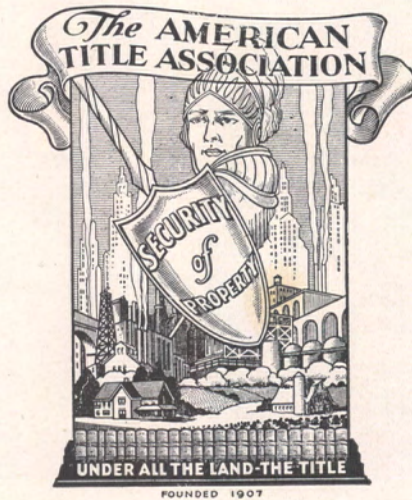


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TABLE of CONTENTS

	<i>Page</i>
Accounting and Auditing Practices of Interest to Title Companies... <i>Geoffrey K. Vickers</i>	2
Accounting and Auditing Practices <i>Thomas J. Lloyd</i> <i>Byron S. Powell</i> <i>Donald B. Graham</i> <i>Howard D. Clark</i>	39
Finance Committee, Report of <i>Charles H. Buck, Chairman</i>	51
Constitution and By-Laws, Report of Committee..... <i>A. W. Suelzer, Chairman</i>	51
Abstracters Liability Insurance and Bond Coverage, Report of Committee <i>Earl W. Hardy, Chairman</i>	52
Abstracts of Title, Uniformity..... <i>Frank C. Grant</i> <i>L. V. Rhine</i> <i>A. J. Achten</i> <i>John W. May</i>	53
Resolutions Committee, Report of (1947 Convention)..... <i>Paul J. Wilkinson, Chairman</i>	57
Abstracters Section, Open Forum (1947 Convention).....	58
Donzel Stoney—In Memoriam..... <i>Benjamin J. Henley</i>	68
H. Laurie Smith—In Memoriam..... <i>Charles H. Buck</i>	68

Accounting and Auditing Problems of Interest to Title Companies

By GEOFFREY K. VICKERS

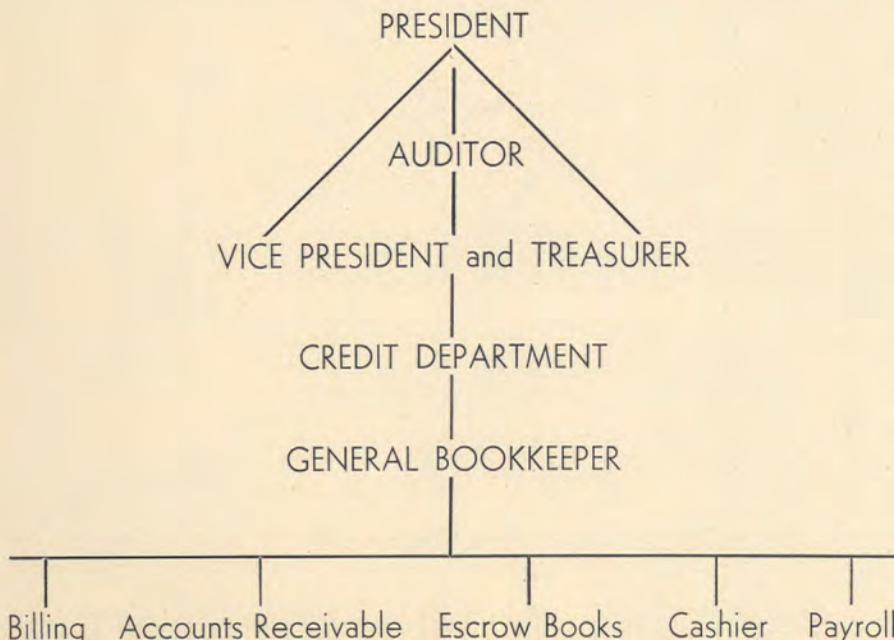
*Auditor, Abstract and Title Guaranty Co.,
Detroit, Michigan*

The only excuse for offering a paper on this subject is the earnest hope that sufficient interest may be aroused on these problems within the industry so that some action may be taken in the near future to standardize our practices and methods and to find a "yard stick" upon which we can base our operations. While this paper necessarily deals largely with the systems used in our own company, we make no claim that we know all the answers, nor that our methods are the ones to be adopted, since, like the rest of the industry, we have had to build and improvise as we went along, without the aid of any standards or manuals.

This company owns and operates title plants in Wayne, Oakland and Macomb counties and also maintains additional branch sales offices in Wayne and Oakland counties. It operates under the direct supervision of the Michigan Department of Insurance which requires that all accounting records must be maintained in the head office. Therefore, we can exclude the branches, from an accounting standpoint, except for billing of work completed and handling of customers' payments.

Our line of products consists of writing fee (or owners') title policies, mortgage policies, making and extending abstracts, issuing title and tax searches, and escrow service.

The table of organization of the Auditing and Accounting Departments of the company is as follows:



This paper is arranged in a chronological order of operations. Therefore, the billing operation will be the first described.

BILLING OF WORK COMPLETED

All order sheets for title insurance, abstracts or searches are prenumbered and made up in duplicate. The original copy is sent through the various departments with the other working papers while the duplicate copy is sent to the Credit Department for credit rating and from there to the Billing Department. This latter department prepares an invoice (Fig. #1) for each order by typing thereon the name and address of the customer, date of order, date promised, order number, a brief description of the property involved, and delivery instructions (if any). The blocks at the bottom of the invoice are left blank at this time.

Figure #1—Invoice

Figure #2—Follow-up Slip

The invoice is made up of four copies and a follow-up slip (Fig. #2) using one-time carbon. Upon completion of the typing operation, the follow-up slip is detached and sent to the Follow-up Department, where it is filed numerically in a binder, separate binders being maintained for each class of order, while the invoice is filed alphabetically

according to class of order, in a file cabinet. We thus get an index both by number and name of each type of order in process, which is of considerable assistance in answering customers' inquiries.

Upon completion of an order, it is sent, together with the original copy of the order sheet, to one of the company's officers who signs the policy, commitment, abstract, etc., enters the charge on the order sheet and forwards such sheet to the Billing Department where the appropriate, previously-prepared invoice is taken from the invoice file and completed by entering in the various blocks the date billed, the order number, charge or charges, and total charge. IBM electromatic typewriters are used for both the work of preparing invoices and final billing.

Abstract charges are billed at the time the order is completed, the charge being entered in the abstract column on the invoice and on the work sheet. Charges for searches, recording fees advanced and escrow fees are entered in the miscellaneous column on the invoice and work sheet and are billed when the work is completed or the papers are placed on record in the case of recording fees. Title insurance premiums, including service charges made in cases where more than one abstract is examined or where an intricate title is involved, are billed in the "T.G. Premium" column on the invoice and on the work sheet. Where a mortgage policy has been ordered, the premium is invariably billed when the commitment is issued, that being a requirement of the Michigan Department of Insurance. The same holds true for fee (or owners') policies in cases where a commitment is required by a customer, but should no commitment be required, billing of premiums is made at the time the policy is signed. The date of billing is stamped on the order sheet opposite the amount to be charged, thereby signifying that billing has been completed.

"Daily Record of Work Completed" sheets, in duplicate (Fig. #3) are used in the final billing, being run in the same machine simultaneously with the invoices, thereby giving a complete duplicate record of each invoice billed.

Figure #3—

Daily Record of Work Completed

The last billing operation is to break the invoices apart, the first two copies being sent along with the work to the customer for his records, the third copy being retained by the Billing Department until the end of the day, when it, together with all others billed that day,

is sent to the Bookkeeping Department along with the original copies of the "Daily Record of Work Completed" sheets for that day. The fourth copy of the invoice serves as a delivery receipt and is sent along with the completed work for the customer's signature and return. The second copies of the "Daily Record of Work Completed" sheets are sent at the end of each day to the Follow-up Department in order that all follow-up slips covering completed jobs may be removed from binders. They are also used for the preparation of certain daily statistics required by the executive officers.

Identical billing methods and invoices, except for address and distinctive color, are used by the head office and branch offices. The latter offices forward one copy of all invoices billed, together with original copies of "Daily Record of Work Completed" sheets to the head office at the close of each day's business.

HANDLING OF CUSTOMERS' REMITTANCES

Having dealt with the method of charging the customer, it seems logical at this time to explain how we handle his payments for these charges. The same system is followed at the head office and at each branch office. All collections received are recorded on collection slip sheets (Fig. #4) which are prepared by the cashiers in duplicate. Collections are entered either in the admissible or inadmissible column, depending upon the age of the debit. (Inadmissible accounts are explained in detail under the heading Accounts Receivable Records.)

Figure #4— Collection Slip Sheets

The original sheet is not perforated between the various slips and is retained as a permanent record. The duplicate sheet is perforated between the various slips, so that, at the end of each day, these sheets can be torn apart and the individual slips used as posting media to Accounts Receivable. One or more slips, depending upon the number of items paid, are made up for each customer. If supporting data, such as invoices, or a statement, are sent in with the remittance, the individual items are not listed on the collection slips, the total of the remittance being then entered on the slip and the supporting data attached to such slip for use of the Bookkeeping Department in checking the account. On each slip is also noted the type of remittance, that is, cash or check, and, if any change was returned in case of a check, also if the item was paid by some other person than the name carried on the account.

At the close of each day's business, the collection slip sheets are footed and balanced against the checks, cash collections and imprest petty cash held by the cashier.

Bank deposits are made for the total collections received each day, the bank

deposit slip listing all checks by number, name of maker, number of bank drawn on, and amount. A credit to the General Books is then prepared, setting up the amount of collections for the day and the bank in which deposited. The final step in this operation is to send both original and duplicate copies of collection slip sheets, together with duplicate bank deposit slip, to the Bookkeeping Department for posting and filing.

POSTING OF ACCOUNTS RECEIVABLE RECORDS

The customer having received his invoice and paid for the same, these transactions must be recorded on his account. We use National Cash Regis-



GEOFFREY K. VICKERS

ter bookkeeping machines to do this work, three forms being required to carry out the operation. These consist of

Customers' Statement (Figure #5)

Customers' Ledger Card (Figure #6)

and a proof sheet which is identical with the first two except that an additional space is provided to the left of the description column in which is entered the name of the account posted. Each proof sheet is made with its own carbon jacket.

Figure #5—
"Customer's Statement"

(made with one-time carbon sheet)

Figure #6—
"Customer's Ledger Card"

It will be noted that our method of operation permits the simultaneous posting of the customer's account, statements, and a proof sheet of such posting. The ledger cards are in the "tumble" form, that is, they can be posted on both sides. The other forms are posted on only one side. The ledger cards are contained in card trays holding about 700 cards to a tray. At the

beginning of each day, the "Daily Record of Work Completed" sheets received from the Billing Department and from branches are "footed." This operation consists of adding up the items in the "Amount of Policy," "T.G. Premium," "Abstract Charges," and "Miscellaneous Charges" columns and then adding up the "Total Charges" column, which amount must agree with the sum of the totals obtained from the other three charge columns. As an additional precaution, the amounts in "Total Charges" columns on the accompanying invoices are also run, the total of which must agree with the total in the "Total Charges" column on the "Work Completed" sheets. The invoices, together with the collection slips previously described (with the exception of the inadmissible collection slips) are then arranged alphabetically and "stuffed" in the trays in front of the accounts to which they apply. We have found that this "stuffing" operation greatly expedites the posting operation and considerably increases the output of our bookkeeping machines. After all items have been posted, the control card is posted with the accumulated totals and the Accounts Receivable balance outstanding is obtained.

Each day the credit postings of the previous day are checked off against the debits to which they apply, the identifying symbols used being the ledger folio number, when the debits are all on one card, a letter being used when the debits are distributed over a number of cards. We are therefore able to determine at any time just what items make up a customer's balance. While the majority of our customers include the applicable invoices or monthly statement with their remittances, all payments not so accompanied are checked before being deposited. This operation, while it takes time, has proven of great value in eliminating customers' ill will, as errors and changes in charges are detected promptly. This is particularly true of mortgage insurance orders which are billed at the time of issuance of commitment and usually paid for at the time of issuance of policy. The amount of insurance written on the policy in many cases is greater or less than the tentative amount set up on the commitment.

Until last year we carried all our small accounts on miscellaneous cards, one card for each letter of the alphabet. We found, however, that such a system was difficult to follow so we now have an individual card for each customer, regardless of the size of his account. No statements are made up for these small one or two order accounts until the last four working days of the month as it has been proven that with few exceptions such accounts are paid up by the end of the month.

Statements for our active accounts are headed up on an addressograph machine just before the end of the

month. A few small accounts are headed up on a typewriter. After the final postings for the month have been made, usually on the first working day of the following month, the unpaid balance on each account is entered on the prepared statement, a proof sheet being carried in the machine, such proof sheet constituting the trial balance of Accounts Receivable at the end of the month.

The statements are then filed in the trays in front of the accounts to which they are applicable and are posted during the month as previously described. When the final postings for the month have been completed, the statements, with certain exceptions which will be described later, are ready for mailing by the Credit Department and are turned over to that department.

Each month a list of accounts, broken down into under thirty days, under sixty days, under ninety days and over ninety days, is prepared and given to the Credit Department for guidance and action. At the same time, a list is prepared of all items which will be over one year old by the end of the current month. The reason for this latter list is the treatment by the Michigan Department of Insurance of all charges to Accounts Receivable over one year old as "inadmissible." To eliminate a large charge to Surplus Account at the end of each year, we transfer such items monthly, treating them as non-operating expense. Any collections received on these debits are credited against this non-operating expense account. Collection slips with items in the inadmissible column are posted separately to the inadmissible cards. A separate general ledger control account is maintained to record the balance of accounts over one year old. Only charges which remain unpaid for some satisfactory reason are transferred (usually construction delays, etc., preventing the closing of loans). Separate ledger cards are set up for such accounts and if regular accounts are carried for the same customer, notations are made on the cards and statements so that the balance in the inadmissible account may be added to the statement sent out.

This is one of the exceptions mentioned above, the other main exception being the necessity of entirely remaking statements each month for certain customers who insist upon all open debits being shown, all credits being eliminated. We have found that the simplest way to accomplish this is to retain one copy of the statement from the previous month, to file a copy of each invoice billed during the month with the statement and to remove such invoices or cross off the debits on the statement as they are paid during the month. The statement, together with unpaid invoices, may then be given to a typist for copying at the end of the month, thus eliminating the necessity for using the bookkeepers for such work.

In this type of business as in all others we are required, generally due to changes in the amounts of mortgages, to make reductions and cancellations of charges. We handle this by letting the officers who do the pricing and signing prepare their own adjustment notices (Figure #7).

Figure #7—

Credit Adjustment Notice

These adjustment notices are prepared in duplicate, the original being sent to the Bookkeeping Department where it is posted to the account concerned at the end of the day, after the work completed and cash collections have been posted. It is then turned over to the general bookkeeper for journalizing, and, in case of a refund, for preparation of a check. The duplicate copy is attached to the order sheet so that everybody concerned with that particular order will be on notice that the charge has been adjusted. All adjustment notices must be approved by an officer.

GENERAL BOOKS

These consist of four separate records—disbursement journal, receipts journal, general journal and general ledger, with subsidiary records such as mortgage loan ledger and securities register. The first-named journal is posted mechanically and the remainder are hand posted. Our books are maintained on the calendar year and on the cash basis as required by the Insurance Department of this state, no accruals being set up except for federal income taxes, which are accrued monthly on the basis of the book figures.

We do not carry an accounts payable, as such. However, all bills are paid on a thirty-day basis. We maintain an accurate control over these items by insisting upon the use by our Purchasing Department of prenumbered purchase orders, prepared in triplicate and in different colors, for the purchase of supplies. The original copy of this order is sent to the supplier, the remaining two copies being retained by the Purchasing Department until the supplies are received by us and invoiced to us, when invoices, delivery receipts and both copies of purchase order are sent to the Bookkeeping Department for payment. One copy of the purchase order is attached (together with invoice and delivery slip) to the paying voucher by the general bookkeeper, and the paying voucher number is stamped on the other copy, which is filed in the paid file. To keep track of payments of club and association dues, salesmen's mileage, public utility bills and similar items, for which a purchase order would not be appropriate, an individual card record is maintained on which is listed the payment date, period covered by payment and amount.

A numbering system is used for each general ledger account, all assets being prefixed by the letter "A," liabilities

by the letter "L," income accounts by the letter "I," and disbursements by the letter "D." Similar accounts, such as bank accounts, are given the same general number, followed by a distinguishing letter for each bank. For example, A-3a, A-3b, etc. This eliminates a great deal of typing and writing on our voucher checks, credits and journals, numbers being much shorter and easier to write than account letters. A sample general ledger sheet is shown as Figure #8. For no particular reason other than long custom, we enter debit balances in red ink, credit balances being entered in black ink.

Figure #8—

General Ledger Sheet

Each page is given a consecutive number in the journals, prefixed by the letters "G.J." for the general journal, "D.J." for the disbursement journal and "R.J." for the receipts journal. To cross-reference all entries, the ledger account numbers are placed opposite entries in the journals to denote completion of posting, the journal page numbers being entered in the "From" column in the general ledger opposite the applicable entries.

The general ledger carries three sets of expense accounts, one for the main office and one for each of the branch offices. Three sets of earnings accounts, other than income on investments, are also carried for the same offices. To distinguish these various accounts, the first letter of the town in which it is located is prefixed to the account number. For example, PD-5, PD-1, MD-4. The branch office assets, consisting of office building, plant and imprest petty cash, are set up separately. Other assets, such as bank accounts, accounts receivable, investments, etc., are not set up by offices nor are reserves and other liabilities.

As previously stated, accounts receivable over one year old are inadmissible and therefore are set up separately. Furniture and equipment are inadmissible assets in this state, and, in accordance with the company's practice of keeping its surplus account in the form required by the Michigan Department of Insurance, are charged to expense as purchased. In order to take advantage of the Federal income tax provisions permitting the deduction of depreciation on such items, we carry furniture and equipment as an inadmissible asset, setting up an account for each year as purchased and further separating the items into two classifications—furniture and fixtures with an average life of fifteen years, and mechanical equipment with an average life of eight years. We have fifteen sub accounts for furniture and fixtures and eight sub accounts for mechanical equipment, opening and closing an account for each classification every year. We carry accounts receivable over one year and furniture and equipment as inadmissible assets, together with any other assets which might be held inadmissible. To

offset the total of these assets, we carry an account known as "contingent surplus—inadmissible assets." We also carry sub accounts to record depreciation, cancellations and reductions of accounts receivable and chargeoffs of inadmissible assets. These items all represent non-ledger deductions on our federal income tax return and such sub accounts are closed out to contingent surplus account at the end of each calendar year. As stated earlier, transfers of accounts are charged to a non-operating expense account, collections being credited to this account. A sub account of "contingent surplus" known as "transfers and recoveries" is carried as an offset to the expense account and is closed out to "contingent surplus" account at the end of each year.

Imprest petty cash accounts are always carried on our books at a fixed figure, the various cashiers turning in to the general bookkeeper receipts or approved charge slips for all minor disbursements made out of their petty cash funds every two or three days. All such items must be approved by one of the senior officers of the company and are attached to the voucher covering the check. A check is drawn payable to the company for the amounts disbursed, endorsed by one of the senior officers and cashed at a depository bank, the proceeds being used to bring petty cash accounts up to their book value. The items of expenditure are charged to the appropriate expense accounts, as will be described later.

All bonds are charged on the books at their purchase price, any premium or discount being charged or credited monthly over the remaining life of the bond to its option (or maturity) date. United States Savings Bonds purchased at a discount, with stated increments in value each six months until maturity, are written up in accordance with their schedules, the resultant credit being to bond interest received. Briefly stated, all our bonds have been written up or down to par by the option (or maturity) date. We do not amortize our bonds nor do we make any adjustments on the books for changes in market value, the same remark also holding true for stocks which are always carried at cost. Every month, however, a statement listing the market value of each security owned and showing the difference between book and market values is attached to our regular balance sheet in order that the senior officers and board of directors may be kept informed of trends and changes in our portfolio. A securities register is kept, with separate sections for bonds and stocks (Figures #9 and #10), the general ledger accounts being controlling accounts only. All details for the various securities are carried in the register, separate sheets being used for each issue, the sheets being arranged by classification of security with controls matching the general ledger controls, such as U. S. Government, municipal, industrial bonds and railroad,

bank, public utility and miscellaneous stocks.

**Figure #9—
Bond Register Sheet**

**Figure #10—
Stock Register Sheet**

A further subdivision is made in the case of bonds on deposit with the State Treasurer and bonds held in office.

