double 2021 numbers)
 - Experts predict \$10 Billion in losses for current year
- ACH Fraud
 - Most rampant form of attach
 - 80% of all consumers and businesses have had this occur to their account
- RTP Fraud
 - 92% YOY increase in reported fraud numbers in this category
 - What are the rules?
- Account Takeover
 - Let's take a look



Do you have a plan in place?

-
- Do you write your plans down?
 - How do you make adjustments?

Performing a wire (source)

- I received the initial outgoing wire instructions directly from the payee in person. The instructions have not been modified or amended. Proceed to Section 2.
- I received the initial outgoing wire instructions directly from the payee via the United States Postal Service or a known overnight mail or messenger service and verified the accuracy of the instruction by calling the payee at a phone number obtained independently from any phone number shown in the package. The instructions have not been modified or amended. Proceed to Section 2.
- I received the initial outgoing wire instructions directly from the payee via fax and verified the accuracy of the instruction by calling the payee at a phone number obtained independently from any phone number shown in the package. The instructions have not been modified or amended. Proceed to Section 2.
- I received the initial outgoing wire instructions from the payee, which have been modified or amended in writing in person at the following date/time: _____. Proceed to Section 2.
- I received the initial outgoing wire instructions directly from the payee by email and verified the accuracy of the instruction by calling the payee at a phone number obtained independently from any phone number shown in the email. The instructions have not been modified or amended. Proceed to Section 2.
- I received the initial outgoing wiring instructions via a 3rd party (e.g., attorney, realtor, lender) and have verified the accuracy of the instruction by calling the payee at a phone number obtained independently from any phone number obtained via the 3rd party. The instructions have not been modified or amended. Proceed to Section 2.

Performing a wire (verify)

- | | | |
|--------------------------|--|-------|
| <input type="checkbox"/> | Wire Payee Name: | |
| <input type="checkbox"/> | Wire Amount: | |
| <input type="checkbox"/> | Payee Phone Number: | |
| <input type="checkbox"/> | Source of Phone Number (never use the phone number included in an email): | |
| <input type="checkbox"/> | Original Order or Contract: | |
| <input type="checkbox"/> | Secure Portal: | |
| <input type="checkbox"/> | Internet Search: | |
| <input type="checkbox"/> | Other (describe): | |
| <input type="checkbox"/> | Name of Person I Spoke With: | Date: |
| <input type="checkbox"/> | Wire Information confirmed. Account and ABA Routing Number, and Account Name match payee in the file. Wire instruction notes indicate correct payment information (e.g., loan number, beneficiary, other information). | |
| <input type="checkbox"/> | Wire Information confirmed. Account and ABA Routing Number match an entry on our company's list of validated wire instructions for common bank payoffs. | |

Performing a wire (delivery)

<input type="checkbox"/>	Date Wire Was Sent:	
<input type="checkbox"/>	Date Wire Was Received:	
<input type="checkbox"/>	Name of Person Who Confirmed Receipt:	
<input type="checkbox"/>	Purpose of Wire:	
<input type="checkbox"/>	Loan Payoff	
<input type="checkbox"/>	Equity Loan Payoff	
<input type="checkbox"/>	Seller Proceeds	
<input type="checkbox"/>	Real Estate Commission	
<input type="checkbox"/>	Other (describe):	



When it all goes wrong...

Wire Emergency Plan

ALTA Rapid Response Plan for Wire Fraud Incidents - Response Worksheet

Date/Time of Incident: _____	
Date/Time Incident was Discovered: _____	
Incident Discovered By: _____	
Amount: _____	
Transaction Affected (File Number): _____	
Client/Parties Affected: _____	
Systems/Devices Affected: _____	
Response Coordinator: _____	
Step 1: Alert Company Management - Notes:	Assigned To:
Step 2: Report to Sending and Receiving Banks - Notes:	Assigned To:
Step 3: Report to Law Enforcement - Notes:	Assigned To:
Step 4: Confirm recall request was processed by Sending Bank - Notes:	Assigned To:

Wire Emergency Plan Continued...

Step 5: Inform clients/parties affected - Notes:	Assigned To:
Step 6: Review Incident Response Plan for next actions - Notes:	Assigned To:
Step 7: Contact insurance carrier(s) and legal counsel - Notes:	Assigned To:
Step 8: Hire counsel in country where funds were wired - Notes:	Assigned To:
Step 9: Document your response - Notes:	Assigned To:
Step 10: File a complaint with the FBI - Notes:	Assigned To:

Wire Fraud Example #1

- Payoff Wire
 - Broker Sale
 - Broker Email
 - Used Verification Service
 - Week goes by
 - Did company verify
 - Initial loss of \$1,400,000
 - Recovery of \$750,000 after 3 months

Wire Fraud Example #2

- Payoff Wire
 - From fax (efax)
 - Payoff
 - Did not use verification service
 - Three weeks go by
 - Did company verify
 - Initial loss of \$245,000
 - Recovery of \$120,000 after 14 months

Check Fraud Example

- Deposit Money
 - All done over email
 - No phone verification
 - Deposit done on Monday for full amount of purchase \$120,000
 - International Check Presented
 - Given Availability After 5 Business Day
 - On Sixth Business Day wired all money back
 - \$65,000 remaining in account that is pending to get back

ACH Fraud Example

- ACH presented onto account
 - \$1,200 Target payment
 - \$3,000 ATT payment
 - Discovered after 3 business days
 - What are the rules?
 - Why did they not set up the block?

RTP Fraud Example

- Paypal deposit received
 - Asked for repayment to paypal account
 - Overpayment of deposit due to recall of payment

Account Takeover Examples

Table A: Examples of Businesses' Lawsuits Against FIs Due to ATO Fraud

Company	Date of ATO	Type of fraud committed	Initial loss	Financial institution name and size
Village View Escrow Inc.	March 2010	ACH	US\$400,000	Professional Business Bank; US\$303 million in assets
Patco Construction	May 2010	ACH	US\$588,000	Ocean Bank of Portsmouth; US\$2.2 billion in assets
TRC Operating Company, Inc.	November 2011	Wire	US\$3.4 million	United Security Bank; US\$600 million in assets
Choice Escrow and Land Title LLC	March 2012	ACH and wire	US\$440,000	BancorpSouth; US\$13.3 billion in assets

Account Takeover Example

- How does AI play into this future?

How To Protect

- Consult your banker
- Have plans in place on Verification, Initiation and Delivery
- Have Additional Verification Plans in Place
- Have Contingency Plans in Place
- Make sure to talk with those in the industry
- Use verification companies

Wrap up...

Conestoga College 2025

Professional Ethics & Title Fraud



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John N. Papoutsis, Esq. Commercial Counsel.

John currently serves at Commercial Counsel to Conestoga Title Insurance Co. Over the past twenty years, John has been a practicing real estate attorney and Conestoga Title agent in the Harrisburg, PA area. As an experienced title agency owner and operator, John has processed and closed a high volume of both residential and commercial transactions.

John was part of our Conestoga Title Team before he entered private law practice. While at Conestoga Title, John was a key member of our Legal Department, Commercial Division and Senior Management and is very familiar with our Company and with the needs of our title agents. John's experiences as both a title underwriter and a title agent provides our agents with positive value and unique insights.

John is an experienced resource for our agents – for any questions regarding title underwriting, agency operations and real estate closings. He is especially helpful in providing assistance with our agents' complicated commercial transactions.



CONESTOGA TITLE
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Professional Ethics and Title Fraud

Presented by: Conestoga Title Insurance Co.
John N. Papoutsis, Esquire
Commercial Counsel



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Competency of Attorneys and Title Agents

What is competence?

Who is competent?

Who should handle what?

Who is responsible for what?

What function does the attorney perform?

What function does the title agent perform?