Real estate mortgage loans are carried in individual accounts in a separate ledger, a sheet of which is shown as Figure #11, only a control account being carried in the general ledger. Our accounting problems are very simple here as we employ a trust company to service the loans for us. Therefore,



LEO T. WOLFORD

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we are not faced with the problem of handling tax and insurance escrows, renewing expired insurance policies or paying taxes. The trust company makes all collections of principal and interest and remits to us monthly with a complete statement of collections from which they deduct their monthly fee. This fee is credited to mortgage interest received and is charged against miscellaneous expense. A general credit is prepared setting up totals of principal and interest collected, each mortgage account being posted from the statement.

**Figure #11
Mortgage Loan Ledger Sheet**

Real estate owned is carried at original cost plus any permanent additions or replacement from which is deducted monthly depreciation at a rate estimated to be the original life of the building when acquired. We charge ourselves rent for the space occupied by the company, crediting such sums to rental income of the building concerned. Expense accounts for each building, covering miscellaneous expense, repairs,

taxes and depreciation, are carried so that the income status of each building owned can be determined monthly.

Real estate sold on land contract is treated as real estate owned, in this state, in order that such assets may be admissible. Interest is treated as rent; however, no depreciation can be taken, nor are there as a rule any expenses.

Our plants are carried at original cost, no depreciation being taken and no additions to asset accounts made for the cost of obtaining and posting new material. The cost of obtaining the takeoff of the public records is charged to an expense account entitled "Public Records Expense," while salaries of personnel engaged in posting the data are charged to salaries account. Supplies consumed by the Plant Department are charged to printing and stationery account.

The company does not own the building occupied by its head office and under the terms of its lease, it pays a monthly sum as rent, plus the real estate taxes levied on the building. As taxes are paid twice a year, the city taxes in July and the county taxes in December, we set up eleven-twelfths of each tax as prepaid rent, charging one-twelfth to rent account, then retiring one-twelfth of each tax per month to rental expense.

The only liabilities carried in the general ledger other than Capital and Surplus account are Escrow Department deposits (these will be described under the heading "Escrow Department"); Reserve for title guaranty losses; Reserve for abstract losses and Reserve for estimated federal income tax.

All losses sustained in connection with title guaranty policies are charged to the reserve for title guaranty losses account. To cover such losses, a fixed percentage of all title insurance premiums written, less adjustments, is charged to expense and credited to this reserve account. The balance remaining after payment of all approved claims is left in the account indefinitely. Losses incurred in connection with the issuance of abstracts or searches are charged directly to an expense account, abstract losses paid. No such charges are made against the reserve for abstract losses account which carries a fixed balance. No portion of the charges for such services are credited to this account.

Each month the amount of federal income tax due on the month's business is computed according to the books, no allowance being made for such items as accrued interest on investments, rent due, taxes due, or prepaid insurance premiums, and credited to the reserve account. However, at December 31st each year, these items are computed for federal income tax purposes only and an estimate made of all bills unpaid which are chargeable to that year's business. The difference between the reserve set up for the year and the

final tax paid for the year is invariably small. The company files its federal income tax return under Section No. 204 I. R. C., using its annual report to the Commissioner of Insurance as its return. In the annual report, all of the above items are set up as non-ledger assets or liabilities, hence the necessity of computing accruals at the year's end.

We do not as yet have a state income tax in Michigan, therefore the federal income tax is the only tax accrued. Our franchise tax, federal and state social security taxes and personal taxes are comparatively small in amount and are absorbed in expense as paid.

We carry separate income accounts for title insurance premiums written, abstract charges made, fees for searches and recording, escrow fees, and, of course, for bond interest received, mortgage loan interest received, sundry interest received, dividends received and interest and rents received on real estate owned (by parcel).

Expense accounts are carried, in addition to those mentioned above, for salaries, general office expense, travel and entertainment, bureau dues, postage, telephone and express, insurance, advertising, printing and stationery, rent, directors' fees, commissions paid, legal fees, dividends paid, state and federal taxes (except income tax), insurance department licenses and fees, accounts charged off, bond premiums written off, premiums set aside—title guaranty reserve, interest paid, furniture and equipment, federal income tax set aside.

We do not carry a reserve for bad debts account, all items charged off are charged against accounts charged off, except for inadmissible accounts, the handling of which has been described previously.

It seems appropriate at this point, having set forth the makeup of our accounts, to describe the method of obtaining the entries for posting therein. Earlier it was stated that the general books consist of four separate records, the general ledger has already been described so the disbursement journal will be outlined next. This journal is posted simultaneously with the check and voucher. The check and voucher are bound together with a sheet of one-time carbon between, the voucher has a spot carbon back spread over the areas marked "A." The check is shown as Figure #12, the voucher as Figure #13 and a sheet from the disbursement journal as Figure #14.

**Figure #12—
Check used for Disbursements**

**Figure #13—
Voucher used for Disbursements**

**Figure #14—
Sheet from Disbursement Journal**

Two sets of checks and vouchers are used, the only difference between them being that in one case, the name of the

bank it is drawn on (being the bank on which the majority of our checks are drawn) is printed on both voucher and check, as well as the number printed on both forms, whereas, in the other case, the bank name and number are omitted, a bank sticker being affixed to the voucher and check and the number typed in since it will vary according to the bank on which drawn. The adoption of this method eliminates printing a large number of checks drawn on different banks which might or might not be used.

A National Cash Register bookkeeping machine is used to carry out this operation. The disbursement journal sheet, check and voucher are placed in the machine and the date of check, name of payee, amount of check typed on the check and other forms. The general ledger number of the bank drawn on is entered on the journal, also the check number. Then the position of the check is shifted to line up blocks below the perforated line on the check stub with the columns headed ASSETS, LIABILITIES, INCOME and EXPENSES. The amount for which the check is drawn is then distributed to the various columns, according to the invoices, etc., which are being paid, using the appropriate letter and account number for each account charged and entering the amount to be charged opposite each symbol. The final step is to fill in the bottom space on the check stub with such information as will enable payee to identify the payment, entering amount of cash discount taken, if any. The general bookkeeper runs the check through the protectograph and then initials the voucher in the space "checked," attaches all invoices, delivery slips, copies of purchase orders, charge slips, etc., which have previously been approved by appropriate authority to the voucher and sends check and voucher to the Auditing Department for audit. We feel that the time to audit disbursement vouchers is prior to payment so that errors and discrepancies may be detected and corrected before the check leaves the office. Having ascertained the correctness of the voucher and check, including distribution of charges, the auditor initials voucher in the space "audited by," and returns voucher and check to general bookkeeper who obtains the signatures of two authorized officials and mails check to payee.

Cumulative totals are carried forward in the disbursement journal through the month for the amount of check column and the assets, liabilities, income and expense columns, which are of considerable assistance in estimating monthly income prior to the end of the month.

The receipts journal (Figure #15) is posted by hand as the number of daily entries averages about five. Posting data is obtained from the general credit slips (Figure #16), which are prepared by the cashier, as mentioned earlier, for accounts receivable collec-

tions and by the general bookkeeper for other collections.

**Figure #15—
Receipts Journal Sheet**

**Figure #16—
General Credit Slip**

As in the disbursement journal, general ledger account symbols are used, the receipts being distributed in other assets, liabilities, income and expense columns. However, credits to accounts receivable are carried in a column by themselves, there being two or three such entries daily. A column is carried for total deposits to banks (DR. BANK).

At the end of each month, after all entries have been posted to the disbursement journal and the receipts journal, the total debits and credits in both journals are run on an adding machine, according to the general ledger account number against each item, thus obtaining a list of such debits and credits which are listed by general ledger account number on the next vacant page in the receipts journal and from there posted to the general ledger.

Our general journal is used to record entries between general ledger accounts not involving cash. The total of the work completed for the month, adjustments to charges for the month, monthly depreciation, income tax monthly accrual, monthly portion of title insurance premiums set aside to reserve, rent charged to company for occupancy of its own building, monthly bond premiums or discount taken and similar entries, are handed through the general journal. The majority of such entries are self-explanatory and require no supporting data, but, in some cases where such data or approval of an officer is required, we use a transfer voucher to which all supporting data is attached, the voucher being posted to the general journal. A sheet of the general journal is reproduced as Figure #17 and a sample of the transfer voucher as Figure #18. Ledger symbols are used in the general journal as in the other two journals.

**Figure #17—
General Journal Sheet**

**Figure #18—
Transfer Voucher**

The entries in the general journal are posted at the end of each month to the general ledger and a trial balance of the latter taken. The balance sheet is then prepared, typed and run off on a ditto machine. Our balance sheet consists of a statement of assets, statement of liabilities, profit and loss statement for the current month, broken down to show earnings, expenses and net profit for each office, as well as the combined totals for all offices, and a profit and loss statement for the year to date for all offices, combined with a comparison for the same period in the previous year with the increase

or decrease for each item of income or expense computed.

HANDLING OF PAYROLL

This operation, always of great interest to everyone in more senses than one, is handled on an Elliott-Fisher bookkeeping machine and requires three forms—payroll check with stub (Figure #19), payroll proof sheet (Figure #20) and individual earning card (Figure #21). All forms are posted simultaneously, the machine carrying forward and accumulating totals for each column so that the totals have only to be verified when the payroll has been run.

Figure #19—
Payroll Check

Figure #20—
Payroll Proof Sheet

Figure #21—
Individual Earnings Card

One girl has been assigned the duty of preparing payrolls and handling personnel records. We pay twice a month, on the fifteenth and last day, and are on a forty-hour week basis with payment of overtime at time-and-one-half for all work performed over forty hours. We use time cards, one for each department, and require employees to sign four times daily. There is a group insurance and hospitalization plan in effect, the premiums for which are paid partly by the company and partly by the employees contributing to it, these deductions being made on the fifteenth payroll only. No other deductions are being made at present other than for federal social security and federal income tax.

Two days before the actual pay day, overtime for each employee entitled to it is computed and entered in pencil on the earnings card, the resultant charges in social security and income tax withholding deductions are likewise computed and entered in pencil on the card. Any changes in group insurance deductions are similarly entered on the cards (for the fifteenth payroll only). Unless there have been adjustments in salary, no notations are required on the cards of employees not entitled to overtime for the period or not making any changes in their group insurance deductions, so the payroll is now ready to be run, which operation is carried out the day prior to pay day. After running the checks are protectographed. Before the payroll is turned over to the Treasurer for check signatures and distribution, all totals are verified with the Auditing Department. A separate bank account is maintained to take care of payrolls only; a check drawn on our regular depository bank for the amount of the payroll is deposited in this account each pay day. The bank sends to us statement and canceled pay checks on the tenth and twenty-fifth of each month.

To balance the payroll, pay checks are drawn for the amount of federal

income tax withheld, federal social security tax deducted and group insurance premiums deducted. The first-named check is made payable to a local bank as withholding agent and turned over to it. The latter two checks are made payable to the company, turned over to the Escrow Department and deposited by that department in the bank specially designated as our fiduciary depository, thereby transferring such items out of the company funds.

We run the check stubs through the addressograph machine in order to place the employee's name thereon. We are now remaking our plates by adding the employee's social security number and home address, so that both the federal and state quarterly social security returns and annual W-2 returns may be run on the addressograph. The individual earnings card will record the earnings for a calendar year and is made in the "tumble" form.

ESCROW DEPARTMENT

The accounting forms used to keep these records consist of an individual ledger card (Figure #22), escrow journal (Figure #23), voucher-check (Figures #24 and #25) and escrow receipts journal (Figure #26).

Figure #22—
Escrow Ledger Card

Figure #23—
Escrow Journal

Figure #24— Figure #25—
Escrow Voucher Escrow Check

Figure #26—
Escrow Receipts Journal

One bank account is specifically assigned to handle all funds deposited with the Escrow Department, and, for further protection, the funds therein deposited have been officially designated as "fiduciary funds." No monies belonging to the company are or can be deposited in this account.

The personnel of the Escrow Department prepare all voucher checks for disbursement of funds and maintain the daily escrow receipts journal by listing thereon all funds received for deposit. The escrow ledger cards are maintained by the bookkeeping department, to which department all voucher checks are sent after being made out, in order that they may be checked against the individual account to be charged, to ensure that sufficient funds are on deposit to cover them. The bookkeeping department deducts, in pencil, all checks so drawn that the delay in posting may be bridged, and initials the voucher.

The total of the sums listed on the escrow receipts journal is deposited in the assigned bank each day, the duplicate deposit slip is attached to the journal, and it, together with all vouchers drawn that day are sent to the Bookkeeping Department for posting to the ledger cards, which operation

is carried out on the following morning. A National Cash Register book-keeping machine performs the posting operation, the ledger card and journal being posted simultaneously. Posting data for receipts and disbursements is obtained from the escrow receipts journal and vouchers, respectively, these forms being retained as permanent records.

Cumulative totals are carried forward for the month and after all postings have been made for a particular month, these totals are entered in the general journal and thus to the general ledger.

In virtually all cases, fees earned by this department are obtained by drawing a voucher check against the individual escrow when the deal is completed, such check being turned over to the general bookkeeper who deposits it in one of the company's bank accounts, preparing a general credit slip for entry in the receipts journal. In a few instances, it is necessary to bill a customer for the fee. The method is to enter such charge in the miscellaneous column of the daily work sheet and after posting to accounts receivable, the invoice is turned over to the general bookkeeper in order that the fee may be transferred from miscellaneous income to escrow fees earned.

A separate file and distinguishing file number are given to each escrow opened, that number being used to identify the account in all cases. Prior to the disbursement of any funds, a disbursement order and borrower's receipt form (Figure #27) is prepared and the signatures of all parties to the escrow obtained on same.

Figure #27—
Escrow Disbursement Order and
Borrower's Receipt.

As soon as practicable, after an escrow has been completed and all funds disbursed, the disbursement order sheet is compared with the ledger card applicable to the escrow, by the Auditing Department, to ensure that all funds have been disbursed strictly in accordance with the instructions of the parties to the escrow. Escrow checks in the amount of less than \$10,000.00 require one signature only; those in excess of that amount are signed by two officers. This eliminates much delay in handling a large daily volume of such checks.

RECORDING OF INSTRUMENTS

It is necessary to record instruments for our customers and frequently place federal revenue stamps thereon in connection with abstract and title insurance orders. Two accounting problems come up here (a) the handling of the cash where the customers advance the necessary fees and (b) advancing of fees when cash does not accompany the papers. To handle both types we use a recording requisition form (Figure #28).

**Figure #28—
Recording Requisition**

These forms are made up in sheets, six to a sheet, every other sheet being perforated. If cash to cover fees and revenue stamps is received, the form is prepared in duplicate, the perforated copy being sent, along with the paper or papers, to the Register of Deeds' office. We carry a supply of federal revenue stamps in our cashier's cage as part of our imprest petty cash fund and when stamps are required they are purchased and affixed to the instrument. The duplicate copy of recording requisition is returned by the Register of Deeds after the instruments have been placed on record, with the register numbers entered thereon and any changes for recording fees paid as compared with recording fees allowed. Any small differences in fees are usually absorbed or credited to miscellaneous fees. A small charge is made for recording each instrument, the amount of which is entered on the duplicate recording requisition and the cash turned over to the cashier, together with a general credit slip covering all such charges at the end of each day. This duplicate recording requisition is retained until audited by the Auditing Department and is then discarded, the original requisition being retained as a permanent record.

If recording fees, including our service charge and cost of revenue stamps, are to be advanced by the company, the above is somewhat changed. The recording requisition is prepared in triplicate, single pads of blanks being made up so that an additional copy may be inserted between the sheets. The second copy is sent along with the instruments to the Register of Deeds' office and returned by him as previously described. The third (additional) copy is presented to the cashier and is used as a charge slip to obtain the necessary cash and revenue stamps. This requisition is held by the cashier until the return of the second copy from the Register's office, in order that the exact amount disbursed may be ascertained. Additions or reductions are then made to the amount originally advanced, the recording service charge entered and the requisition sent to the Billing Department for the preparation of an invoice covering the amount of fees advanced and service charge and entry on the daily work completed sheet, all such entries being in the miscellaneous column. The date of billing is stamped on the recording requisition. After the billing operation is completed, the requisition is returned to the cashier, who will be reimbursed by the general bookkeeper for the amount advanced, a check being drawn payable to the company and charging miscellaneous income.

EMPLOYEES' CAFETERIA

A lunchroom is maintained for the convenience of our employees, at the main office. It is operated on a non-

profit basis, all costs other than the actual cost of food and supplies being absorbed by the company. Soup, sandwiches, pies, fruit and coffee are served; therefore, there is no inventory problem. The bulk of our supplies are purchased daily. Strips of numbered five and one cent tickets—ten to a strip, are the medium of payment, the strips being handled by the cashier, who is charged with the original value of the first ticket issue. To replenish the ticket stock, cash received from ticket sales is used to purchase additional strips, the resultant credit being to cafeteria income. At the close of business on the last working day of each month, all cash proceeds from the sale of tickets held by the cashier are credited to cafeteria income in order that the exact income for the month may be ascertained. A complete control is thus maintained upon the cafeteria tickets, as the total value of tickets and cash in the hands of the cashier is always constant. As meals are purchased by employees with these tickets, they are punched by cafeteria counter clerks so as to prevent their use again. All supplies purchased for the cafeteria, as well as taxes and licenses specifically applying to this activity alone, are charged to the cafeteria expense account. All other expenses such as salaries, light, heat, etc., are charged against the appropriate expense accounts of the company, as previously mentioned.

COST SYSTEM

We maintain a cost system here based upon what can only be described as a hybrid one; that is, it is based partly upon averaging of monthly costs against the various classes of orders completed in that month and partly upon a direct allocation of such monthly costs against one specific class or more of completed orders. Certain disbursements, such as salaries, travel and entertainment, advertising, telephone charges, light and heat, rent, commissions, losses paid or set aside to reserve, insurance, social security taxes, are distributed among the various departments of the company, the costs so obtained being treated in one or two different ways.

The costs of the first group of departments, made of the legal, abstract, recording, escrow, abstract typing and title guaranty typing departments, are directly allocated to one or more products. The cost of the second group of departments, made up of the plant, city and county taxes, register of deeds, probate, county clerk, bookkeeping, auditing, new business and executive departments, cannot be directly allocated to any product or products but are averaged among all products according to the ratio of orders for each class to total orders. We thereby obtain the department cost of producing the various types of orders. However, there are certain disbursements such as stationery and supplies, bureau dues,

miscellaneous office expenses, legal fees, postage, franchise and personal taxes, which cannot be allocated to any particular department unless an elaborate and expensive record-keeping system is set up. Therefore, we average the sum total of such items against each order completed during the month.

We thus arrive at a cost figure for each class of order completed. No attempt is made to compute the costs on work in progress but uncompleted. All of our figures are based upon completed orders only (orders are considered completed when billed). It is obvious that our system is not 100% accurate but we feel that for a small expenditure of time and money we obtain a valuable guide to the cost of producing our products and the average cost per order.

**BLANKET AND SUB POLICY
INSURANCE RECORDS**

The company issues blanket policies upon entire or portions of unimproved subdivision with an agreement to issue individual lot policies as lots are sold, written in an amount not less than the sales price of a lot for a reduced premium. To maintain an accurate record of these transactions, blanket subdivision cards are used (Figure #29).

**Figure #29—
Blanket Subdivision Card**

Whenever one of these blanket policies is issued, a blanket subdivision card is made up and as individual lot policies (known as sub policies) are ordered, before any work is done on them they are checked against this card to ascertain whether sufficient blanket insurance remains to cover them and also whether they are ordered by the subdivider holding the blanket policy. If these conditions are met, the sub policy order is worked and upon completion and issuance of policy, the amount of insurance is deducted from the blanket subdivision card. When the amount of blanket insurance has been exhausted, if any lots remain unsold, additional insurance is written to cover the value of such remaining lots.

AUDITING

In addition to performing various functions previously mentioned in this paper, the department maintains the cost system, reconciles the various bank statements each month, audits the receipts and general journals, general ledger and balance sheets. Accounts receivable cards are audited monthly both for accuracy of postings and balances, while direct verification with the customers is carried out periodically. All investments are examined by physical count and receipt of income verified. The department spot-checks all billings of charges and the accuracy of the charges themselves, while all cashiers are examined at least once per month to verify actual posses-

sion of imprest petty cash, revenue stamps, etc. and to ensure that all remittances are being credited promptly to the correct accounts.

The Auditing Department is also responsible for the preparation and filing of federal income tax return, insurance department convention blank and state franchise tax return.

This concludes that portion of the paper devoted to this company's accounting practices. As stated at the beginning, we do not feel that we have obtained all the answers or solved all the problems, but possibly this article may provoke sufficient interest and discussion among the member companies so that they and this company may effect needed improvements.

OPERATIONS OF OTHER TITLE INSURANCE COMPANIES

The request was made of eighteen of the larger companies in the indus-

try that they furnish certain information for use in this article. I would like at this point, to thank the officers of the various companies who so willingly and courteously supplied the required data.

For the purpose of comparison, the data supplied has been summarized, the names of the cooperating companies of course being eliminated.

See table at end of exhibits.

CONCLUSION

From the above figures it seems obvious that a great deal of work will have to be done if our industry is ever to achieve any degree of standardization in its accounting systems and methods. For example, two companies maintain their books on the cash basis, while sixteen are on the accrual basis. Nine companies bill title insurance premiums at the time of issuance of commitment or binder and nine wait until

the policy is written. Furniture and fixtures are capitalized by eight, whereas eight others charge these items to expense.

The financial condition of title insurance companies, like that of banks, is a matter of public concern, therefore, the picture presented by each company should have the same general meaning to the public using its services—something that unfortunately is non-existent, at least in a national sense today. For both our own and our customers' protection, our national title association should be urged to take immediate steps to remedy this situation. As a starter, I would suggest a committee composed of representative accounting officials in our industry be formed and empowered to draw up recommendations for standard accounting practices and reports to be adopted by the title insurance companies, such recommendations to be approved by the industry before being put into use.

EXHIBITS ACCOMPANYING PAPER OF MR. VICKERS ARE SHOWN
ON PAGES 10 TO 38 INCLUSIVE

BUSINESS FORMS SERVICE - DETROIT, MICH.

CHARGE GENERAL DISCOUNT CORP. V.
ADDRESS 1605 Barlum Tower, Detroit 26, Michigan CHERRY 5810
WANTED TUES. RUSH October 5, 1947
Abstract and Title Guaranty Company, Dr.,
735 GRISWOLD ST. (OPPOSITE CITY HALL) DETROIT 26 MICH.

DATE October 3, 1947
DESCRIPTION

ORDER NUMBER
M-129432
V-322

Re: 1132 Avon
General Discount Corporation
John A. Adams and Mary, his wife
DELIVER TO: Lot 144 B. E. Taylor's Brightmoor Aviation Field
Subdivision

DATE	ORDER NUMBER	AMOUNT OF POLICY	AMOUNT OF CHARGES			
			T. G. PREMIUM	ABSTRACT	MISC.	TOTAL CHARGES
Oct 5	M-129432	8000.00	48.75	12.50	1.00	62.25

F-30

PLEASE RETAIN THIS INVOICE AS A RECORD OF YOUR TRANSACTION. TERMS: NET 30 DAYS.
FIG. #1.

CHARGE GENERAL DISCOUNT CORP. V.
 ADDRESS 1605 Barlum Tower, Detroit 26, Michigan
 WANTED TUES. RUSH October 5, 1947

DATE October 3, 1947
 DESCRIPTION
ORDER NUMBER
M-129432
V-322

Re: 1132 Avon
 General Discount Corporation
 John A. Adams and Mary, his wife
 DELIVER TO: Lot 144 B. E. Taylor's Brightmoor Aviation Field
 Subdivision

FIG #2.

DETROIT DAILY RECORD OF WORK COMPLETED
Name of Office

For October 5, 1947

	DATE	ORDER NO.	Amount of Policy	AMOUNT OF CHARGES			
				T. G. Premium	Abstract	Misc.	Total Charges
1	Oct 5	M-129432	8000.00	48.75	12.50	1.00	62.25
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
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53							
54							

FIG. #3

DETROIT

F 113

COLLECTION SLIP-CR.

ACCOUNT OF Wilson + Wilson

PAID BY (\$6.00 Returned) X

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.
Oct 4-1947	F162811		41.75

COLLECTION SLIP-CR.

ACCOUNT OF _____

PAID BY _____

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.

COLLECTION SLIP-CR.

ACCOUNT OF Guardian State Bank

PAID BY _____ X

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.
Oct 4-1947	M165208		45.00
	E621943		16.00

COLLECTION SLIP-CR.

ACCOUNT OF _____

PAID BY _____

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.

COLLECTION SLIP-CR.

ACCOUNT OF Fredrick Smith

PAID BY Cash

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.
Oct 4-1947	E620409		15.00
	F148222	32.00	

COLLECTION SLIP-CR.

ACCOUNT OF _____

PAID BY _____

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.

COLLECTION SLIP-CR.

ACCOUNT OF Thomas Martin

PAID BY (Paid by Charles Robinson)

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.
Oct 4-1947	Sept 30 Balance		85.00

COLLECTION SLIP-CR.

ACCOUNT OF _____

PAID BY _____

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.

COLLECTION SLIP-CR.

ACCOUNT OF _____

PAID BY _____

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.

COLLECTION SLIP-CR.

ACCOUNT OF _____

PAID BY _____

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.

COLLECTION SLIP-CR.

ACCOUNT OF _____

PAID BY _____

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.

COLLECTION SLIP-CR.

ACCOUNT OF _____

PAID BY _____

DATE	NUMBER	AMOUNT	
		INADMISSIBLE	ACCOUNTS REC.

FIG #4

TITLE INSURANCE
ANYWHERE IN MICHIGAN

STATEMENT

Abstract and Title Guaranty Company

MAIN OFFICE
735 GRISWOLD STREET - TEL. CHERRY 5810
DETROIT 26, MICH

BRANCH OFFICES

IN ACCOUNT WITH

NORTHWEST BRANCH
15605 WEST MCNICHOLS ROAD
VERMONT 7-5100
DETROIT 19

WESTERN REALTY COMPANY
18701 WEST GRAND RIVER AVENUE
DETROIT 21 MICHIGAN

ABSTRACTS
TITLE INSURANCE
TAX REPORTS
ESCROW

FERNDALE 20
109 EAST NINE MILE ROAD
ELMHURST 6703 - LINCOLN 1-4750

IN CONNECTION WITH
REAL ESTATE LOCATED IN
WAYNE, OAKLAND AND
MACOMB COUNTIES

PONTIAC 15
18 W LAWRENCE STREET
PHONE 5118

MT CLEMENS
46 SO. GRATIOT AVT
PHONE 2567

PLEASE FORWARD ALL REMITTANCES TO DETROIT OFFICE.

DESCRIPTION	DATE	ORDER NUMBER	DEBITS	CREDITS	BALANCE
	OCT 10	E61	2,566		100.00
	OCT 10	M12	4,389		
				<u>20.00</u>	130.00

ALL CHARGES ARE NET CASH PAYABLE ON THE TENTH OF THE FOLLOWING MONTH

THE LAST AMOUNT
IN THIS COLUMN IS
YOUR BALANCE

FIG #5

Underscored figure prints in red

BUSINESS FORMS SERVICE, DETROIT

FORM F-18

LEDGER

A

NAME WESTERN REALTY COMPANY
 18701 WEST GRAND RIVER AVENUE
 ADDRESS DETROIT 21 MICHIOAN

FOLIO NUMBER _____

DESCRIPTION	DATE	ORDER NUMBER	DEBITS	CREDITS	BALANCE	PROOF
	OCT 10	E61 2,566	50.00		100.00	100.00
	OCT 10	412 4,389		20.00	130.00	**

F 21 B F S

ABSTRACT AND TITLE GUARANTY COMPANY -- DETROIT, MICH

FIG. #6

CREDIT ADJUSTMENT NOTICE

DETROIT PONTIAC MT. CLEMENS

TO BOOKKEEPER

Date September 28, 1947

Refund }
 Cancel } Credit Re

Premium \$ 37.50

Service or Abstract } Charge \$ _____

Order No. W132806 for

Reduce }
 Charge Off }
 Cancel } Charge Re

Transfer Charge From account of _____ (Use only for transfers)

Paid on September 8, 1947 to account of West Side Realty Inc.

Billed on _____ (Date)

Also Reduce } Insurance on above Order in amount of \$ 5,000.00

Cancel }

T. Roe
Authorized Official

Bookkeeper B.D.
(Initials)

Liability Records B.D.
(Initials)

PREPARE IN DUPLICATE - ATTACH SECOND COPY TO ORDER SHEET

F 276

FIG #7.

BONDS AND SECURITIES



COLUMBUS, O
PFENING AND SNYDER

M-REFERENCE COPYRIGHT 1924-1929

FORM NO. 1

NAME <i>United States Treasury</i>		KIND OF BUSINESS	
ADDRESS		MARKET	
CLASS <i>Series 66-71</i>	PAR VALUE <i>100</i>		AFTER
CONVERSION FEATURES	CALLABLE AT <i>Par 20</i>		YRS
INTEREST DATES <i>June 15 + December 15</i>	RATE <i>2 1/2</i>	YIELD	%
WHERE PAYABLE	MATURITY DATE <i>12-15-71</i>		
TRUSTEE	ISSUE DATE <i>12-15-46</i>		
TAX STATUS <i>Taxable</i>	STATE OF INCORPORATION		
REMARKS	WHERE DEPOSITED <i>Third National Bank Vault</i>		

PURCHASED THROUGH	DATE BOUGHT	SERIAL NUMBER	DENOMINATION	PRICE	ACCRUED INTEREST	COMM	COST	TOTAL INVESTMENT
<i>Third National Bank</i>	<i>12-20-46</i>	<i>3001A</i>	<i>10,000</i>	<i>10000</i>	<i>0</i>	<i>0</i>	<i>10,000.00</i>	<i>10,000.00</i>

SOLD THROUGH	DATE SOLD	SERIAL NUMBER	DENOMINATION	PRICE	ACCRUED INTEREST	COMM	AMOUNT RECEIVED	PROFIT OR LOSS

DATE	AMOUNT RECEIVED	TAX	DATE	AMOUNT RECEIVED	TAX	DATE	AMOUNT RECEIVED	TAX
<i>6-15-47</i>	<i>125 00</i>							

FIG. *9.

STOCKS

COMPANY <i>Blank Manufacturing Co.</i>		KIND OF BUSINESS <i>Motors -</i>	
ADDRESS		EXCHANGE	
TRANSFER AGENT <i>Security Trust Co. - Chicago, Ill</i>	PAR VALUE <i>20⁰⁰</i>		
PARTICIPATING FEATURES	COMMON <i>X</i>	DATE OF ISSUE	
CONVERSION FEATURES <i>None.</i>	CALLABLE AT		AFTER YRS
DIVIDEND DATES <i>April 1 - July 1 - Oct 1 - Jan 1.</i>	RATE	YIELD	%
WHERE DEPOSITED <i>Third National Bank Vaults.</i>	MARGINED COLLATERAL OWNED OUTRIGHT <i>X</i>		
REMARKS			

	NAME OF BROKER	DATE BOUGHT	NO SHARES	CERTIFICATE NUMBER	PRICE PER SHARE	TAX	BROKER COMM	COST	TOTAL INVESTMENT
A	<i>Smith Co</i>	<i>2-4-47</i>	<i>100</i>	<i>X 211</i>	<i>28.</i>	<i>1⁰⁰</i>	<i>20⁰⁰</i>	<i>2821.00</i>	<i>2821.00</i>
B									
C									
D									
E									
F									

	NAME OF BROKER	DATE SOLD	NO SHARES	CERTIFICATE NUMBER	PRICE PER SHARE	TAX	BROKER COMM	AMOUNT REC'D	PROFIT OR LOSS
A									
B									
C									
D									
E									
F									

DIVIDEND RECORD

DATE	RATE	NO SHARES	AMOUNT DIVIDEND	DATE	RATE	NO SHARES	AMOUNT DIVIDEND	DATE	RATE	NO SHARES	AMOUNT DIVIDEND
<i>4-1-47</i>	<i>20¢</i>	<i>100</i>	<i>20.00</i>								
<i>7-1-47</i>	<i>25¢</i>	<i>100</i>	<i>25.00</i>								
<i>10-1-47</i>	<i>25¢</i>	<i>100</i>	<i>25.00</i>								



COLUMBUS, O.

OPENING AND SNYDER.

"M-I-REFERENCE" COPYRIGHT. 1924-1929

FORM NO. 2

FIG #10

LOAN TO *William Williams + Mary Williams, His Wife*
 ADDRESS *1885 West Pleasant Street - Detroit - 18 - Mich.*
 ASSUMED BY
 ASSIGNED BY TO DATE

LOAN NO. *4921*
 SHEET NO. *1*

DESCRIPTION OF SECURITY

RATE *6* %

*Mortgage covering lot '92 East Park Sub; 1885 West Pleasant Street
 Dated April 26-1947
 Due Sept 1-1955
 Detroit - 18 - Mich*

PRIN. PAYABLE *\$62.00 monthly beginning June 1-1947* INT. PAYABLE *Monthly - 1st*
 EST. VALUE, \$ *12,600.00* ASSESSED VALUE, \$ *10,000.00* INS. REC'D \$ POLICY NO.
 NAME OF INSURANCE COMPANY

MORTGAGE RECORDED *April 28-1947* LIBER *8085* MORTGAGES, PAGE *61*
 ASSIGNMENT RECORDED W.C.R.

K. DILLON LINE
 ACCOUNTING DEVICES
 FORM NO. MTG. 111
 GREGORY, MAYER & THOR CO
 DEPT. 111
 100 N. WABASH
 CHICAGO, ILL.
 (PRINTED IN U. S. A.)

DATE	PRINCIPAL LOANED	PRINCIPAL PAID	BALANCE PRINCIPAL	INTEREST WHEN DUE			AMOUNT OF INTEREST	INTEREST WHEN PAID		
				MONTH	DAY	YEAR		MONTH	DAY	YEAR
<i>1947</i>										
<i>April 26</i>	<i>6200.00</i>									
<i>June 2</i>		<i>62.00</i>	<i>6138.00</i>	<i>6</i>	<i>1</i>	<i>47</i>	<i>35.13</i>	<i>6</i>	<i>2</i>	<i>47</i>
<i>July 3</i>		<i>62.00</i>	<i>6076.00</i>	<i>7</i>	<i>1</i>	<i>47</i>	<i>30.69</i>	<i>7</i>	<i>3</i>	<i>47</i>

AMOUNT FORWARDED

FIG #11

Abstract and Title Guaranty Company

DETROIT 26, MICHIGAN

A 1475

DATE

PAY TO THE ORDER OF

OCTOBER 10 1947

CONSUMERS OFFICE SUPPLY COMPANY

\$ 106.53

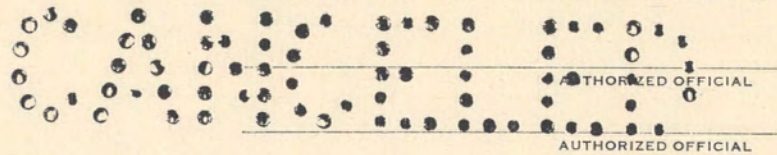
ABST. TITLE
GUARANTY CO. **8106253018**

Abstract and Title Guaranty Company

NATIONAL BANK OF DETROIT

9-32

DETROIT, MICHIGAN



DESCRIPTION	DATE	INVOICE NO.	GROSS	DISCOUNT	CHECK
SEPTEMBER STATEMENT	10-1-47		108.65	2.12	106.53

D-2	32.16
D-7	28.43
D-19	45.94

Abstract and Title Guaranty Company

DETROIT 26, MICHIGAN

A 1475

DATE

PAY TO THE ORDER OF

OCTOBER 10 1947

CONSUMERS OFFICE SUPPLY COMPANY

\$ 106.53

AMOUNT PAID 106.53 CTS

COPY — NON NEGOTIABLE

NATIONAL BANK OF DETROIT

9-32

DETROIT, MICHIGAN

DESCRIPTION	DATE	INVOICE NO.	GROSS	DISCOUNT	CHECK
SEPTEMBER STATEMENT	10-1-47		108.65	2.12	106.53

				D-2	32.16
				D-7	28.43
				D-19	45.94

F 267 46102M

PATHFINDER SEALED SPOT U.S. PAT. NO. RE 16921

ABSTRACT AND TITLE GUARANTY COMPANY · DETROIT, MICH.

CHECKED BY

cam

AUDITED BY

lyso

SIGNED BY
FIG #13.

AND

CHECK REGISTER

D. J. 48

DATE	PAID TO THE ORDER OF	AMOUNT OF CHECK	DISCOUNT	BANK NO.	CHECK NO.	ASSETS		LIABILITIES		INCOME		EXPENSE		PROOF
						ACCT.	AMOUNT	ACCT.	AMOUNT	ACCT.	AMOUNT	ACCT.	AMOUNT	
OCTOBER 10 1947	CONSUMERS OFFICE SUPPLY COMPANY	106.53		A-3A	A-1,475									
		106.53 T					.00 T		.00 T		.00 T			
												D-2	32.16	
												D-7	28.43	
												D-19	45.94	.00
													106.53 T	.00

ABSTRACT AND TITLE GUARANTY COMPANY
 DETROIT, MICH.
 FIG. #14.
Undescored figure prints in red

RECEIPTS JOURNAL

P. LEY, BRIDGE, WATER & TOWN CO., DENVER, CO. 61131

DATE	PAYABLE BY	DR		CR — GENERAL LEDGER										
		BANK	ACCT NO	ACCTS RECEIVABLE	ACCT NO	OTHER ASSETS	ACCT NO	LIABILITIES	ACCT NO	INCOME	ACCT NO	EXPENSES	ACCT NO	
1947														
Oct 10	Continental Bank Co.	224016	DR			183450	DR						405100	DR

FIG # 18

TRANSFER
VOUCHER

Abstract and Title Guaranty Company

TRN NO. 5206

DATE September 30, 1947

DEBIT		REMARKS	CREDIT	
ACCOUNT	AMOUNT		ACCOUNT	AMOUNT
<u>Q-21</u>	<u>1236.55</u>	<u>September purchases - Furniture & Fixtures</u>	<u>L-16</u>	<u>1236.55</u>

CHECKED BY Gem AUDITED BY [Signature] APPROVED BY _____
FBI-1M-10-40-H.P.CO. FIG. #18 AUTHORIZED OFFICIAL _____

Doe, Charles J.

Abstract and Title Guaranty Company

PAY ENDING	PRIOR EARNINGS	EARNINGS		EARNINGS TO DATE	PRIOR EARNINGS	GROSS AMOUNT	DEDUCTIONS			
		REGULAR	OVERTIME				F. O. A. T.	INCOME TAX	INSURANCE	OTHER
OCT 15 47		122.50		122.50		122.50	1.23	17.00	2.98	

THIS STUB IS FOR YOUR PERSONAL RECORDS - PLEASE RETAIN FOR INCOME TAX PURPOSES.

FORM 195

FIG. 19

Abstract and Title Guaranty Company No. 242

DETROIT, MICH.

PAY TO THE ORDER OF	CHECK NUMBER	DATE PAID	AMOUNT
CHARLES J. DOE	242	OCT 15 47	\$ 101.29

ABST. TITLE GUARANTY CO. **PAY TO THE ORDER OF** **101.29** DOLLARS

THE MANUFACTURERS NATIONAL BANK OF DETROIT

Abstract and Title Guaranty Company

9-33 DETROIT, MICHIGAN

9-33

VOIS.

AUTHORIZED OFFICIAL

FIG. 19A

PAYROLL PROOF SHEET

OCTOBER 15 1947 SHEET 1

PAY ENDING	PRIOR EARNINGS	EARNINGS		EARNINGS TO DATE	PRIOR EARNINGS	GROSS AMOUNT	DEDUCTIONS				N A M E	CHECK NUMBER	DATE PAID	AMOUNT
		REGULAR	OVERTIME				F O A T	INCOME TAX	INSURANCE	OTHER				
		122.50		122.50		122.50	1.25	17.00	2.98		CHARLES J. DOE	242	OCT 15 47	101.29
		122.50	.00	122.50		122.50	1.25	17.00	2.98				OCT 15 47	101.29

FIG. *20.

PAY ROLL RECORD

NAME	Doe, Charles J.	SOCIAL SECURITY NUMBER	275 09 4587
ADDRESS	9578 Main Street	PHONE	
PLACE OF BIRTH		WITHHOLDING STATUS	1
DATE OF BIRTH		CITIZEN	
		SEX	Male
SALARY AND INCREASES	245.00	POSITION	Clerk
		DEPARTMENT OR BRANCH	General
EMPLOYED	9-15-45	EMPLOYMENT TERMINATED	
		REASON	

PAY ENDING	PRIOR EARNINGS	EARNINGS		EARNINGS TO DATE	PRIOR EARNINGS	GROSS AMOUNT	DEDUCTIONS			
		REGULAR	OVERTIME				F. O. A. T.	INCOME TAX	INSURANCE	OTHER
OCT 15 47		122.50		122.50		122.50	<u>1.23</u>	<u>17.00</u>	<u>2.98</u>	

FIG. #21

Underscored figures print in red

ESCROW LEDGER

ACCT. No. 23857

I T E M S	DATE	CHECK NUMBER	AMOUNT OF CHECK	DEPOSITED	PRIOR BALANCE	NEW BALANCE
DEPOSIT	OCT 10 47			7,500.00		7,500.00 *
PENROD STATE LIFE INSURANCE CO.	OCT 10 47	75,839	<u>2,490.00</u>		7,500.00	5,010.00 *

Abstract and Title Guaranty Company - - Detroit, Mich.