Competency of Attorneys and Title Agents

Attorney Professional Competence - Rules of Ethics

PA Rules of Professional Conduct

- 1.1 Competence
- 1.3 Diligence
- 1.4 Communication

VA Rules

- 1.1 Competence
- 1.3 Diligence
- 1.4 Communication

MD Rules

- 19-301.1 Competence
- 19-301.3 Diligence
- 19-301.4 Communication



Competency of Attorneys and Title Agents



- ▶ 1.1 Competence - An attorney shall provide competent representation to a client.
 - ▶ Legal knowledge and skill in the matter and field
 - ▶ Thoroughness and preparation reasonably necessary for the representation.
 - ▶ Maintaining competence

- ▶ 1.3 Diligence - An attorney shall act with reasonable diligence and promptness in representing a client.

Competency of Attorneys and Title Agents



- ▶ 1.4 Communication
 - ▶ (a) An attorney shall:
 - ▶ COMMUNICATE
 - ▶ keep the client informed
 - ▶ promptly comply with requests for information

 - ▶ (b) An attorney shall explain a matter to permit the client to make informed decisions.



Competency of Attorneys and Title Agents

All states require professional title agent licensing which includes coursework and a passing grade on a state mandated test.

PA, MD and VA all require continuing education study for maintaining professional title agent licensing.

Licensed Title Agent rules of ethics?



Competency of Attorneys and Title Agents

Title agents have responsibilities to multiple parties

- ▶ **Buyers** Title search, Title insurance, Transaction coordinator
- ▶ **Sellers** Private info, Lien clearance, Preparation of seller documents
- ▶ **Realtors** Source of the business? - Affiliated Business Arrangement?
- ▶ **Lender** Loan documents and Loan funding
- ▶ **Payees** Everyone wants a check
- ▶ **Attorneys** Seller and/or Buyer representation
- ▶ **Underwriter** The principal title insurer
- ▶ **Others?**





Real Estate Title Fraud

THE BIG PICTURE of the real estate transaction

What is happening?

Who wants what?

Why did I become a title agent?



Real Estate Title Fraud

Seller Fraud

- Non-primary residence
- Vacant land
- Absent property owners

Borrower Fraud

- Identity theft
- Home equity theft





Real Estate Title Fraud

The Basic Steps

- Access to property information
- Forgery
- Submission of fraudulent documents
- Title transfer
- Sell, Lease, Mortgage



Real Estate Title Fraud

FinCEN Red Flags

- Differing signatures
- The owner/seller lives abroad
- Recently issued identification documents
- A lack of knowledge about the property
- The seller lives at a different address from the property and has no evidence, such as bills or building insurance, linking them to the property
- The property is vacant, of high value, and/or has no mortgage
- The seller wants a quick sale





Real Estate Title Fraud

How to prevent title fraud

Proper vetting

Individuals

Business Entities

Confirmation of legal and equitable ownerships

Review of legal instruments

Deeds, Powers of Attorney, Authorizations

Employ technology



Real Estate Title Fraud

How to prevent title fraud

Get to know the people involved

Ask simple and direct questions

Challenge the assumptions



The Changing Demands on Title Agencies



Managing the real estate transaction in the context of title fraud prevention

- LOOK INWARD- Office practices and procedures
Work product, Roles, Trusted routines, Ethics
- LOOK OUTWARD- Communications with the parties
Transparency, Expectations, Level of trust



The Changing Demands on Title Agencies



Managing Legal and Non-Legal Settlement Services

- Pennsylvania Professional Conduct Rule 5.5 -
Unauthorized Practice of Law
- The balance of legal and non-legal in the title world
- Utilizing your title agency's professional expertise and
work experience





Handling of Escrow Funds

Attorney Rules

- PA and VA Rules of Prof. Conduct Rule 1.15
- MD Rules of Prof. Conduct Rule 19-408

Title Insurance Agency Practices

- Insurance Department Requirements
- Title Underwriter Requirements



Handling of Escrow Funds

General Office Rules

Managing your office:

1. Dual/Multiple controls for files
2. Segregation of duties
3. Manager(s) supervision
4. Daily or weekly escrow account reconciliations
5. Internal training and audits for risks





Handling Escrow Funds

Fraud Updates

1. Mortgage loan payoff statement fraud
 - Increased sophistication, including use of fax lines
 - Electronic monitoring of communications
2. More lenders verifying recipient bank accounts
3. Verbal verification is the key



Questions?