FIG. 22
Underscored figures print in red

ESCROW JOURNAL

SHEET 1 OCTOBER 10 1947

ACCT NO.	ITEMS	DATE	CHECK NO.	AMOUNT OF CHECK	DEPOSITED	PRIOR BALANCES	NEW BALANCES
23,857	DEPOSIT	OCT 10 47			7,500.00	7,500.00	7,500.00
23,857	PENROD STATE LIFE INSURANCE CO.	OCT 10 47	75,839	2,490.00			5,010.00
		OCT 10		2,490.00 T	7,500.00 T		5,010.00

BUSINESS FORMS SERVICE - DETROIT

ABSTRACT AND TITLE GUARANTY COMPANY - DETROIT, MICH.

FIG #23

Abstract and Title Guaranty Company

No. 75839

⁹⁻³¹
720

Detroit, Mich., October 10, 1947

ESCROW FUNDS

Pay to the order of Penrod State Life Insurance Company \$ 2,490.00

COMMONWEALTH BANK

9-31 Detroit, Mich. 9-31 C 24

COPY-NON NEGOTIABLE

CHARGE L 15

DATE	ESCROW NO	DESCRIPTION	CHECK
10-10-47	23857	Penrod-Jones	\$2,490.00

F 142

ORDERED BY oag

CHECKED BY G.M.

SIGNED BY _____

AND _____

FIG. 24

Abstract and Title Guaranty Company

No. 75839

⁹⁻³¹
720

Detroit, Mich., October 10, 1947

ESCROW FUNDS

Pay to the order of Penrod State Life Insurance Company \$ 2,490.00

ABST. TITLE GUARANTY CO. \$2,490.00 DOLLARS

Abstract and Title Guaranty Company

COMMONWEALTH BANK

9-31 Detroit, Mich.

9-31 C 24

AUTHORIZED OFFICIAL

AUTHORIZED OFFICIAL

ONE'S SIGNATURE ONLY REQUIRED - UNDER \$10,000.00

PLEASE DETACH BEFORE DEPOSITING

CHARGE L 15

DATE	ESCROW NO	DESCRIPTION	CHECK
10-10-47	23857	Penrod-Jones	\$2,490.00

⊕

ABSTRACT AND TITLE GUARANTY COMPANY

735 GRISWOLD STREET

DETROIT 26, MICHIGAN

FIG. 25.

DISBURSEMENT ORDER AND BORROWER'S RECEIPT

Name of Borrower Kenneth W. Jones and Thelma Jones, his wife, Loan No.
 Mailing Address 12234 Lenox Avenue City and State Detroit, Michigan
 Property Address 12234 Lenox Avenue City and State Detroit, Michigan
 Date of Note January 10, 1947 Amount of Note \$7,500.00 Maturity February 1, 1967

DISBURSEMENTS

A. Refund Obligations:		Amount
1. Taxes		\$
2. Penrod State Life Insurance Co. - Principal	\$2,465.00	
3. Interest	25.00	2,490.00
4. John W. Doe and Anna Doe		5,265.00
5. Revenue Stamps		9.90
6. Recording discharge		.50
B. Expenses of Making Loan:		
1. Title Policy		27.50
2. Escrow Fee		10.00
3. Title Search		
4. Recording Fees	Mortgage 4.50, Deed 1.25	5.25
5. Survey		13.00
6. Initial Service Charge		
7. Investigation Fee		
8. F.H.A. Appraisal Fee		
9.		
10.		
11.		
12.		
C. Escrow Deposits:		
1. Fire Insurance Premium		45.00
2. Tornado Insurance Premium		
3. Insurance Renewal Escrow		3.20
4. F.H.A. First Annual Insurance Premium	to	25.70
5. Interest	to	16.25
6. Taxes, County and State \$.....	City \$.....	2.90
7. 1/12 F.H.A. Annual Insurance Premium		
8.		
9.		
10.		
Total		\$7,914.20
Paid to Borrower or Refunded by Borrower		\$114.20
Net Total		\$7,500.00

DETAILS OF MONTHLY PAYMENTS BEGINNING THE FIRST DAY OF19.....

Principal and Interest Payment	\$
Deposit for Taxes and Assessments	
Deposit for Casualty Insurance Premium	
Deposit for F.H.A. Insurance Premium	
Total Estimated Monthly Payments	\$

STATEMENT OF BORROWER'S

The undersigned hereby authorize Abstract and Title Guaranty Company, Agent for Grand Haven Life Insurance Company to make expenditures and disbursements listed above and hereby approve the same for payment. The undersigned also acknowledge receipt of \$.....7,500.00..... and certify that the signatures of the undersigned on the note and mortgage furnished as security for same are genuine, and that the consideration therefor was actual, adequate and valid, without offset or defense. In the event that the building is completed and final inspection passed by Federal Housing Administration, you are hereby authorized to disburse all funds remaining in your possession in payment of liens or claims for the construction of said buildings.

Dated at Detroit, Michigan, this 10th day of January 1947

Kenneth W. Jones
 Borrower's Signature (Husband)
Thelma Jones
 Borrower's Signature (Wife)

FIG *27

R ORDER No.	E	RECORDING REQUISITION		Recording No. 33415
M	164799	ABSTRACT AND TITLE GUARANTY COMPANY (Make triplicate copies if fees are to be advanced)		No. Oct 6 19 47
F		Wayne <input type="checkbox"/> Oakland <input type="checkbox"/> Macomb <input type="checkbox"/>		

Type of Instrument	Grantor and Grantee Mortgagor and Mortgagee	Fees Allowed	Over or Short	Register Number
W-Deed	Green to Black.	1.25		
Mortgage	Black to Downtown Mortgage Co.	4.50		
			7.54	
		Service Charge \$		
	Lot 315 - Northend Subn.			

Recording Fees Charge Herewith Check Cash

Name of Customer: Downtown Mortgage Company \$ 5.75

Address: 300 Guswold Street Date Billed: _____

Form 189 Address Date Billed

FIG. 28.
ESCROW JOURNAL

Summary of Information Supplied by Other Companies

<u>ITEM</u>	Company No. 1	Company No. 2	Company No. 3	Company No. 4	Company No. 5	Company No. 6	Company No. 7	Company No. 8	Company No. 9	Company No. 10	Company No. 11	Company No. 12	Company No. 13	Company No. 14	Company No. 15	Company No. 16	Company No. 17	Company No. 18
Mechanical System Used																		
--for Billing	Yes	No	Yes	No	No	No	No	No	No	No	No	No	No	Yes	Yes	No	No	No
--Accounts Receivable	Yes	Yes	Yes	No	Yes	No	Yes	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No
--Payroll	Yes	Yes	No	No	No	No	No	No	No	Yes	Yes	No	No	Yes	No	No	No	Yes
—General Ledgers	No	No	No	No	No	No	No	No	No	No	No	Yes	No	No	No	No	Yes	No
--Accounts Payable	No	No	No	No	No	No	No	No	No	No	No	Yes	No	No	No	No	No	No
Title Insurance Premiums Billed at Issuance of Policy or Commitment	Commit	Policy	Policy	Commit	Commit	Policy	Policy	Commit	Policy	Commit	Commit	Commit	Commit	Policy	Policy	Policy	Policy	Commit
Books on Cash or Accrual Basis	Cash	Cash	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual	Accrual
Federal Taxes Accrued	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Title Plants Carried at Original Cost	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No
Accounts Payable Maintained	No	No	No	No	No	Yes	No	Yes	No	Yes	No	No	No	No	No	No	No	No
Furniture and Fixtures Capitalized or Charged Off to Expense	Exp.	Exp.	Surplus	Exp.	Capit.	None	Capit.	Exp.	Capit	Exp.	Exp	Capit.	Exp.	Capit.	Capit.	Capit.	Capit.	Exp.
Title Insurance Losses Charged against Reserve or Expense	Res.	Res.	Exp.	Res.	Res.	Res.	Res.	Res.	Exp.	Exp.	Exp.	Res.	Res.	Res.	Res.	Res.	Res.	Res.
Reserve for Abstract Losses Set Up	Yes	Yes	No	No	Yes	No	No	No	No	No	No	Yes	No	No	No	Yes	No	Yes
Cost System Maintained	Yes	No	No	No	No	No	No	Yes	No	No	Yes	No	No	No	No	Yes	No	Yes
Various Types of Charges Segregated in Billing System	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Federal Income Tax Returns Filed Under Section	No.13	No.13	No.204	No.204	No.13	No.204	No.204	No.204	No.204	No.204	No.204	No.13	No.13	No.13	No.204	No.204	No.204	No.13

Accounting and Auditing Practices

A PANEL DISCUSSION

MEMBERS OF THE PANEL:

Thomas J. Lloyd, President, Pueblo Title Guaranty Co., Pueblo, Colorado.

Byron S. Powell, Vice-President, DuPage Title Co., Wheaton, Illinois.

Donald B. Graham, Vice-President, The Title Guaranty Co., Denver, Colorado.

Howard D. Clark, Sec'y, First Abstract and Title Corp., Valparaiso, Indiana.

CHAIRMAN EARL C. GLASSON:

Following along largely with this idea, we come to a panel upon accounting and auditing practices. I do not know how many of you gentlemen are auditors or accountants. I do know that everyone of you wants to know the sources from which your income comes, the places in which you have to apply it, and what you have left for yourself at the end of your accounting period. We have asked Mr. Thomas J. Lloyd, President, Pueblo Title Guaranty Company, Pueblo, Colorado, to head this panel, and it will also consist of Mr. Howard D. Clark, Secretary, First Abstract and Title Corporation, Valparaiso, Indiana, and Mr. Donald B. Graham, Vice-President, The Title Guaranty Company, Denver, Colorado. We have had to substitute Mr. Byron S. Powell, of Wheaton, Illinois, for Mr. Clark, due to Mr. Clark's illness. However, his paper will be carried in "Title News."

Will you gentlemen please come forward and take over.

Ladies and gentlemen, the gentleman who will start this off will be Mr. Thomas J. Lloyd, President, Pueblo Title Guaranty Company, Pueblo, Colorado.

MR. LLOYD: Ladies and gentlemen: I had not thought of coming before

you to give this paper when sometime ago your chairman wrote me. In fact, he wrote several members of the committee, and wanted each of us to prepare something for a bulletin, and he named several subjects. He was gracious enough to allow us to select any one of those particular subjects which he mentioned. Having had a little accounting experience I thought I could prepare a paper on accounting. I sent it on in to him, and the first thing I knew he put me in this program, and so we are going to attempt to tell you something about it.

First, I will have Mr. Graham from Denver read his paper. Mr. Donald B. Graham is the Vice President of The Title Guaranty Company, Denver, Colorado.

MR. GRAHAM: In the first place, this is not my paper. Mr. Howard Clark of Valparaiso, Indiana, was on this panel, and he prepared a paper, and then found that he could not come. While a good many of the things which he says in here seem to be right, correct, to me, there are several things I do not quite agree with.

'OUR AUDITING PRACTICES'

By HOWARD D. CLARK

Secretary-Treasurer, First Abstract & Title Co., Valparaiso, Indiana

First, I am not an Auditor nor a C. P. A.

Second, my business is and has been confined to a city of 9,000 and county population of 27,000.

Third, in Indiana we have a 1% tax on gross income.

Consequently, the best I can offer is our method of accounting which was worked out over a period of half a dozen years with our accountant.

Regular Audits

To begin with, let me make this suggestion: If you are not employing an independent accountant or auditor to go over your books and records periodically (say every quarter), you should. Our accountant comes out from Chicago five times a year—once for each quarter and again in February or March to run a recapitulation of the four quarters and prepare our Federal Income Tax returns.

Equipment

A reasonably simple bookkeeping set up for the average abstract concern shall consist of: Cash Receipt's Record; a Cash Disbursed Record; a Journal; an Accounts Receivable Ledger (loose leaf) and a Control Ledger. All journal entries should be made by your Auditor, in my humble opinion.

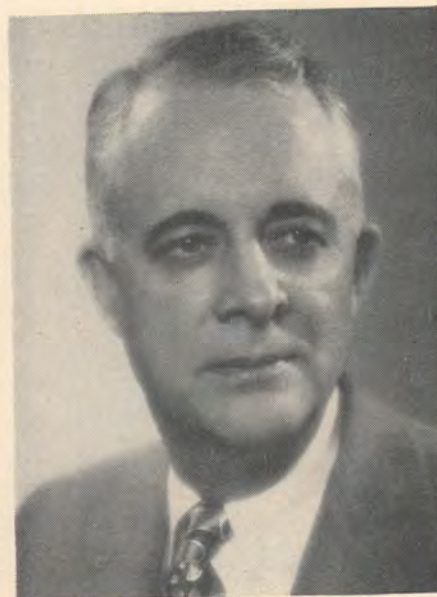
The Cash Receipt's Record should contain: Name of Payor; Abstract Number; a General Amount Column; a Bank Deposit Column; an Advances Column; an Accounts Receivable Column, and an Escrow Column.

(a) Payor's name is used as a check against the Accounts Receivable Ledger; Abstract Number, to check against the Control Ledger. Our business is on a strictly cash receipts basis, so the General Amount Column shows the total cash received for the transaction. In order to avoid paying the 1% Gross Income Tax on our own money, we set up the Advances Column and list therein the repayment of all fees advanced. The Accounts Receivable Column represents the abstract fee and is the basis of our Gross Income. The Escrow Column is a record of funds received for others or for a specific purpose, other than payment for abstract services or advances—with this



THOMAS J. LLOYD

President, The Pueblo Title Guaranty Co., Pueblo, Colorado



DONALD B. GRAHAM

Vice-President, The Title Guaranty Co., Denver, Colorado

exception: As all monies received for abstract services must be credited to an abstract or job number; prepayment receipts must be entered under escrow and later charged out to the specific job number when job is finally completed and entered in accounts receivable.

Receivables

Accounts Receivable: Keep a loose leaf binder, or other alphabetical filing device. Upon payment, remove the page from the alphabetical device. We destroy same six months after payment. The Accounts Receivable control sheet is a 14 columnar sheet. First column, the job or abstract number; second column, the amount receivable; the other 12 are for the months of year. When an account is paid the amount is set up in the column for the proper month. At the end of the particular month, that column is added and the total should be the amount set out in the Accounts Receivable Column of the Cash Receipts Record.

Disbursements

Disbursements: The general disbursement record shows all disbursements except small items paid out of petty cash—as all disbursements are made by check. Have as many columns as desired for required break down.

Assets and Liabilities

The rest of our bookkeeping and accounting is technical—as far as I am concerned. It deals with the Journal which is kept entirely by our Auditor. This he has divided into Assets, Liabilities and Income and Expenses.

Under Assets he shows Bank balances; Bonds; Cash on Hand; Accounts Receivable; Advances Receivable; Reserve for Doubtful Accounts; Office Equipment; Reserve for Depreciation; Leasehold Improvements and Reserve for Depreciation, and Abstract Books.

Under Liabilities he shows Employee's Savings Bonds Accounts; Accrued Federal Income Tax; Accrued Federal O. A. B. Tax; Accrued Unemployment Compensation Tax; Reserve for Withholding Tax; State Gross Income Tax; Profit and Loss; Stock Authorization and Issues, and Surplus.

Income and Expense is broken down into many and sundry divisions, showing a complete breakdown of Income and Expense. All of what has been said to this point is common knowledge to all, maybe in one form or another.

When I was informed of my appointment to this committee—the appointment read "Discussion of Accounting and Auditing Practices . . . that the matter cover not only the matter of strict accounting and auditing but that it go into the more theoretical aspects . . . such as adequate reserves for losses and contingencies, proper account set ups and proper percentage proportions of assets . . . meaning proper percentage of capital investment in the various capital accounts, proper ratio of quick assets to quick liabilities, and the proper percentage of expense to income."

My answer was, and I still stick to it, "Know nothing about theoretical aspects, darn little about accounting and auditing."

So far you have been indoctrinated with my knowledge of accounting and auditing. For fear the salient point went by while you were dozing, let me repeat. Acquire the services of a C. P. A. or good accountant, let him set up your books; you keep only the Day Books of Cash Receipts and Disbursements, and let the accountant do the rest, and you forget all about it. If he is connected with a firm that subscribes to Treasury Department Rulings he will save you his fee, year in and year out on your Income Tax.

Now to Theoretical Aspects.

Adequate Reserves

1. Adequate Reserves for losses and contingencies coupled with proper ratio of quick assets to quick liabilities.

If you have not had any losses to speak of in the past the Federal Government will not allow you to set up a Loss Reserve and deduct same for Income Tax purposes, even though you argue until you are blue in the face that tomorrow you may have a \$5,000 loss. The Treasury Department answer is: The Government only takes away from you about one-half your profit. Buy Government bonds with the other half and if you have a loss, cash in your bonds if you don't have enough cash—pay the loss—THEN deduct the loss from the tax return for the year in which the loss occurred. Adequate reserves and proper ratio of quick assets to quick liabilities can be summed up—save as much as the Government will let you and keep the paltry sum either in cash in a good bank or invest in Government bonds. One of our banks has a slogan which fits the picture: "Don't Spend it All."

Watch Your Receivables

As to proper account set ups and proper percentage proportion of assets, I believe I covered the first in dealing with simple bookkeeping for a small abstract firm, namely: You hire yourself a darn good accountant to audit your books and he'll see to it that you have the proper account set up. Proper percentage proportion of assets could mean many things: (A) **Don't let your accounts receivable get too large and top heavy.** I would say never let them get over 10% to 15% of your gross business. The average firm operates on a 10% to 15% profit—consequently, you have no profit except as shown by accounts receivable. (B) **Don't invest in a lot of expensive equipment unless same will definitely pay for itself within a year or two, either by work produced by it that is sold and paid for; or by a definite salary saving that can be chalked up each month.** (C) There is no question but what the bulk of your assets will be tied up in your tract indices, and other indices necessary for safe and speedy operation, what percentage of your total assets you have in your plant is strictly your business.

Capital Investments

Capital Investment in Various Capital Accounts. There is not a chance in the world in turning this dissertation into a college course in Business Administration, so I cannot deal with this particular subdivision with any degree of comprehension. Your Capital Accounts are probably divided into three parts if you are the owner of the building occupied by your plant; one part being building and the other your plant; the third, other equipment. If you rent, then you only have two capital accounts, your abstract books; second, desks, typewriters, dictaphones, multigraphs and other such equipment.



BYRON S. POWELL
Vice-President, DuPage Title Company,
Wheaton, Ill.



HOWARD D. CLARK
Sec'y-Treas., First Abstract & Title Corporation,
Valparaiso, Indiana

Depreciation

What your depreciation charge is, is pretty firmly fixed. If your building is brick, about 2%; if frame, possibly 4%. Your tract books really appreciate, but you are allowed a depreciation, I believe about 5%. Desks, typewriters, machines, etc., can be written off over a five-year period. But, unless you are figuring on five-year replacements, it might be penny wise and pound foolish to write off depreciation too quickly. We take no depreciation on tract indices.

All of these problems you have struggled with. You who have large plants have no doubt hired a very good Auditor or Bookkeeper well versed in each and every one of these points.

For those of you who operate a small plant such as ours—and who do not have a competent Auditor go over your books periodically—do so. Let me give you my reason for this: A few years ago there was a change in the Income Tax law—or a new Treasury ruling, or something. I never did read or hear about it. But our Auditor did. He prepared forms for us to submit claiming between Two and Three Hundred Dollars tax refund. Consequently a Treasury man walked in, asked to go over our books. It took him only one day to cover a three-year period. When he left he complimented me on the simplicity of our records; their accuracy in stating the entire financial transactions of the company.

Corporation Record Book

At this point I want to digress again, and then I'll close. This has nothing to do with your Auditing practices. If you operate as a Corporation, and especially a more or less privately owned corporation, don't overlook your Corporation Record Book. Be certain that you show a stockholders' meeting every year; a Board of Directors' meeting at least once or twice a year. And, if you make any heavy purchases, let the same be approved by the Board. Also, salaries of officers should be fixed by your Board. This little book was carefully scrutinized by the Treasury investigator and I was glad that we had diligently kept such a record, and kept it current.

So, in closing. Hire yourself an Auditor, if only part time or quarterly. Let him set up your records. Then keep them diligently, accurate and clean. He will do the rest for you. Then let your Board of Directors' minutes speak the management of your business, if you are a corporation.

MR. GRAHAM: Yesterday, when this topic was discussed in the Title Insurance Section, after the panel had completed its various talks, one of our very prominent members got up and said, "Why don't we carry our plants at one dollar and quit kidding ourselves and our customers?" He got an answer very quickly, as you always do in a case of that kind. The answer was that the plant should be carried

at a reasonable figure, one that you would be sure you could dispose of the plant in a reasonable length of time. As someone has suggested this morning, most of us have not changed that figure for many years.

MR. LLOYD: This is the paper which I prepared:

ACCOUNTING

By **THOMAS J. LLOYD, President**

*The Pueblo Title Guaranty Company,
Pueblo, Colorado*

It is my privilege to address you at this time, not as an expert, nor as an abstracter of long experience, but as a comparative newcomer in your field of endeavor. I am fully aware of the fact that the abstract business is a lifetime study wherein many angles are involved which much be given much thought and careful consideration if the business is to be successfully conducted, therefore, while looking over this group present here today I feel hesitant to offer suggestions or advice to those among you having far more knowledge and experience than I. I am not what is considered in the accounting profession, an expert; nor do I wish to imply that I am an authority on the subject.

You may, perhaps, be interested in my background insofar as it concerns the subject under discussion. Most of my business relations have been with the Steel Industry where I was active in the various divisions of their accounting departments. I am inclined to think, however, that it makes little difference whether we are dealing with in the Steel Industry, Merchandising or the Abstract business, the fundamental principals are identical, as all are striving for the same goal, namely, **net profits** at the termination of each year. Most business men are allergic to **red** when applied to their ledgers.

Universality of Problems

Each business, including the Abstract business, has its own problems, depending upon the local situation surrounding that business; likewise each individual Manager may have his or her own problems together with their own ideas regarding the proper method of conducting the business, therefore, a system of accounting is indicated which will conform to that particular business. We cannot hope to be successful if we attempt to make our business, as individuals, conform to a system which may or may not be adapted to it. There is no common mould, and all we can do at this time is to endeavor to formulate a "yard stick" which may be helpful to you in conducting your own bookkeeping system.

Simplicity

In conducting the average abstract business, it occurs to me that it is not at all necessary nor desirable to maintain such an elaborate system of accounts which requires the services of a Certified Public Accountant, but on

the other hand, an accounting system should be inaugurated with simplicity, bearing in mind that the ordinary employee in the abstract business has not acquired the training or experience in accounting comparable to that afforded in other branches of business.

The primary object of any system of bookkeeping is to provide the Management with reliable information as to the financial status of the business at any given time. Federal requirements are becoming more burdensome and involved, with each succeeding day, which means that if our system of accounts is to be of value it must reflect in summarized form, all required information to readily compile government reports and statements without the necessity of delving into numerous files and other voluminous data. It is imperative in modern business, that all accounting facts in connection therewith are readily revealed, otherwise those in authority will be "flying blind" so to speak. If a situation of this nature exists it will prove detrimental to the welfare of the institution and may call for a bromide on the part of the executive in charge.

Experience

The leading Abstract and Title Companies are conscious of the value of good accounting and, of course, avail themselves of personnel skilled in the art of proper accounting, augmented by attorneys and experienced abstracters, but the average abstracting firm is not usually blessed with such an organization. Quite often the proprietor is a dual personality; circumstances make it necessary that he function both as abstracter and bookkeeper. In other offices, perhaps somewhat larger, someone else is delegated to perform this work in conjunction with other essential duties. In many instances, a person thoroughly competent in handling abstract matters is not proficient in accounting and has no liking for figures. I will venture to say, that there are many such persons who experience difficulty in keeping their own personal check stubs in balance. How then, if a person so constituted is the custodian of your books, do you expect to know whether, at years end, you are going to show a net, or be in the red, in connection with your business activities?

When I first became associated with the abstract business several years ago, the accounting methods used by my company did not afford proper control and did not provide the essential information required for all purposes. After becoming somewhat familiar with the various phases of the business, I disregarded past practices and inaugurated, what I consider, a simple system of accounts which lends itself to the understanding of anyone normally intelligent, and discloses all information usually desired. If you will bear with me just a little while, I will attempt to explain in more detail the method of accounting we are using with a considerable measure of success.

Our Procedure

When an abstract reaches our office, either for continuation or order for an original abstract, it is given an order number; this order number also becomes our certificate number after it has been entered in the order book with the legal description of the property, by whom ordered and where it is to be delivered. A Chain Card is made up; this chain card is 3 $\frac{3}{4}$ " x 8 $\frac{3}{4}$ "; on one side is shown the order number (which is stamped with a numbering machine bearing same number as in the order book), the legal description and the date of last certification. On the right side is listed the years of taxes to be checked and to the left is listed the chain of title; on the back of the card is listed the various items for which we have advanced money, such as recording of instruments, revenue stamps, etc. After the taxes and chain of title have been checked it goes to the typists for writing of the abstract. When the abstract has been written, checked and signed, it is delivered with the chain card to the billing department, a bill is made up in duplicate from the data shown on the chain card. The abstract is then ready for delivery with the original bill. The duplicate bill is retained by the office for the accounting record. For illustration, we are submitting a copy of the chain card and bill, marked Exhibit 1 and 2. When the abstract is completed and the bill is made covering the service rendered, the process of accounting begins. In our system we have set up the following records:

- Cash Receipts Journal
- Petty Cash Journal
- Check Register
- General Journal
- Accounts Receivable Ledger

CASH RECEIPTS JOURNAL:

This reflects all monies received into the business whether cash or checks. Checks are deposited in the bank, the cash is retained in the office for recording, revenue, and other purposes and is charged to Petty Cash. The total amount shown deposited in the bank plus the amount charged to Petty Cash equal our total receipts, which can be reconciled at any time. Our form is so designed that all receipts are distributed and credit given to various accounts daily. At the end of the month all that is necessary when the books are closed is to pick up the totals; illustrated by Exhibit 3.

PETTY CASH JOURNAL:

All cash received is charged to the account, a petty cash slip is made for any money paid out. This slip shows the order number, to whom paid and for what purpose. If it is an advance for recording or revenue, it is posted to the chain card of that order, so when the abstract bill is made the amount advanced will also be available for billing. These slips are posted into the Petty Cash Journal daily and are retained until the close of the month's business, for reference. It is

the rule of our office that the Petty Cash Fund or Journal must be balanced at the close of each day's business! illustrated by Exhibit 4 and 5.

CHECK REGISTER:

Expenses including salaries are paid by check, with the exception of small miscellaneous items which are paid out of Petty Cash. This is totaled and distributed to the proper accounts at end of month in the General Journal; illustrated by Exhibit 6.

GENERAL JOURNAL:

This is the summary or recap of the month's transactions. The abstract bills are posted every day, charging or debiting the Accounts Receivable, and Crediting Income Accounts. At the end of the month the totals from the Cash



WYMAN L. WISKAMP

*President, Illinois Title Association;
Secretary, St. Clair Guaranty & Title Co.,
Belleville, Illinois*

Receipts Journal, Petty Cash Journal and Check Register are closed into the General Journal. After a trial balance has been taken of the General Journal and if it is in balance, it is then ready to be closed into the General Ledger; illustrated by Exhibit 7.

ACCOUNTS RECEIVABLE LEDGER:

This is self explanatory and there is not much one can add in the way of further explanation, as everyone knows that to Debit an account is to charge the account with the amount the individual or firm owes you, and when the amount of the bill is paid you credit the account with the amount paid; illustrated by Exhibit 8.

GENERAL LEDGER:

This is the last step, the accounts in this record are the control accounts of the business, and usually contain the following accounts:

"ASSET ACCOUNTS"

- Cash in Bank
- Petty Cash
- Escrow Accounts

Accounts Receivable

Investments:

- Bonds
- Stocks
- Notes Receivable

Supplies:

Plant

- Index Books
- Maps and Plats
- Take-Off
- Base Prints of Subdivisions
- Copies of Abstract

Furniture and Fixtures:

- Desks and Chairs
- Filing Cabinets

Office Equipment:

- Typewriters
- Duplicators
- Adding Machines
- Other Equipment

"LIABILITY ACCOUNTS"

- Accounts Payable
- Profit and Loss
- Surplus
- Authorized Capital

"INCOME ACCOUNTS"

- Abstracting
- Title Insurance
- Escrowing
- Interest Received
- Miscellaneous Income

"EXPENSE ACCOUNTS"

- Wages and Salaries
- Rent
- Office Supplies
- Lights
- Telephone
- Postage
- Water and Ice
- Taxes
- Advertising
- Club Dues
- Insurance (Fire, Liability and Compensation)
- Depreciation of Equipment, etc.
- Donations

You will note I have only mentioned the principal income accounts from which we derive our revenue, but more accounts can be added, in a similar manner as in the expense accounts, if a further break down is desired.

In our organization I have set up what is termed Deferred Expense Accounts which is broken down as follows:

Taxes:

- Federal Income
- State Income
- General
- Unemployment Insurance
- Social Security
- Advertising
- Club Dues
- Donations
- Office Supplies (Large Items)

These items are regular expense items, but rather than charge the whole of this expense to the regular operating expense in the month they are paid, they are charged to Deferred Expense and pro rated on a monthly basis to the various expense items; this gives us a more uniform operating statement. In order to explain this procedure a little more clearly, I will use the

item of advertising. At the beginning of the year we do not know exactly how much our advertising cost will be, but we estimate the amount from previous years, this amount is pro rated on a monthly basis and charged to the regular monthly expense which sets up a credit to the advertising account in Deferred Expense, then when the expense is incurred and paid, it is charged to the advertising account of Deferred Expense so at the end of the year Deferred Expense is cleared. Of course, you may have an adjustment to make because of using an estimated figure at the beginning of the year. The other accounts set up in Deferred Expense are handled in like manner.

OPERATING STATEMENT:

This statement needs on explanation. After the General Ledger is closed, all that is required to make up this report is to go through the Ledger and list the various items as shown on the report; illustrated by Exhibit 9.

BANK RECONCILIATION:

The form we use for this is very simple, as you will observe on Exhibit 10. The amount of deposits as shown on the Cash Receipts Journal added to the previous book balance, less the amount of checks written as shown by the Check Register should be the balance as per book. The amount of the checks that have not cleared through the bank at the end of the month represents the amount of the outstanding checks which when added to the balance as shown by the Books should be the Bank Balance.

I have attempted to explain our accounting system to you and if any of you can get an idea from it which will be helpful or beneficial, I will be repaid for my efforts.

CHAIRMAN GLASSON: Ladies and gentlemen, we have one last gentleman on this panel. In view of the fact that the time has been running out, I am going to ask him if he has anything to contribute which he would like to give you at this time.

Byron S. Powell

MR. BYRON S. POWELL (Wheaton, Illinois): What do you want to know? You have heard a gentleman speak relative to a plant having ten members in the whole organization and another a thirty million dollar corporation. Am I supposed to be the one in between or the man with growing pains? Why they selected a fellow my size for a representative of growing pains, I cannot quite understand.

As a class, and purely as a class and not as individuals, I do not like auditors. They get in my hair. I technically am an abstract or title man, but auditors can ask the most embarrassing questions as to the whys and wherefors. There are times when I think that the fathers of all auditors were bachelors, but that is a question you can decide yourselves.

I am a little fearful the boys, particularly the real estate men, and some attorneys who are handling the deals representing promoters in real estate operations, are beginning to feel the squeeze of money. I definitely feel there is a little squeeze—not the squeeze of credit, but actual money—and that credits are going up very fast. I have felt that feeling in the last two months, and it continues. I think we should all bide our time and watch our accounts receivable very, very closely. I do not say that we are going to run into a recession, depression, or what have you, but I do say credits are ris-

ing, the boys are becoming more venturesome, the buildings are not being completed as fast as they would like to have them completed, and for that reason the pay-offs come slowly. That is the main thing which is really bothering us.

Another thing is government control and income taxes. At one time, why, we thought of a bookkeeper as just one of the boys in the corner. Now it is getting to the point where it has to be a separate department and considered a great administrative problem.

The cost of auditors is rather expensive, so I cannot agree with both gentlemen, the gentleman who said to hire yourself an auditor and let him do all the work. I cannot agree with the man who says he has to take care of all the books and watch carefully each item and where every penny goes. I think of bookkeeping as being representative of telling the management what the condition of the business is, what the actual facts are. I think they are to tell pure facts and not to give their opinion as to what management should do. When management has the facts, I think it is management's right to decide, to decipher, to analyze the points which auditors produce.

In their respective papers, Messrs. Vickers and Lloyd have indicated strongly their contention that uniformity in accounting and auditing practices is a much-to-be-desired goal. This is no idle gesture. Members are invited to correspond direct with either of these gentlemen if you have questions or constructive criticism to tender. They will be welcome. Please send copy of this correspondence (and of accompanying forms, if any) to National Headquarters of American Title Association, 3608 Guardian Building, Detroit.

(Exhibits accompanying Mr. Lloyd's paper are shown on pages 44 to 50 inclusive.)

(To conserve paper, Exhibits No. 5 is shown on page 45. Exhibit No. 9 is shown on page 50. Ed.)

137113

Con. Abst. Lots 13 & 14 Block 3
Lake Avenue Addition, since 8 Aug.
1932 at 8:00 A. M.

Taxes

496890	1932 Paid
497139	1933 Paid
	1934 Paid
548520	1935 Paid
	1936 Paid
600794	1937 Paid
	1938 Paid
600795	1939 Paid
	1940 Paid
600796	1941 Paid
	1942 Paid
	1943 Paid
	1944 Paid
	1945 Paid
	1946 Paid

Albert A. Druva
MAR 1 1947

Delivered to
C. C. Bellinger, Atty
Mar. 5, 1947

Chain Checked _____

Written By _____

Compared _____

Walker Agency

471311

EXHIBIT No. 1

137113

CHARGES

Abstract Work	10.00
Abstract Work	
Judgments	
ABSTRACT CHARGE	
RECORDING	
Public Trustee Fees	
Releases	
Warranty Deed	1.05
Quit Claim Deed	
Deed of Trust	1.65
Assignments	
Revenue Stamps	5.50
Treasurer's Certificate	
Inheritance Tax Receipt	
Affidavit	
Decree	
Death Certificate	
Tax Certification	
ABSTRACT & RECORDING CHARGES	18.20

EXHIBIT No. 1 (Reverse side)

Exhibit 2.

Walker Agency

PUEBLO, COLORADO, March 5 19 47

IN ACCOUNT WITH

THE PUEBLO TITLE GUARANTY COMPANY

228-231 THATCHER BUILDING P. O. BOX 584

PHONES 227-228

(Druva)

CERT. NO. 137113

Con. Abst. Lots 13 & 14 Block 3 Lake Avenue Addition.....	\$ 10.00
Recording Warranty Deed.....	1.05
Recording Deed of Trust.....	1.65
Revenue Stamps.....	<u>5.50</u>
Total.....	\$ 18.20

Exhibit 5 PETTY CASH

137113

March 1 19 47

CHARGE Walker Agency

Recording W. D.	1.05
Recording Deed of Trust	1.65
Revenue Stamps	<u>5.50</u>
	8.20

Cash Receipts Journal Month of

MCM No. B1114-8DZ

EXHIBIT No. 3

	Cash		Date	Received From	Certificate Number	Acct			Recording	Title		
	Bank	Petty				Receivable	Various	Abstract		Insurance	Various	
1												1
2												2
3												3
4												4
5												5
6												6
7												7
8												8
9												9
10												10
11												11
12												12
13												13

Petty Cash Journal Month of

MCM No B911-4

EXHIBIT No. 4

	Date	Cash	Recording	Various	Balance	
2						2
3						3
4						4
5						5
6						6
7						7
8						8
9						9
10						10
11						11
12						12
						13
						14

AT OPENING
LEDGER
B911-4

Check Register

MCM No. B911--2

	Date	In Favor of	In Payment of	Check No.	Amount	Remarks	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10							10

Cash Register

MCM No. B911--

	Date	In Favor of	In Payment of	Check No.	Amount	Remarks	
1							1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10							10

CHECK REGISTER EXHIBIT No. 6 AND REVERSE

General Journal Month of

(Credit Accts)

MCM No. N1114-20

	Cash		Accts	Abstracts	Recording	Title		Sundry Accounts	
	Bank	Petty	Receivable			Insurance	Various		
1									1
2									2
3									3
4									4
5									5
6									6
7									7
8									8
9									9
10									10
11									11

General Journal Month of

(Debit Accts)

MCM No. N1114-20

	Bank	Cash		Accts	Wages &	Sundry Expense	Deferred	
		Petty	Receivable	Salaries	Accounts	Expense Accounts		
1								1
2								2
3								3
4								4
5								5
6								6
7								7
8								8
9								9
10								10
11								11
12								12
13								13
14								14
15								15

SHEET NO. _____

ACCOUNT NO. _____

NAME _____

(This form also used for General Ledger)

ADDRESS _____

THE FRANKLIN PRESS, PUEBLO 1-1

DATE	ITEMS	FOL.	DEBITS	DATE	ITEMS	FOL.	CREDITS

EXHIBIT No. 8

Exhibit 10 Bank Reconciliation Statement Year 1947

MCM No B911-4

1	Balance Per Books January 1st 1947												1
2	Deposited during January 1947												2
3	Total												3
4	Less Checks Issued during January 1947												4
5	Balance Per Books January 31st 1947												5
6	Add Outstanding Checks January 31st 1947												6
7	Balance Per Bank Statement January 31st 1947												7
8													8
9	Balance Per Books February 1st 1947												9
10													10

EXHIBIT No. 10

THE PUEBLO TITLE GUARANTY COMPANY
OPERATING STATEMENT
MONTH OF

194

"SERVICES"											
Abstracting											
Bulletin Service											
Title Insurance											
Accrued Interest											
Notary Fees and Miscellaneous											
Recording and Revenue											
Service Tax											
TOTAL											
"SALARIES & WAGES"											
Abstracting											
Bulletin											
Replacement of Office Records											
TOTAL											
"OFFICE EXPENSE"											
Rent											
Lights											
Telephone											
Laundry											
Water											
Miscellaneous											
"OFFICE SUPPLIES"											
From Deferred Expense											
Regular											
Postage											
Repairs											
Title Insurance Premiums											
Legal Services											
Social Security											
Unemployment Insurance											
PRO-RATION FROM DEFERRED EXPENSE											
Accrued Taxes											
Income & Capital Stock Tax											
Abstractor's Bond & License											
Typewriters & Cabinets, etc.											
Fire & Compensation Insurance											
Club Dues & Donations											
Advertising											
Lights, Vault & Storeroom											
Index Books											

Report of Finance Committee

(1947 Convention)

CHARLES H. BUCK, *Chairman*
President Maryland Title Guarantee
Company, Baltimore, Maryland.

MR. CHARLES H. BUCK: Mr. President and ladies and gentlemen: I have been coming to American Title Association convention meetings for about twenty years. I can well remember the unenviable position former chairmen of the Finance Committees were in when they stood here at this stage in the proceedings and laid the groundwork for "passing the hat" in raising the sustaining fund. Very fortunately, the necessity for passing of the hat ceased about two years ago.

The result and benefit to the American Title Association are quite remarkable. Some of you may think it is too remarkable and that we are collecting too much money. When we begin to think that, let us remember that right now we are in lush times, that money is coming into all companies, and it might be wise to support your national association and to build up a fund for the rainy days of the future.

You will recall in the last two years our budget has been substantially increased. It was something less than \$50,000 for 1946 and it was \$63,000 for 1947. In the nine months which have expired in the year we have spent \$36,500 approximately, and there is unexpended in the budget approximately \$26,000, and the annual budget items are more than balanced. In other words, no budget item has been overspent.

You will recall, perhaps, as a part of the constitutional amendments fixing the present schedule of dues under

which the 1947 budget was made it was required that the Finance Committee set up a reserve fund. That reserve fund for 1947 was \$6,500. It



CHARLES H. BUCK

has been set up, and even in addition to that it is the feeling of your Finance Committee that when the year shall

have ended there will be an additional fund available to put in reserve.

Reserve Account

That Reserve Fund is a required item. In addition to that which was required to be put into the 1946 budget there was a profit which enabled the association to have in the reserve fund a little over \$20,000—\$20,206.94 is the exact item. Of that money, \$19,980 is invested in United States Government Series "F" Bonds in the name of the Association. They are held by the Title Insurance and Trust Company of Los Angeles as trustee for the Association under the jurisdiction of the President of the Association, the Treasurer of the Association, and the Chairman of the Finance Committee. When I say under the jurisdiction I mean that there is a trust executed which gives to the three named for the time being the authority to direct the trustee, The Title Insurance and Trust Company of Los Angeles, to sell or to turn back to the general funds moneys in the reserve fund.

I know this Association has been unaccustomed to having money in the treasury. To me it is a splendid idea, and I hope that your businesses will continue to prosper for your own good and for the good of this Association, because under the dues schedule, as your businesses prosper, so will the American Title Association prosper. And greater benefits will accrue to all members.