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Conestoga College 2025

Holy Title Batman! Religious Organizations & Sportsmen Clubs



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William J. Parker, CLTP, Vice President - Claims & Underwriting, is a graduate of the University of Scranton and received his J.D. from Cooley Law School. Bill is admitted to practice in all the courts of Pennsylvania as well as the Federal Middle District and the Third Circuit Court of Appeals. During Bill's career he has served as a legal aid attorney, sole practitioner, title agent, assistant district attorney and solicitor for county agencies. While at Conestoga, in addition to his focus on claims and underwriting, Bill presents to bar associations and title insurance forums in PA, MD, VA and OH. He also currently sits on the education and strategic planning committees of the PLTA. Bill is regularly requested for Pro Hoc Vice admissions and subject matter expert testimony in various state and federal courts.



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HOLY TITLE BATMAN


RELIGIOUS ORGANIZATIONS & SPORTSMEN CLUBS
January 20, 2025

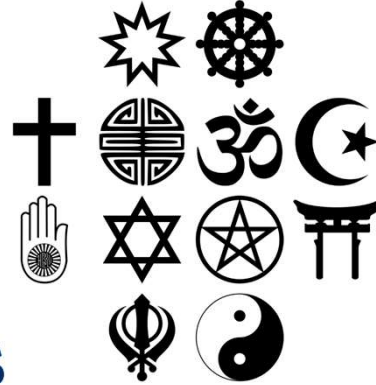
Presented by: William J. Parker, Esq., V.P.
Conestoga Title Insurance Co.



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Religious Denominations

RELIGIOUS DENOMINATION OR SOCIETY

It is all about **AUTHORITY** and being satisfied that the procedures in the governing documents, which authorize a sale or mortgage, have been followed.





RELIGIOUS DENOMINATION OR SOCIETY - INCORPORATED

Many religious entities are incorporated under Pa's Nonprofit Corporation
Law of 1988. 15 Pa.C.S.A. §5101 *et seq.*

example below

BYLAWS OF THE PENNSYLVANIA CONFERENCE ASSOCIATION OF SEVENTHDAY ADVENTISTS, INC.

AS VOTED November 11, 2018

Article I- Name

The name of this corporation is "THE PENNSYLVANIA CONFERENCE ASSOCIATION
OF SEVENTHDAY ADVENTISTS, INC." (Association).



RELIGIOUS DENOMINATION OR SOCIETY - INCORPORATED

POWERS

15 Pa.C.S.A § 5502

Broad statutory powers including the power to acquire, own and
utilize any real or personal property and to borrow money.

Powers not required to be enumerated in Articles of Incorporation.

Court order not required to authorize a sale or mortgage. 15
Pa.C.S.A. § 5546

**Regardless of powers granted by statute, must still obtain and
review entity governing documents.**



RELIGIOUS DENOMINATION OR SOCIETY - INCORPORATED



SAMPLE REQUIREMENTS (to provide):

- Articles of Incorporation filed with the Department of State
- By-Laws (§5504. Adoption, amendment and contents of bylaws)
- Subsistence Certificate, aka a “Good Standing”
- Certified copy of Board of Directors Minutes evidencing the decision or vote to proceed with the insured transaction.
- Certified copy of resolution of Board of Directors authorizing the execution and delivery of instrument to be insured.

Incorporated or Not?



- Faith Bible Fellowship Church
- Hope City Church
- Hope Born in Christ Church
- Living Word Church
- Living Hope Community Church
- Community Fellowship Church
- Praise Community Church
- Pathway Community Church
- Reality Church
- Threshold Church
- ConnectUs Church
- Passionate Church
- Revelation Church
- Love Inc.
- Vineyard Church
- Church in the Vineyard
- 938 Church
- Church of the Loving Shepherd
- Iron Works Church
- Pine Swamp Church
- Ignite Church
- Vertical Fire Church

RELIGIOUS DENOMINATION OR SOCIETY UNINCORPORATED



Under common law, an unincorporated association was not a legal entity and could not own or dispose of real property in its own name.

However, an **unincorporated “religious denomination or society”** has special statutory powers under Pennsylvania law.