Report of Committee on Constitution and By-Laws

(1947 Convention)

A. W. SUELZER, *Chairman*
President, Kubne and Company, Inc.,
Fort Wayne, Indiana

MR. A. W. SUELZER: Your Board has referred to the Committee on Constitution and By-laws certain amendments to the constitution. It was the view of the Board that since members are elected to the Board because of their personal and individual qualifications they should not be permitted to delegate their powers to one not so elected and qualified.

It was also the view of the Board, in which the committee concurs, that since it is almost constantly necessary in sessions of the Board that the Board have the counsel, the records and the reports of the Chairman of the Finance Committee, that that Chairman should be a member of the Board, and that the office should be made an elective office. Since the constitution provides for no deferments or notice of amendments or revisions of the constitution, it is the hope of the Board and this

Committee strongly recommends that these two amendments be adopted at this meeting.

It was also the view of the Board that hereafter, and here also this committee concurs, there be deferment and notice of constitutional revisions or amendments. We recommend the following amendments:

"Amend Section One, Article Seven, entitled Officers, by inserting after the words 'the active members in attendance at each annual convention meeting shall by ballot elect the president, vice president and treasurer' the words 'and chairman of the Finance Committee' and by striking out the word 'and' immediately preceding the word 'treasurer'."

"Amend Section Two of said Article Seven by inserting after the words 'the board of governors shall consist of the president, vice president and treasurer' the words 'and chairman of the Finance Committee' and by striking out the word 'and' immediately preceding the word 'treasurer'."

"Amend Section Three of said Article Seven by striking out after the words 'the president shall within thirty days after his election appoint the following committees, designating one member of each committee so appointed as chairman' the word 'finance'."

"Amend Article Seven by adding a new section numbered five as follows: 'There shall be a finance committee composed of the chairman of said committee elected as provided in Section One of this Article and the president, vice president and treasurer of this Association'."

"Amend Section Five of Article Eight entitled Duties of Officers by inserting in the third sentence thereof after the words 'it shall have power to fill vacancies in the office of the president, vice president and treasurer' the words 'and chairman of the Finance Committee' and by striking out the word 'and' immediately preceding the word 'treasurer'."

"To further amend Section Five of said Article Eight by striking therefrom the following sentence: 'If any member of the Board shall be unable to attend a called meeting of the Board he may appoint an active member or an accredited representative of an active member of this Association as his substitute who shall have the same powers at such meeting or any adjourned session thereof as the member would have if present' and substituting in place thereof the following: 'No member of the Board of Governors shall be represented by a proxy at any of its meetings'."

"Amend Section Thirteen of said Article Eight by inserting after the words 'it shall be the duty of this committee, namely, the Nominating Committee, to nominate candidates for the office of president, vice president and treasurer'

the words 'and Chairman of the Finance Committee' and by striking out

the word 'and' immediately preceding the word 'treasurer'."

"Amend Section One of Article Twelve, entitled Amendments or Revisions, by striking out the entire section and substituting in place thereof the following: 'Section One. Motions or resolutions for amendment or revision of the constitution and by-laws may be offered at any meeting of the Association and acted upon at the next annual convention by a vote of two-thirds of the active members in attendance and voting thereof. Notice of such proposed amendments or revisions shall be sent to each member of the Association by the Executive Secretary not less than thirty days prior to such next annual convention meeting and posted in a conspicuous place at such next annual convention meeting by twelve o'clock noon on the second day of such meeting'."

I move the adoption of said amendments.

MR. STEVENS: I second the motion.

CHAIRMAN O'DOWD: Ladies and gentlemen, you have heard the motion, and it has been seconded, that the amendments to the constitution as read by the Chairman be approved.

Adopted unanimously.



A. W. SUELZER

President, Kubie & Company, Inc.,
Fort Wayne, Indiana

Report on Abstracters Liability Insurance and Bond Coverage

EARL W. HARDY, *Chairman*

Secretary, Hardy-Ryan Abstract Co.,
Waukesha, Wisconsin

I assume that the purpose of appointing this committee was to investigate the feasibility of organizing our own company to write this type of insurance or the committee could have as its purpose the idea of interesting some American company in writing this insurance with an idea of securing cheaper rates for our members.

We confined our work more to the insurance feature rather than bonds. We started out by circularizing the members in three states: Iowa, Indiana and Wisconsin. These states were the most convenient for the chairman. The results of the survey were as follows:

In Iowa we circularized about 125 and received 49 replies. Thirty of the forty-nine carried insurance with Lloyds of London. One of them stated he had insurance with National Surety, which I doubt was for errors and omissions. Eighteen had no insurance. Only three showed any losses. A number of their members thought some American companies should write the business. Only a few thought we should write our own.

Indiana circularized 73 members and received answers from 39. Thirty-three of the 39 were interested in forming a company of our own to write this insurance. Thirteen are carrying insurance now. Few of them report any losses.

In Wisconsin we received replies from 18 out of 60 members. Ten of them carried insurance with Lloyds of London. Nearly all were interested in a



EARL W. HARDY

company of our own. Few interested in American stock company.

Conclusions

Our conclusions as to the results of the survey were:

1. Our members were definitely interested.
2. All of the insurance is now carried by Lloyds of London.
3. There seems to be some variation in prices paid for the insurance.
4. Hardly any policies have a deductible clause.
5. The losses were small, which means that the insurance is profitable for the carrier.

We then considered the advisability of forming our own company. I will list some of the arguments for and against such a formation. If organized it probably would be in the nature of a mutual or a co-operative in order to get away from the tax liability.

1. As the losses have been low, the cost of insurance should be low. The administration would probably have to be handled out of our national office in Detroit and this cost of administration should be low.

2. It should keep our membership up in the national association, as naturally we would limit coverage to only members of our association.

Some of the arguments against forming our own company would be:

1. The principal one as I see it is the competition with Lloyds. I am sure they would cut their price rates to such an extent that we might have difficulty in selling our insurance.

2. We might have quite an administrative problem. Some of the well-organized companies with good plants might object to being in a company with others who had no plant. It would be difficult to arrive at a rate schedule which would be fair to all insured.

3. I believe the history of this type of company has not been too good. I know of one state where the bankers had their own company writing their blanket bonds which was not successful.

We did not contact any American companies to see if they would write this insurance. Personally, I believe they would be interested. One company writes now lawyers, protecting them against errors in their opinions and they have been very aggressive in selling this type of insurance, so it must be profitable.

This committee's report is written more with the idea of getting discussion from the floor and I know if there are any questions, the members of the committee will be glad to answer them.

There was much discussion on the subject by delegates. This resulted in passage of a resolution authorizing continuation of the Committee and to

instruct said Committee to continue its studies, and to bring in a Progress Report at the next convention of the organization. The Resolution suggested the same personnel be asked to serve on the 1947-1948 Committee on Abstracters Liability Insurance.

This Committee is composed of the following:

Joseph T. Meredith, President, Delaware County Abstract Co., Muncie, Indiana; Oscar W. Gilbert, President, West Coast Title Co., St. Petersburg, Fla.; Roy C. Johnson, President, Albright Title & Trust Co., Newkirk, Okla.; Ben F. Hiltabrand, President, McLean County Abstract Co., Bloomington, Ill.; Chairman: Earl W. Hardy, Secretary, Hardy-Ryan Abstract Co., Waukesha, Wisconsin.

Uniformity of Abstracts

A PANEL DISCUSSION

Members of the Panel:

Frank C. Grant, Lincoln, Nebraska

L. V. Rhine, Green County Abstract Co., Paragould, Arkansas

A. J. Achten, Shawano Abstract Co., Shawano, Wis.

John W. May, Black Hawk County Abstract Co., Waterloo, Iowa

MR. GRANT:

If you get as much benefit and inspiration out of this report as I have in preparing it, I am certain that the time we spend on it today will not be wasted. For lack of some better descriptive term which would suit my purpose more exactly I have designated the report as a "Clinic". I have selected several representative Title Men to assist me in the consideration of this subject. You are well aware that the word "Clinic" is a Medical term and is defined as "The instruction of a Class by treatment of patients in the presence of pupils." While our treatment of Uniformity of Abstracts may not include all of the elements of the Clinic, it will include the most important part of the definition, namely instruction in the presence of those who desire to know more in this particular field.

We are all in accord with the proposition that instruction is helpful; and that there are all too many shoddy abstracts in circulation and that the end is not yet. The time spent here at this Convention would be of no avail and completely worthless if we are not able to take home something of value.

The evidencing of Title by means of an Abstract is certainly not new. It would be safe to assume that the creation of the first Abstract of Title took place very soon after the institution of the American Recording System, dating from the Colonial Period.

Some of the methods used in preparing Abstracts have been so varied, and still are, that I am certain we will all

be enriched by giving attention to what the modern plants are now doing in providing a more systematic method to set forth essentials of an Abstract.

It is not the purpose of this report to tell you just what a Uniform Abstract should contain, but rather to advise you of what is being done in a study of some dozen States in the Midwest. Your attention is directed to the fact that most of the progress in uniformity has taken place within the last fifteen (15) years. This progress stems from the enthusiasm and leadership of some half dozen men who have directed their research along lines of practical application. We have become their beneficiaries and desire to make the most of our inheritance.

Quality

If it is the desire of the State as a unit, or our National Organization to recommend corrective abstract methods, it would be helpful if we exposed ourselves to the various types of Abstract Disease. Probably the most effective method of exposure may be accomplished by an Abstract Exhibit. To illustrate: Some few years ago our National Secretary, Jim Sheridan, was a special guest of the Nebraska Title Association. An Abstract exhibit had been arranged. As Jim examined the abstract exhibit, making special comment on things well done, he said: "too many of these Abstracts are made on poor paper and that is unforgivable." It is a truism that you can be too close to some objects to see them or so near a disturbance that the noise is not audi-

ble. Clearly this was our difficulty. This observation and comment had very definite and immediate results. The Nebraska Title Association directed its Secretary to purchase as a starter 500 reams of legal size Abstract paper of high quality, having not less than 75% rag content. This paper to be distributed from the Secretaries office to the members at cost plus the carrying charge. This stimulus to use better materials has been effective as a step in the direction of Uniform paper.

More Quality

There are certain essential elements necessary in every abstract to be kept in mind in the approach to Uniformity. The following should be considered:

1. The cover should be of uniform size with a high quality of paper or cloth.
2. The paper should have quality and be of uniform size.
3. The caption should provide a correct description of the land under consideration.
4. Plats should be placed in the Abstract where they will be most helpful to the examiner.
5. All instruments should be arranged with full attention to sequence.
6. Court proceedings should be abstracted where possible, and those parts copied, containing jurisdictional matters, etc.
7. The abstracters certificate.

In order that we might have for our consideration some concrete evidence on Uniformity I have contacted State Of-

ficers of some dozen States where the major part of Title Evidencing is done by the Abstract Method. From this source of information we have the history of the concerted efforts of hundreds of Title Men with the record of their accomplishments, their desires, their doubts, and their failures.

A very keen interest in the subject is noted from the prompt responses to my letters requesting a report of what has been done in connection with the problem of Uniformity. The achievements of some of the so called Abstract States have been a revelation and shortly I shall pass then for analysis.

Title Courses and Instructions

The publication of Title Courses, Special Booklets, with detailed outlines of modern methods of Abstracting, and the general adoption of Uniform Certificates, form a very definite part of this report. Practically every State reporting, with but one exception, has done something as an Association on the subject of Uniformity.

From the States examined the record discloses;

First: That Title Courses and Special Booklets have been issued by the following States:

Arkansas, Iowa, Wisconsin, Michigan, Oklahoma, and Missouri.

William Gill of Oklahoma City has been the Dean in this Educational movement on Title Courses. He has given freely and unstintedly of his time, talent and enthusiasm. We are most fortunate to have in our organization men of leadership who have constructive vision and who are willing and able to give of themselves in order that others may be benefited.

Uniform Certificates

Second: Uniform Certificates are now being used in these States:

Arkansas, Kansas, South Dakota, Iowa, Colorado, Wisconsin, Texas, Oklahoma, and Nebraska.

The adoption of a Uniform Certificate is only the beginning. If the adoption is to succeed there must be a complete and never ending follow up of salesmanship among the members. And lastly the certificate should not be subject to change to suit the notions and whims of each individual Abstracter.

At this point I want to introduce to you the Nebraska Uniform Certificate.

In 1936 the Nebraska Title Association appointed a special committee to make a study of the abstracter's Certificate. Through the years we have been hampered, as you have, by requirements of the large Insurance Companies, the Federal Land Bank, and H.O.L.C. to use the special certificates of these loaning agencies. You are well aware of the lost motion, and costs in your title plant from this requirement. In many instances, the certificate did not fit and it was necessary to delete certain parts and make additions in other places. With such a background of experience a rough draft of our certificate was prepared with all

basic essentials of coverage included, keeping in mind the statutory requirements of liability. This tentative certificate was then submitted to the legal departments of the loaning agencies for study and recommendations. After several months of deliberation the Nebraska Uniform Certificate was born. I say born because it really was a new creation. In order to give ample protection to the certificate, we had it copyrighted. It is now a matter of record in the Library of Congress, in Washington, D.C., and bears the imprint, namely "Copyrighted 1936."

Our certificates are printed usually in lots of 25,000 and are distributed by the Secretary of the Title Association to the members at cost (about a cent and $\frac{1}{2}$), 75% of our members use the Uniform Certificates and the number of users is increasing each year. Yes, and I might add that when a member becomes a user he never quits.

Cooperation With Bar

The Nebraska Bar Association has just recently revised its book of legal forms, which includes an Abstracter's Certificate. A modified form of our uni-



FRANK C. GRANT

Secretary, Nebraska Title Association
Lincoln, Nebraska

form certificate now appears in the form book, due consideration having been given to infringement of copyright. As a final statement on the success of the Nebraska Uniform Certificate I want you to know that we have also virtually eliminated from our Abstracts the special certificates of loaning agencies. Not bad.

State officers have been most generous in supplying me with data on the Why's and Wherefore's of Uniformity as practiced in their State. You will be interested as I have been in excerpts from the correspondence which follows:

South Dakota

1. South Dakota, Pauline Gray, Secretary, reports:

We had an exhibit of abstracts at one time and tried to adopt a uniform way of showing instruments, but it did not seem to go over, mainly because each one thought his way was best.

We did not adopt a uniform way of putting together probates and court actions, but did suggest how to do it. Even I could not comply with that way, because the attorneys in this town wanted us to show more than was suggested.

Texas

2. Texas, Fred H. Timberlake, Secretary-Treasurer, reports:

For many years the question of uniform abstracts has been discussed pro and con, both at meetings of the Title Association and in other connections, but at the present writing it appears to me that we are about as far from a uniform abstract as ever. The abstracters within the State seem to follow whatever practice they regard as being the best for their purposes, with respect to whether they should copy instruments in full, abstract them, use legal size pages, letter size pages or pages $8\frac{1}{2} \times 4$ and there are about as many different forms of abstracters certificates as there are counties in this State.

The only respect in which there has been anything approaching uniformity in Texas is the fact that some years ago the Texas Title Association approved and adopted a uniform abstracters certificate which, according to the ideas of the Association assembled in Convention, embodied the coverage which every abstracter should give. Of course, while this was recommended by the Association, no such recommendation is binding on any such abstracter in the State whether he is a member of the Association or not and for some reason or other the uniform certificate was not used even by a majority of those abstract companies who do belong to the Association. At the present time, I would estimate that the uniform adopted certificate is only used by possibly one-tenth of the abstracters who belong to the Association. The others have amended it as they saw fit until now it really is not proper to say that there is a uniform certificate in use in the Texas Title Association.

Practically all the abstracters agree that in many respects it would be desirable to have a completely uniform type of abstract in use throughout the State. By uniform, we mean the same size pages, the same practices with reference to full copies and abstracted copies and the same form of certificate at the end of the document. However, due to different situations which exist in various counties, it has seemed to be impossible up to this time to even come close to this ulti-

mate goal and my personal view is that it will never be accomplished.

Colorado

3. Colorado, H. C. Hickman, Secretary, reports:

The Colorado Title Association has done little in the matter of uniformity. The only definite step so far was to adopt a uniform certificate some 10 years ago. Probably half of the Association membership uses this uniform certificate or some minor variation of it.

Since 1945, we have had under way a study of uniformity. That committee is making a report to our next convention. I am sending you a copy of the material that the committee is going to submit. My hunch is that the Association membership will not be disposed to accept these recommendations without substantial revisions. I think the feeling will be that it would make for needless cluttering up of non-essential details in the matter of the actual showing of the instrument in the abstract, and that as to the physical form that the product is to take, most of the companies have at least 2 forms that they are now putting the product out in, and can hardly bring themselves to making use of the 3rd form.

Michigan

4. Ray Trucks of Baldwin, Michigan, reports:

In 1935, I prepared a booklet of some eighty pages entitled "Uniform Abstract Specifications" which was adopted at the annual convention of that year, and quite a majority of the abstracters use the forms of showing recommended.

The booklet was printed on a mimeograph machine, and contains about fifty-four examples of standard forms for showing various types of instruments, from simple deeds to court procedure. Standard size of abstract page is either 8½ x 13 or 8½ x 14.

It has been found very useful when breaking in new typists.

Only 70 copies were made and I have been asked repeatedly to re-write, revise and republish, but I do not have the time to spare now as I did in the thirties.

About this same time, I prepared forms for making take-offs from the files in probate estates, one of the samples is enclosed. We have five forms to cover various types of estates. The blank spaces are filled in by hand and then the take-offs of the entire estate is typed on regular abstract paper. The reason for these forms was that many abstracters were not lawyers and did not understand probate procedure. The forms helped and nearly all of our members now use the forms.

Iowa

5. Iowa, Melvin Josephson, President, reports:

We have a uniform Abstracter's Certificate, a copy of which I am enclosing and it has been adopted by many of the abstracters and others are using it with some qualifications but with them it is not designated as a uniform certificate. The matter of showing deeds and mortgages and the more common instruments are pretty much the same with most companies but we have done nothing in regard to probate matters and court proceedings. One of the finest pieces of work in connection with uniformity has been done by our good friends, Earl C. Glasson and John W. May of the Black Hawk County Abstract Company at Waterloo, Iowa. They have prepared a handbook for use in the office in which every form of instrument and proceedings which might go into an abstract are set out for a pattern for the abstracters.

Indiana

6. Gerald H. Ewbank, Secretary-Treas., Indiana reports:

"I must confess that I know of no efforts at Uniformity taken in our association.

The matter has been up for discussion on the convention floor on several occasions, but no action has been taken, the members seeming to think that the disadvantages of uniform abstracting outweigh the advantages. I believe that their ideas on this matter are that the title examiners in the northern part of the state have a different conception of what a good abstract should contain from the conception of the examiners in Indianapolis.

As you well know, abstracters as a class are conservative. Each abstracter has worked out his form, and the form of his certificate, to meet the needs of his community. Having done this he is very loath to change. Without expressing any opinion on the matter, as to whether there is any advantage to uniformity, that, I believe, is the situation in Indiana."

Missouri

7. Missouri, Zettie Hubbard, Secretary-Treasurer, reports:

The idea for uniformity in the Compilation of Abstracts, conducted on a State wide basis by the Missouri Title Association, originated with William Gill, of Oklahoma City, Oklahoma, who in 1935 appears before the Missouri Title Association Convention and discussed the importance of such a movement.

At that time the conditions which existed in Missouri were deplorable. We were all charging a legitimate price for our services, and each and every one thought his work was the best, yet some of us were following

methods and practices established in our offices so many years that the word "Antiquated" could hardly apply. About this time the Government was active in buying land in the State, refinancing mortgages through the HOLC and dealing considerably in real estate, and our work was going into the various departments of our Government, who found that there was such a lack of uniformity in the preparation of our abstracts and certificates, and many so compiled that they did not divulge the proper or complete information with the result that the various departments of the Government were so disgusted that they considered seriously of going into the abstract business themselves. So we had reason to become very much enthused over Bill Gill's suggestion, and that State Association decided to try to do something toward effecting a more standardized system and uniformity of showing in making abstracts.

At the 1935 convention a committee of seven members was appointed to prepare a Uniform Certificate. This committee really did some good work, but not being quite able to agree they finally presented two forms at our next Association meeting. The two forms were debated, discussed at length, and finally there was adopted what is known as the Uniform Certificate of the Missouri Title Association. Copies were mailed to all abstracters in the State, and it is felt that its adoption marked a step forward by our Association. While its use by abstracters is not compulsory, it is now in use in a large number of counties in Missouri, and it has been accepted by a number of Insurance Companies, who require its use on abstracts.

C. B. Vardeman, now deceased, Vice-President of the Missouri Abstract and Title Insurance Company of Kansas City, made the next important contribution to our Uniformity Program. He prepared a Title Course or School of Instructions, which through the Missouri Title Association was furnished gratis to every abstracter in the State and to those in the various offices who were interested enough to want to learn something about the abstract profession.

The State was divided into Regional Districts, and regional meetings were held in various sections of the state. Uniformity was discussed and much improvement was accomplished as the result of the efforts put forth at that time. But the movement started in 1935 designed to put Missouri in front needs to be kept up, regional meetings discontinued during the War need reviving, for after all this proposition of UNIFORMITY is

nothing more or less than a give and take proposition, and we all need to work together to USE a System which is recognized as the more modern and up-to-date system of abstracting.

MR. GRANT: At this point I want to call on men in states where a uniform method or booklet has been adopted and give them a few minutes to tell you just how it all came about and what the good results are. I am sure we will all get some benefit from such a report. I will ask first Mr. L. V. Rhine, Greene County Abstract Co., of Paragould, Arkansas. He will explain the specifications for uniform abstracts as adopted in their state.

Mr. Rhine. (Applause.)

L. V. RHINE

MR. RHINE: Fellow abstracters, about 1934 or 1935 Arkansas became interested in uniform abstracts. We have to thank Bill Gill for our interest, I think. He attended one of our meetings there. We happened to have an abstract display. He pointed out to us, which we readily could see, that our abstracts were just a conglomerate mess; that you had to sit down and interpret each one of them to know what it was all about.

The following year we began a study of uniform abstracting, asking all of our abstracters to send in specimens of their best abstracting in order that they might be studied. We tried to pick out what we thought probably was the best ideas of our abstracters, and gradually we compiled uniform specifications. It was rather a hard row, because we found our abstracters in almost every case felt they had the best in abstracting. You couldn't blame them for that, because they had been using this system for years and they felt that it met every demand and need that an abstract should meet.

We gradually began to talk about it at our meetings, discuss it and point out that uniformity in presenting the material would be better for the examining attorneys and also more efficient in their office.

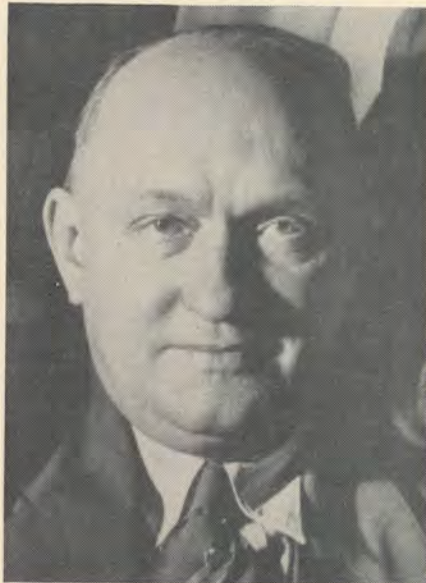
Distribution of Standards

From this study and also from information that we obtained from other states we compiled what we called our uniform specifications. These specifications were printed and adopted in our convention in 1938. At that time we found that our abstracters did not come right in and say that they were all immediately going to adopt these specifications and change their office plan to conform to them. We did find a few abstracters who decided to adopt the specifications in their offices and proceeded to make abstracts according to these specifications. We placed these specifications with all the examining attorneys examining for financial firms, insurance companies, loan companies, wherever we could find them, and began to advertise our uniform specifications.

Gradually through the years abstracters in our state began to adopt the specifications in their offices. Our secretary checked up (I think last year), and reported more than fifty per cent of our membership was using our uniform specifications.

Probably we do not have the best in what might be set out as the proper specifications for abstracts; probably you could not single out any particular specifications for an abstract and say that it is the best. But we do have uniformity.

In talking to title attorneys I find that they are very highly pleased with our specifications. They get abstracts



L. V. RHINE
*Greene County Abstract Company,
Paragould, Arkansas*

from different counties over the state and they are all uniform and they know where to look for the various things that they want in their examination. It makes their examination much easier.

It might be that we could change some of these specifications and make them better. But in forming the specifications we kept in mind simplicity. We wanted a brief abstract, as brief as we could make it and yet conform to what our title attorneys were requiring.

Uniform Certificate

We adopted a uniform certificate. We tried to embody in that certificate all the various loan companies, Federal Land Bank, and institutions using our abstracts. I think generally our uniform certificate is accepted by all of our loan agencies loaning in Arkansas.

We, as I said, tried to place these specifications in the hands of examining attorneys. You will find in reading the specifications that an examining attorney can read the specifications, pick up his abstract and understand the abstract. It is probably rather difficult, if you build your abstract strictly according to a certain basis and know that it is used on a uniform basis, to

know why certain methods are used. After a study of the specifications it clears that up and it makes the examining of an abstract much easier.

MR. GRANT: We will now have a discussion from our good friend from the State of Wisconsin, who is Secretary-Treasurer of the Wisconsin Association, Mr. A. J. Achten. He is secretary of the Shawano Abstract Company.

The Wisconsin Association has issued a booklet "Suggestions of what an Abstract of Title Should Contain". From my examination of it I think it is a very wonderful piece of work. I would like to have you, Mr. Achten, give us a little information about that particular book.

A. J. ACHTEN

MR. ACHTEN: Ladies and gentlemen, I think Wisconsin was awakened for the need of uniformity about the time the Home Owners Loan Corporation and Federal Land Bank were making numerous loans up in that state. I think the suggestion came indirectly from those firms. It was about that time the officers and directors got together with the idea of compiling something that the abstracters might use in the interest of uniformity. They got out a bulletin about 1936, which was their first step toward uniformity.

This bulletin, incidentally, did not carry a uniform certificate, but merely a suggestion of how the various forms should be set up. It was about 1942, I think, our last revision was made in our booklet. In that booklet we have listed about everything you could expect to find in an abstract, together with the suggestion of the type of paper to be used, the size of the paper, how it is to be printed, where the map is to be placed, and about everything that you could suggest to abstracters without possibly getting their goat.

Uniform Certificate

It was only this year that we adopted a new uniform certificate at our 1947 convention. That seemed to be the sore spot for some of the abstracters in Wisconsin. We tried this for about three or four years straight; I believe at every convention the matter of uniform certificate came up. It seems we could not agree. We did shock committee members this year by adoption of our uniform certificate.

To go on and tell you what all we have in this little bulletin would mean reading it to you this morning. I do not intend to do that. We set out fully here actions for quieting title, minor heir proceedings, court proceedings, foreclosure proceedings. Just about anything you can imagine is set out for the use of abstracters.

We have a goodly number of our abstracters using this form. It is not uncommon for me to get requests for copies of these bulletins. We got them out a good number of years ago, but still the abstracters are looking for them.

One of the gentlemen from Wisconsin mentioned this morning he would like another copy for use in his office. I will leave these bulletins here on the desk. If you would like to look through them at any time during the day or at any time during the convention, they are here for your use. I do not have enough of them to pass around to you, but they are here for your examination.

MR. GRANT: I want to introduce to you Mr. John W. May of Iowa. Will you make a few remarks about your booklet?

JOHN W. MAY

MR. MAY: We in Waterloo and in Iowa have not proceeded as far as some of the other states which have been mentioned; for instance, Wisconsin. We do have a uniform certificate. About ten years ago we started to make a hand book for abstracters in our own plant. This grew out of a notebook which I started to make about twenty years ago. It was just like Topsy, it just "grewed".

It contains about the same things which the gentleman from Wisconsin just mentioned, except we do show citations and leading points of law for

reference, handy reference, to our abstracters.

There is one difference between ours and the Wisconsin booklet. Our booklet was devised for use only in our own office. It contains matters which affect real estate of Black Hawk County. It sets a pattern, though.

At the last convention we offered it to the Iowa Title Association in the interest of standardizing abstracting procedure in Iowa. We believe standardizing abstracting procedure within state lines is a good thing. Our work is, therefore, fairly uniform. One abstractor can pick up another abstractor's work wherever he goes and know where he is.

I do know that examining attorneys do like our book. They are all for it. I wish Iowa was as far ahead as Wisconsin and some of the other states which I have just heard about.

MR. GRANT: In conclusion I just want to say that a little while ago I have some conversation with Floyd Cerini of Los Angeles (Executive Secretary, California Land Title Association), and he tells me that the title insurance companies have appointed a

special committee for the purpose of studying uniformity in connection with their forms and he hopes it will be adopted, because it will be a big benefit and big saver of time and money for all members of his title association. Surely we as abstracters can do as well.

CHAIRMAN GLASSON: Thank you, Frank, very much. That was most interesting. I believe it can prove profitable if you will keep it in mind and do what you can within your own state lines.

In passing from one section of the program to another the Chairman should drop the matter which has gone before and introduce the next item of business and speaker, but I cannot refrain in this instance from saying something which came to my mind when I reviewed Frank's subject.

Uniformity usually means orderliness; that means a proper sequence of events. You know that. That is elementary.

A newspaper in Rochester, New York, not long ago published an advertisement of a summer resort. This is the way it was published: "Honeymoon Heaven—try a week end first."

Report of the Resolutions Committee

(1947 Convention)

PAUL J. WILKINSON, *Chairman*
Vice-President Title Guarantee & Trust Co.,
Baltimore, Maryland

MR. PAUL J. WILKINSON: Mr. Chairman, ladies and gentlemen: We have prepared several resolutions for you, which I will read.

"Whereas, during the past year this Association has lost a friend and associate in the person of H. Laurie Smith; and

"Whereas, during the last twenty years he has lent much assistance in the execution of the policies and principles of this Association, having donated liberally of his time and ability, and through his untiring efforts he has indelibly impressed upon us all the stamp of his marvelous personality; and

"Whereas, all of us have benefited immeasurably from our frequent and pleasurable contacts with him in both our social and business associations, so that we look back upon his passing with a real sense of loss.

"Now, therefore, be it resolved that this Association go on record at this time as expressing its deep and sincere regret at the untimely passing of our beloved and respected friend and adviser, H. Laurie Smith, and that we adopt as a token of our respect to his memory the very beautiful and touching tribute to him presented so ably to this meeting by Charles H. Buck, and further resolve that copies of this resolution and of Mr. Buck's tribute be mailed to Mrs. H. Laurie Smith as an expression of our sympathy and regard for her."

"Whereas, on December 21, 1946, this Association lost one of its oldest and most beloved members in the passing of Donzel Stoney. He served as our President in the 1929-1930 term, and was, at all times, deeply and sincerely interested in the welfare of the Association, and intensely active in its affairs since its inception. His sound counsel was of great assistance to the officers and members of this Association. He was a true friend, and his passing is mourned by us all.

"Now, therefore, be it resolved that this Association does hereby express its sincere regret and sorrow in his passing, and further resolves that the tribute paid to his memory by Benjamin J. Henley be made a part of this resolution, and that a copy of this resolution and of said tribute be forwarded to the members of his family."

"The success of any meeting, assembly, or convention depends almost wholly upon the time, effort, efficiency, and intelligence expended in the preparation therefor.

"The success of this convention has been so outstanding that it is evident to everyone that the Kansas City Title Insurance Company, through E. J. Eisenman, its genial and energetic

president, and Missouri Abstract and Title Insurance Company, through William M. McAdams, its energetic and genial president, and the entire staffs of both of these companies have done a terrific volume of work, and have expended a tremendous amount of energy in the intelligent and efficient manner in which this convention has been handled. This accomplishment has been greatly aided by and with the assistance and support of the Ladies Entertainment Committee composed of Mrs. William M. McAdams, Mrs. W. R. Hornbuckle, Mrs. George R. Baldrige, Mrs. John P. Turner, Mrs. Murray L. Jones, Mrs. Walter Perkins, and Mrs. Zettie Hubbard, and ably supplemented by the excellent service rendered by the management and employees of the Hotel Muehlebach.

"Therefore, be it resolved that we express our sincere thanks and appreciation to the above-mentioned corporations and individuals for their successful efforts in making this convention one of the finest in the history of this Association."

"The educational benefits of a convention are among the most important reasons for its continuation. Therefore, the time and energy expended by the visitors who assisted us, including Lieutenant General Ray McLain, who

delivered an interesting and exhaustive discussion upon the merits of universal military training, the Reverend Peter P. Biroscik, and Mr. John A. Moore, and our own esteemed members, including, among others, Benjamin J. Henley, who again made invaluable contributions to the Association convention, J. W. Woodford, Leonard T. Fish, A. J. Yates, Howard Tumilty, Henry J. Davenport, Geoffrey K. Vickers, Frank C. Grant, Wayne M. Campbell, Oscar W. Gilbert, and E. W. Hardy is greatly appreciated by all of

us who were permitted to enjoy the results of their efforts.

"In this connection we were particularly fortunate in having such able presiding officers, chairmen, moderators, and members of sections and panels in which all pertinent matters were thoroughly and intelligently discussed.

"In addition to the above it was especially apparent during the past year that the affairs of our Association were vested in the management and control of most pleasant, cooperative, and efficient officers, composed of J. J. O'Dowd,

President; Kenneth E. Rice, Vice-President; Briant H. Wells, Jr., Treasurer; J. E. Sheridan, Executive Secretary; the board of directors, officers and executive committees of the various sections, and chairmen and members of the standing and special committees.

"Therefore, be it resolved that a sincere vote of thanks be extended to each and all of the above-mentioned persons for the contributions made by them as above outlined."

All the above, on motion, duly seconded, were adopted unanimously.

Abstracters Section—Open Forum

(1947 Convention)

Presiding:

Frank K. Stevens, President, Brazoria County Abstract Co., Angleton, Texas; Leonard F. Fish, Vice President, Dane County Title Co., Madison, Wisconsin; Cyrus B. Hillis, President, Des Moines Title Co., Des Moines, Iowa; V. Hubert Smith, Manager, Pioneer Abstract Co., McAlester, Oklahoma.

CHAIRMAN GLASSON: The program this afternoon is all yours. I am deeply grateful to these gentlemen who have consented to conduct this open forum for as long as you want to go on this afternoon.

These gentlemen are Frank Stevens, Leonard Fish, Cyrus Hillis, and Hubert Smith, and they are gentlemen whom I am sure will know about everything you want to ask them. Let your conscience be your guide, and you have a right to make it uncomfortable for the three who are not taking charge but are the body-guard of the one who is in the saddle for the moment.

FRANK K. STEVENS

MR. FRANK STEVENS (Presiding, President, Brazoria County Abstract Company, Angleton, Texas): That is rather unkind, to make us uncomfortable as they can, because I know they are uncomfortable enough as it is.

I went on quite a trip this summer on a boat and came back in a rather weakened state, sick. I found a letter from my friend Mr. Glasson asking me to take part on this program. I did not reply to it right away. I went home to bed. After I had been in bed about a day I got a telegram from him wanting to know why he had not heard from me and he wanted to know right away whether I would or not, so in my weakened condition I just wired "yes" to him and here we are.

There has been some talk about uniformity in abstracts. That is something we never have seen in Texas. Our secretary, Fred Timberlake, wrote me as ex-president of the Texas Title Association and wanted to know how much uniformity I thought we had gotten in Texas. I told him that it was not great. I would ask how many of you, on a matter of size, use a legal size paper for your abstracts. Will you hold up your hands? I judge it is better than half, anyway sixty per cent. How many use the letter size? Well, that looks like about a third or fourth. How many use smaller than letter size? I

believe there was one. There are some companies in Texas which make them about a fourth of the letter size, about three and a half or four by eight and a half inches. That is really a big variation.

Index to an Abstract

How many use indexes in the front of your abstracts? I am glad to see



FRANK K. STEVENS
President, Brazoria County Abstract Co.,
Angleton, Texas

four or five do, anyhow. Down our way we never figure an abstract is complete without an index. We put an index, double spaced, in the front, and our attorneys think it is a big help. We just charge for each page of the index the same as we do for a page in the

abstract. We might not make much on it, but the attorneys seem to think it is quite a help. Of course, if there are just two or three pages in the abstract we do not. If any abstract is of any size, we always make an index.

Maps

Where you do not have a record map, how many, or do all of you put a map in the abstract, that is, do you compile one from the field notes? How many make a practice of doing that? It looks like most of you do. Of course with us we have a lot of irregular descriptions where it is necessary for the attorney to have a map, because a lot of our country is not cut up into sections, but are old Spanish ranches on streams and the descriptions are very irregular.

On this matter of free service, do any of you figure on bringing that up? I notice as one of the suggested topics "The elimination of free service." How many of you are worried about being called on for too much service? I just saw that heading, so would one of you like to tell us about what free service you are being called on for that you would like to eliminate.

Free Service

MR. J. R. DOSS, Eufaula Abstract Co., Eufaula, Oklahoma: My greatest trouble with free service is among my friends, my closest friends, the lawyers. They pretty well know how to check my indexes. They walk around and get through the rail, and the first thing you know they are saying "that is what I want." Maybe he will take out his pencil, and on the flap he will mark the township plat in the front of the index. Of course that mars my indexes and my flaps, too. I would like to know how to get around that when one of your best customers best friends comes in for a little information; then maybe the next day he will come back and give you an order for an abstract. I am more or less dependent on the lawyers and their good will.

MR. STEVENS: Usually, I think, you might just offer to help them a

little and give them the information rather than let them browse around for it themselves; maybe that is a better way out.

MR. HILLIS (Des Moines Title Co., Des Moines, Iowa): I suggest that one way to combat that would be to have an appropriate sign to the effect "Please do not ask to use our books. If information is desired on any special subject, please ask us." Then if anyone remonstrates with you, or asks about it, tell them that your books have become damaged and changed; that you cannot afford to let people do that; and you must have a rule which applies to everybody.

MR. DOSS: That is where you do not have competition.

MR. HILLIS: I do not believe after one time that anybody would repeat the use of the books.

MR. STEVENS: Is there anybody else who has a thought on the matter of free service?

More on Free Service

MR. BLOCK (Davenport, Iowa): The free service I am called on to render comes from my best customer. He is lending a lot of money for a life insurance company and he calls me on the telephone at a time when he is about to close a deal, accepting at the same time of the closing a mortgage from the purchaser to the company. He has me make a special search of the records for ten years back to find out whether there are liens against the buyer, whose names, of course, would not as yet have appeared in the abstract. Then he has me call him on the telephone and let him know about it. I am bothered by the fact that it takes a double run of our indexes for these liens, and there are ten or a dozen books in the clerk's office that have to be searched, city taxes and county taxes and the records of the federal court.

I have never charged him for it. On my way down here, before I got to talking with any of you people, I made up my mind that when I got home I was going into this lawyer's office and sit down and talk it over with him. You see, I have been a lawyer for thirty years, so I can say anything about the lawyers I want to, and you can keep it right in the record—and show him the situation, and ask him if he does not think it would be fair for me to make a charge of some sort for that service. I feel confident that he is going to say that it would be fair. I think I can arrive at something along those lines.

MR. STEVENS: I think by all means you ought to mail him a bill.

Down in my country I think the principal thing of that sort which we run into is the oil company attorneys. An oil company has given you their business, and they seem to feel like you should just throw your office open to their scouts to run anything they want. Usually they want to check to see what leases are outstanding and what are not, and so on. A great many com-

panies, in fact, I believe most companies, in our area do let them have that privilege free. Sometimes it is pretty hard to do it. We try not to do it. I am afraid we lose some business sometimes by not doing it, but our books are continued through grant books and such, and we cannot have two or three people working in there without interfering with a lot of our work. But I expect all of us have some of those little things to contend with.

Another View

MR. GIL K. PHARES (Port Arthur, Texas): This idea of free service is an intangible thing. Let me say this that if you have a store in which you sell pens you also have free service in that store as to the price of pens and many other items, but I charge for it. You say "free service", and you stand at the counter all day long with four or five of your best operators at the counter, and they are bringing in nothing tangible there. If you have an active real estate board they will come in and say "I have a lot out here and I have a sale for it if I can find the ownership of it." Those things you do not count in dollars and cents. I do not count them as free service if they come in and want information. I have that information, and if I can give it to him quickly, it is a friend I have made.

It is like advertising, and that is free service, too, if you want to call it such. It does not bring any tangible things you can count as dollars and cents, but the good will is there. This free service you render looks to me like awfully good advertising, because if you can render that service that man will come back and give you an order, and you can make an appropriate charge. After all, you make a dollar a page for the abstract and that is not for the girl typing the abstract, that is for all services. That is my idea of free service which I am glad to render.

MR. STEVENS: I think you can do a certain amount of free service for people who are your customers or those whom you hope to become your customers, if they do not run it into the ground. I believe we can give a certain amount of that, just as the filling station man wipes the windshield off and dusts out your car when he sells you some gas.

MR. McPHAIL: I am going to differ with the gentleman who just spoke. We have that same trouble in our office. They come in, and they telephone. They are not just going out to have some fun with that; they are probably going to make a ten thousand dollar deal or a twenty thousand dollar deal, and if you give them the wrong information you may be liable. I think it is worth something, to charge for that information.