RELIGIOUS DENOMINATION OR SOCIETY UNINCORPORATED - *Statutory Powers*



“...to purchase, take, receive, and hold by deed, gift, grant, or otherwise, lands or tenements, for the purposes of burying grounds, churches, parsonages, school houses and almshouses...” 10 Pa.C.S.A. §21 - **Religious societies empowered to hold real estate.**

Control and disposition of property to be exercised in accordance with “...the rules and regulations, usages, canons, discipline and requirements of the religious body, denomination or organization to which such church, congregation, or religious society shall belong...” 10 Pa.C.S.A. §81 **Church property to be subject to control of officers or authorities thereof**



RELIGIOUS DENOMINATION OR SOCIETY UNINCORPORATED

SAMPLE REQUIREMENTS (to provide):

Charter, By-Laws and any other organizational/governing documents together with any amendments or modifications thereto;

Certified Resolution from the church's governing body and in accordance with the By-Laws authorizing the proposed sale or borrowing;

Proof that the individual(s) executing the instrument to be insured is duly authorized pursuant to the Charter, By-Laws, and any other organizational/governing documents.

Requirements will depend on whether association is a member of an established church, i.e. part of a larger group. If so, may need **approval of the higher body.**



RELIGIOUS DENOMINATION OR SOCIETY

Powers subject to higher authority Example: Catholic Church

SAMPLE REQUIREMENTS:

Consent and approval of the Archbishop of _____
County in his capacity as Ordinary of the Archdiocese of
_____.

Joinder of _____, the Pastor of the _____ parish,
in the execution of the deed of conveyance.



RELIGIOUS DENOMINATION OR SOCIETY

Powers subject to higher authority

Example: Catholic Church

SAMPLE SIGNATURE BLOCK:

Reverend Richard J. Rock, C.M., as Pastor of St. Vincent De Paul Roman Catholic Parish, also known as St. Vincent De Paul Church, not in his Private or Individual Capacity, acting herein with the authorization of Cardinal Justin Rigali Archbishop of Philadelphia by his Attorney-in-Fact The Most Reverend Timothy C. Senior, Vicar General of the Archdiocese of Philadelphia, acting pursuant to that certain Power of Attorney recorded in the Department of Records on 7/31/2009 in Document No. 52100045.

Reverend Richard J. Rock, C.M., as Pastor of St. Vincent De Paul Roman Catholic Parish, also known as St. Vincent De Paul Church, not in his Private or Individual Capacity, acting herein with the authorization of Cardinal Justin Rigali, Archbishop of Philadelphia.

The Most Reverend Timothy C. Senior, Vicar General of the Archdiocese of Philadelphia, acting pursuant to that certain Power of Attorney recorded in the Department of Records on 7/31/2009 in Document No. 52100045.



RELIGIOUS DENOMINATION OR SOCIETY

AUTHORITY CHECKLIST

(whether incorporated or unincorporated)

- Has the entity been properly formed under State law?
- Is the entity still in existence? or has it dissolved, voluntarily or involuntarily or merged into another entity?
- Have the By-Laws or Association Rules been followed to authorize the sale or mortgage?
- Is the deed or mortgage to be executed by the person(s) authorized per Resolution?
- Are there any restrictions in the org. docs which limit the power to sell or mortgage for your transaction?
- Watch out for limitations or restrictions on use of property contained in a deed or in a will (these **should** be in your title chain)
- Has the religious body ever been known by another name? If so, have names been searched?
- Is the current name the successor to the entity in record title? Do governing documents evidence that chain?





Fish, Rod & Gun Clubs

(Sportsmen Club)

(i.e. Unincorporated Associations)



UNINCORPORATED ASSOCIATIONS



At common law, a nonprofit association was seen as merely an aggregate of individuals and not a legal entity. A nonprofit association could not acquire, hold or convey property in its own name.

Difficult to insure a deed from a non-church unincorporated association, **e.g. Keystone Rod & Gun Club**. 2013 legislation may help.....



Uniform Unincorporated Nonprofit Association Law 15 Pa.C.S.A. §9111 et seq.



Pennsylvania Uniform Unincorporated Nonprofit Association Law (PUUNAL) reverses the common law view and treats nonprofit associations as legal entities.

For conveyances made to a nonprofit association prior to September 9, 2013, the law makes title effective in the nonprofit association unless the parties to the transfer have treated the transfer as ineffective.

For conveyances made to a nonprofit association after September 9, 2013, a nonprofit association is able to acquire, hold, encumber or transfer an interest in real or personal property, in its own name.



Uniform Unincorporated Nonprofit Association Law 15 Pa.C.S.A. §9112- Definition



“Nonprofit association.” An unincorporated organization consisting of two or more members joined together under an agreement that is **oral**, in record form or implied from conduct for one or more common, nonprofit purposes.

The term does not include:

- (1) a trust;
- (2) a marriage, domestic partnership, common law domestic relationship, civil union or other domestic living arrangement;
- (3) an organization formed under any other statute that governs the organization and operation of unincorporated associations;
- (4) a joint tenancy, tenancy in common or tenancy by the entireties, even if the co-owners share use of the property for a nonprofit purpose; or
- (5) a relationship under an agreement in record form that expressly provides that the relationship between the parties does not create a nonprofit association.



Uniform Unincorporated Nonprofit Association Law



Has there been an “Agreement” to form the Association?

► § 9112. Definitions

► Statutory Comment

- *Although the agreement to form a nonprofit association can be quite informal and sketchy, there must be some tangible, objective data such as the use of the organization's name in communications to its members or third parties, or the existence of a bank account or of a mailing (or internet) address in the name of the nonprofit association or similar “conduct” indicating that, in fact, there is an actual agreement.*

Uniform Unincorporated Nonprofit Association Law



Determining that the Association has “established practices” and is following them.

PUUNAL empowers associations to operate in the absence of written agreements or procedures.

PUUNAL allows an association, by being consistent in how it operates, to create “established practices”.

“Established practices” are those used by a nonprofit association without material change during:

- (1) the most recent five years of its existence; or
- (2) if it has existed for less than five years, its entire existence.

Uniform Unincorporated Nonprofit Association Law



Determining that the Association has “established practices” and is following them.

“Established practices” become part of the “governing principles” of the association.

“Governing principles” are defined as “... The agreements, whether oral, in record form or implied from its established practices..”

“Governing principles” are the equivalent of the articles of incorporation and bylaws.

Uniform Unincorporated Nonprofit Association Law 15 Pa.C.S.A. §9116



CONVEYANCE OF REAL PROPERTY

Statement of authority may be recorded* designating a person as authorized to transfer real property held in the name of the nonprofit association.

***(g) Effect of filing.**--If the record title to real property is in the name of a nonprofit association and a statement of authority is recorded in the office of the recorder of deeds for the county in which a transfer of the property would be recorded, the authority of the person named in the statement to transfer is conclusive in favor of a person that gives value without notice that the person lacks authority.

Uniform Unincorporated Nonprofit Association Law



SAMPLE REQUIREMENTS

Proof that the _____ Association has created, developed and consistently followed its rules, practices and procedures without material change during the most recent five (5) years of its existence or during its entire existence if less than five (5) years.

Company to be provided with any and all writings which evidence the membership, agreements, rules, practices and procedures of _____ Association.

Statement of Authority, designating a person as authorized to transfer the Land, must be furnished to the Company in recordable form, pursuant to the Uniform Unincorporated Nonprofit Association Law. 15 Pa.C.S.A. §9116.



What to do if you can't find "the owner?"



Inalienable Property Act

Where association has dissolved or is not able to follow its own rules or there are no rules to rely on or key members have died or disappeared, there is an alienability problem and an inability to convey and insure good and marketable title.

The Inalienable Property Act provides a procedure to convey real property. The Court of Common Pleas may authorize the sale or mortgage of the property. **20 Pa.C.S.A. §8301**

Note: When any church, board, or agency of any religious organization shall become inactive or extinct by reason of there being no resident or active trustees, the court of common pleas may appoint trustees, to take to administer, hold, and dispose of the title to the property of said church. **10 P.S. § 103**



Questions?



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