And Still More

MR. WILLIAM GILL (Oklahoma City, Oklahoma): I think it is good business to give free service. As the gentleman from Texas says, it is one of the best ways you can advertise. We

have the reputation of giving a lot of free information.

We did do this. We kept a record for about a couple of years on every 'phone call that came in and every person who came into the office and the information he wanted. When that came to my desk I noticed there were twelve or fifteen people who never did business with us. I took that and went over to them, and said, "Harry, you called at our office twenty-two or twenty-three times. We are glad to give you the information. We are still going to keep on giving you the information, but why don't you send us an order now?" I kept a record of that, and over the period of a year we picked up twelve or fifteen new customers that we never had. I maintain that it is good business to give free service, and if you get them to thinking about your office, get them to calling into your office, get them to coming into your office, even though it is free service, you get a chance to make a customer out of them; otherwise, you would not be able to get them.

MR. U. D. CALKINS (Enid, Oklahoma): I just had it on my tongue to say just what Bill Gill has said and the man from Texas. I know I hold lots of my customers and I have brought in lots of new customers because of the free service which I give. I have always been glad to do it. It is a pleasure to me to feel that I am giving the service.

Mr. Block spoke of the checking which he had to do on that. I am called often for the same kind of a check-up, but it comes from my customers in a deal of that kind where the abstract always comes in a little later to show the new owner and the mortgage. I make that check, such as he spoke of, and make a record of it, and I have it already checked when it comes to recertify the abstract, so that in some extent it is not all free service. That check had to be made anyway when the abstract was continued.

I may go a little too strong, but somehow or other I just get a pleasure out of doing things of that kind for my customers and for people whom I hope to have as a customer at some future time. I know I have held a lot of customers and brought in new ones with that work.

MR. STEVENS: That is something which I believe we are all going to have to just balance up for ourselves, whether the privilege is being abused or not, or whether it is a reasonable thing to do. It is something that you can probably charge to advertising with the idea it will bring in returns and good will and future business.

Giving Estimates

I would like to ask how many of you give free estimates as to the expected cost of an abstract. Very nearly everybody apparently does. In doing that do you fix a definite, absolute figure or approximate it?

MR. MILES KINKEAD (Hot Springs, Arkansas): More or less?

MR. PHARES: Always more.

MR. STEVENS: One gentleman told me that the fees asked for in an estimate he always makes plenty high. Then if the job does not come to that much, still that is what he charges since he has made an estimate. Maybe that is a good way of doing. We give the estimates, and we try to approximate it, say, come in between so and so or something like that. Sometimes we get stuck and it runs way yonder above our estimate, and then perhaps we try to split the difference with them, if possible.

We have talked more or less about photography and have had some reports on it. I just want to tell you how we are using photography. In one way it may be a little different from that of anybody else.

Photography

We have for many years been in the habit of copying the records in full. We show them in full in our abstracts generally, because that is the way our attorneys want them. There are so many of them which go to oil companies, and they want them usually in full. We have been copying them in full with the typewriter, and this spring we put in the little instrument that the court has and we copied them with that. We cut them down about fifteen percent in order to give room enough to superimpose what we call a caption at the top of the instrument, which is something we have done in our abstracts. I think most of you do that, giving the parties, the kind of instrument, the date, the date of the filing, and the place of record, and the county clerk's file number. That is put on a little strip and just laid on the instrument, at the top of it, before we photograph it. Our company name and page blank is on a strip at the bottom. We stick the end of the bottom under that so that is also photographed on the instrument. Those go into our file. In reproducing them in an abstract, if we do, we are typing some and using some photographically. We reshoot those, which gives us a positive for the abstract. We want to retain the full copies in our file, as we have for a great many years been getting all the instruments in the office in full.

I just mentioned that in case anybody might be interested in that phase of the matter.

Fees

On the matter of charges for abstracts, I think there is about as much uniformity in that as there is in the general aspects of abstracts. I do not know how wide a range there is.

How many of you charge less than five dollars for your certificate charge? How many use five dollars as the certificate charge? It looks like about half. How many use seven and a half? Numerous. How many charge ten dollars or more? Several.

MR. STEVENS: On the per page or per instrument charge, but how many charge less than a dollar per page for your abstracts? It does not look like very many are doing that now.

Until rather recently we charged seventy-five cents a page. We are charging one dollar now.

How many make one dollar a page their charge? It seems about half.

How many are charging more than that?

A VOICE: At times.

MR. STEVENS: That is based on an instrument charge, I guess.

A VOICE: On large instruments.

MR. STEVENS: Does anyone have anything to say on charges? Do any of you want to tell us what you think the charge should be for abstracting?



LEONARD F. FISH

*Chairman, Committee on Photography,
American Title Association, Vice-President,
Dane County Title Co., Madison, Wisconsin*

Mr. Gill, what do you charge for abstracts or do you still make them?

MR. GILL: We charge one dollar a page, eight and a half by eleven, double spaced; and six dollars for the extension certificate.

MR. STEVENS: You charge just a little bit more than double what I do. Then I am really a piker. We charge a dollar a page. We use practically legal size paper and single space it, so I am really giving mine away. You see, that is the good you get in going to these conventions. Of course, there are different conditions in different states which creates different pricing necessities.

MR. CORDS (Lexington, Missouri): I would like to know, in the increased cost of living, how many abstracters have increased the cost of abstracts, their charges?

MR. STEVENS: You mean to keep up with the increased cost of living?

MR. CORDS: That is right.

MR. STEVENS: How many think they have increased the cost on their abstracts as much as the cost of living has increased? Few.

I know we have all increased our costs greatly in salaries and materials and everything.

Is there anybody else who would like to tell us how they base their charges?

MR. WALTER PARKINS (Kansas City, Missouri): We base our certificates, on \$12.50, including one name for judgment, and one dollar twenty-five cents for each instrument not exceeding two pages, and for each additional page one dollar fifty cents. We have minimum charges for suits and estates; no part of a suit for less than seven dollars fifty cents or no part of an estate.

MR. SHERIDAN: Is there any discussion on any of the three points, namely, horizontal, the abandonment of the schedule for long or lengthy or extremely difficult instruments, and the caption sheet?

MR. SHOREY: I would like to know if the clients of many of the abstracters present know their fee schedules—whether they publish them or make them generally known or not?

MR. SHERIDAN: The question is how many publish a printed fee schedule. There are not more than a dozen hands raised to that question, Mr. Shorey.

MR. PHARES: I would like to hear a little bit more about this caption charge and find out whether it is permissible and what is the general consensus of that charge.

MR. SHERIDAN: The same as an ordinary entry.

MR. BLOCK: A lot of them make a lot more work than an ordinary entry.

MR. J. H. DEEWALL (Eldorado, Kansas): On abstracts compiled by us or a competitor, there is a caption sheet put on it. Then it comes in for extension. Our certificates are at the back of the abstract. Would you take off the caption that was on the abstract and put on another one and charge for it?

MR. SHERIDAN: That was brought up Saturday over at the Kansas meeting. I am not sure just what the intelligent way would be to handle that situation. Facetiously I said to put it in both places, but, of course, that is not the answer. You cannot very well start your "bring down" or extension with a new caption sheet and charge for it when, as a matter of fact, the land thus covered is in your certificate. But it does seem to me that there must be a middle ground. There must be some point to which we can make an approach for an upward revision in our charge to cover that lengthy metes and

bounds description in the caption, wherever it may appear, be it either in a separate caption sheet or be it in the abstracter's certificate.

I will put it another way. If you put it in the certificate, it would seem to me that the certificate itself rates consideration in revising the charge for it by reason of the inclusion in the certificate of the description of the land.

To get back to your question (indicating), about a long metes and bounds description, I answered you "an entry charge." But if it were a lengthy one I would treat it exactly as I would treat a lengthy one within the body of an abstract and charge accordingly.

MR. STEVENS: We do not make a caption sheet at all. We never have. We never have liked to refer to a caption in the certificate. The caption sheet is the first thing which gets torn off. But the certificate always covers the land, and we do not put any field note description in it either, as we just give reference to an instrument which contains it and serves the same purpose.

CHAIRMAN GLASSON: I would like to introduce an ex-president and operator of an abstract company in Cerro Gordo County, Iowa, who was the first treasurer and a charter member of the American Title Association, Mr. Hugh H. Shepard. (Applause.)

Valuation Charge

MR. SHEPARD: Ladies and gentlemen: We have gotten to a point where we found that we were training field employees for law offices, corporations, and everything else, and we were not getting money enough from the business to keep our office up in the shape that it should be. We had to get additional money somewhere. It did not seem fair to put that burden on unimproved low price lots.

So we put in a valuation charge.

(Note: For full exposition of this see Title News Volume 26, Issue 3, Page 41 et seq. Ed.)

MR. SHEPARD: It does make the difference in our business between a slight margin of profit or taking a loss and it enables us to pay our employees. We have raised them several times during the last year and a half since the valuation charge came into effect, and they are very well satisfied. I told our customers that we charged just enough to make them mad and not enough to win their respect, and that is true. If you turn out a job too cheaply it is poor business.

We had a farmer come in with a charge of something like twenty-three dollars, I think, for an abstract. He had about a sixteen or eighteen dollar valuation charge, one dollar for the ordinary entry, and five dollars for the certificate charge. I explained to him that we thought we had treated him pretty well, that the assessed valuation of that property is only eight thousand dollars, and that he would not sell the farm except for big money. He admitted he would not. We applied the assessed valuation of eight thousand

dollars, which did not hurt him very much.

The assessed valuation in Iowa is based on sixty percent of the supposed actual valuation of the property.

MR. SHERIDAN: In eastern Iowa we have the valuation charge in effect. Is Carlton Upton Knupp in the room? Are your charges the same as in Cerro Gordo County?

MR. C. D. KNUPP (D. C. Knupp & Sons, Vinton, Iowa): No; I have adopted a little different system. I gave a talk at the Iowa Association on this subject.

I am charging now one mill per assessed value, starting at five hundred dollars. That means a five hundred dollar property is fifty cents, a thousand dollar assessed value property is one dollar, and on up to seventy-five hundred, then it is one half mill above that. It is working out very nicely, and it is making me a nice additional income.

MR. SHERIDAN: In per cent of increased earnings to the office, Carlton, what is the result?

MR. KNUPP: I think it amounts to about twenty per cent.

MR. SHERIDAN: Carlton, one more question. A schedule based on valuation is in effect in some half dozen or more counties in eastern Iowa. Is that correct?

MR. KNUPP: I do not know how many have adopted this plan. My adjacent county is Blackhawk County where Waterloo is located. They have a little bit different system. Mine is a little higher than theirs, but they have higher valued properties. I am in a country town, a rural district.

These fees are charged above the regular abstracting charges. When I put this into effect in my county, I did not tell anybody what I was doing. I have had only one instance where I had to explain it. I have never had an objection on the charge, and it has raised my fees. I have never had one complaint.

MR. SHEPARD: Mr. Chairman, might I add that since we put in our valuation charge we have had some of our customers ask us to explain the charge and the reason for it. They are satisfied, including the Federal Land Bank representation, as we showed them just why we had to come to it and why we had to put it that way. I will say that we have improved our service very much through the ability to work with increased energy on the job.

There has been virtually no complaint, and, in fact, there has been a better appreciation of the value of the service we were doing. I had an occasion to give a talk to the Rotary Club a couple of months ago, and when I explained to those gentlemen that we were keeping books of over thirty thousand tracts of real estate in Cerro Gordo County and over thirty thousand tracts in Mason City, and that we had to keep track of the collection and payment of over two and a half million dollars of taxes that go through the

treasurer's office—they all go through the one office in our county—also to keep track of the special assessments, old age pensions, all the numerous things that can be added, (and I listed all these things)—I told them there were over thirty thousand cases in the district courts and over seventy thousand and probate cases, and every time we certify an abstract we have to give the correct answer in the abstract which we sell to them.

We have absolutely had no complaints. As I say, they have a much better appreciation of our work, and I think we have improved our standing in the community.

MR. SHERIDAN: Are there any questions on the valuation charge?

MR. A. W. SUELZER (Fort Wayne, Indiana): I would like to ask whether any of those who impose this surcharge bill it as a separate item. The reason I ask that is if it is not billed as a separate item, the acquiescence of the client in the charge is not an endorsement of the surcharge. He may either not know on what basis he is getting charged or he may think that he is just getting a normal increase due to the various reasons that form the basis for these increases.

If, however, it is billed as a separate item, then we would know exactly what the reaction of the client is to the surcharge.

MR. SHERIDAN: Do you bill it as a separate item?

MR. SHEPARD: We do not.

MR. SHERIDAN: Do you, Carlton?

MR. KNUPP: No.

MR. SHEPARD: On any abstracts that come into the office which were certified previous to August 1, 1946, regardless of whether there has been a change of title or otherwise, we add a valuation charge. If there has been no change of ownership, and we have had the abstract in recently, we do not charge the valuation charge a second time, but we do charge it where there is a change of title, even though the abstract has been in the office within the last week or two, where the property changed hands.

MR. SHERIDAN: This is the practice of certainly the majority and nearly all of them; if the abstract comes in and there has been a change of title, then there is a new valuation charge made. If the abstract comes in and there has not been a change of title, there isn't any valuation charge made.

A VOICE: Mr. Chairman, suppose you prepare a new abstract on that vacant lot which has an assessed valuation of two hundred dollars.

MR. SHERIDAN: Then there isn't any valuation charge anywhere I know of.

A VOICE: Suppose about three months after, that same abstract comes back to be continued to date and a house has been built on it; you are requested to show the deed to the new purchaser; and a mortgage for seventy-five hundred dollars. The abstracter's

liability is increased, the valuation charge or the assessed valuation rather still remains at two hundred dollars, what would be the valuation charge?

MR. SHERIDAN: Practically every place where I have asked that question the answer has been that they found by experience that they stand by the assessment books. They really have notice from the existence of the mortgage, if no other way, that something has happened to that property, making it much more valuable than it was six months ago. Notwithstanding that they found one principle to which they can adhere, and that is the assessed valuation and they stick by it; they are going to lose on it in the present order but they will pick it up next year or on the next transfer. If you try to break away from that, you can very quickly see that you will be in all kinds of complex pictures, each of which you will have to solve, and probably each in a different way.

MR. SHOREY: Has it been the custom generally in inaugurating these valuation charges for the invoice, although not disclosing an itemization, to put an explanation on the bill to explain to the customer that included in this charge is the valuation charge based on the assessed valuation of the property? In other words, your customer has some idea how much is continuation or abstracting there is to do, but if it costs more than he anticipates due to the addition of this valuation charge, should he or is it the custom where the charge has been inaugurated to make such a statement on the bill?

MR. SHERIDAN: Not to my knowledge. Sometimes it has been set out on the bill as a surcharge.

MR. SHEPARD: Mr. Chairman, I might state in answer to that question that a large portion of our business comes through regular channels, thus they may know about where they figure. Our valuation schedule has been placed in the hands of practically all of our customers.

MR. HENRY G. MASON (Benton Harbor, Michigan): Does this limit the liability to the assessed valuation if he should have a mistake in the abstract? Does it limit his liability in any way?

MR. SHERIDAN: Yes. In some spots there is a statement in every one I know of to the effect that the liability assumed hereunder is expressly limited to an amount not to exceed "x" dollars, being the assessed valuation figure. Do you do that, Hugh?

MR. SHEPARD: No, we don't limit our liability in our certificate. We could not limit it—at least I wouldn't believe we could—despite the fact we charge only so much. We have a legal liability that we do not attempt to evade.

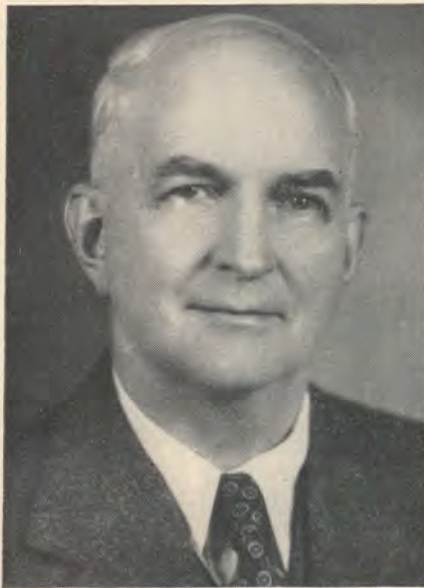
MR. BLOCK: What about a big building? If you get a building like the Merchants Bank Building in Cedar Rapids, or a big office building, in such case this valuation surcharge would get up into real money. Do you stop it at thirty thousand or forty thousand for a three or four million dollar building?

MR. SHEPARD: We have not exceeded our maximum. I think it is about thirty thousand.

MR. SHERIDAN: In Sioux City our companies come to their own conclusion as to what they are worth, and I believe it is around forty to fifty thousand, beyond which figure they make no valuation charge.

Are there any more questions on that? Are there any questions on this time charge?

MR. SHEPARD: On the time charge it would seem to me that that time charge applies horizontally, both to vacant lots and to improved properties. You are not equitable to the owners of the vacant lots, and it would seem that that should be quite a valid objection to the time charged.



CYRUS B. HILLIS
*President, Des Moines Title Company,
Des Moines, Iowa*

MR. SHERIDAN: Let us not argue equity in the pricing of abstracts. There isn't anything that I have ever heard of as inequitable as that. We certify the abstract to the First National Building and we take on liability that would sink us if we leave off a judgment and we get six dollars for it. The same day we are certifying to an abstract on a hundred dollar lot. If there was anything against it, we could take over the lot and give the fellow his hundred dollars and forget about it. We get six dollars on that abstract just the same as the First National Bank, so we had better not go into equity. Anyway, the use of the valuation charge and also the time charge is increasing.

OPEN FORUM

Presiding: Wm. Leonard Fish, Vice
President, Dane County Title Co.,
Madison, Wisconsin.

MR. FISH: I will not be doing the entertaining. From now on we are going to try to get as much as we can get answered for those people who have come hundreds of miles to our conven-

tion with some problems on their minds which they have not been able to get answered yet at our convention, either in our regular meetings or at discussions which have been held outside of regular meetings.

There have been a few items presented to us as problems by members. I will throw one of them out now, and that is the problem of zoning.

Zoning

In some localities, including our own, there is considerable request on the part of attorneys and people interested in real estate transactions for the abstracter to furnish information in regard to zoning restrictions on property when he certifies his abstract. In large cities this does not present too difficult a problem, because zoning laws and maps are usually available in the city records. In our particular county that is the only place they are available. They are not recorded anywhere else. We feel that might be an additional source of business that would be very good for us and would furnish service to the customer he would like to have.

The question as presented to us involves just one phase of zoning, but I think we can take it up from all angles. We would be interested in knowing if any of you have considered doing anything about it, possibly what your charges might be for covering it, and if any have considered covering zoning restrictions outside of the city in which their particular plant is located, such as county zoning ordinances. "Airport zoning is becoming a usual thing, sometimes affecting property a mile or more away from the airport, by prohibiting the erection of large buildings and so on. If such a zoning ordinance has been passed and not filed in the county records, should the abstracter make any note of existence of the airport?" I think we can elaborate on that also for the person who asked the question as to whether he should be obliged to note the zoning restriction in any way that might be of record in connection with that airport.

Does anyone have anything to say about that subject?

MR. LLOYD: Mr. Chairman, I feel this way about it: If the city does not record that building ordinance in the County Clerk and Recorder's office, I do not see why the abstracter should show it in his abstract.

MR. BLOCK: To make another dollar and give information to a customer.

MR. LLOYD: I know, but you cannot very well because you are making a certification that you are putting an abstract out according to instruments filed in the County Clerk's and Recorder's office. You are putting something in your abstract there that is not of record, only down at the city hall.

We have that same problem in my town. I have talked with the City Commissioners and also the City Attorney that they should record the various actions. They do not feel they should put it of record. It is in the city hall,

but it is not in the County Clerk's and Recorder's office.

MR. D. W. SHEPHARD (Angleton, Texas): In most cases where things of such nature are not of record we state in our certificate that we include everything of record, but we do not limit it in all cases to what is of record. We would put such a thing in as an exhibit with a note, if necessary, to the effect that it was not of record. We feel that that is a service to our client.

MR. FISH: I wonder if Mr. May will tell us if his company isn't doing something about zoning.

MR. JOHN MAY (Waterloo, Iowa): We have always shown restricted residential district zoning ordinance even though it wasn't recorded.

We have a state law that says they shall be of record, but our city officials just did not do it for years. The last ten years they have.

We have even shown fire limits ordinances. We believe it is a service we should give to our customers even though they are not of record.

MR. FISH: I thank you. I wonder if anyone can give our member who asked the question any detailed answer on the airport problem in particular. Has anyone run into that?

Airport Area Restrictions

MR. GILL: I think the answer to the question would depend upon your state law. Briefly, in Oklahoma the legislature set up a Regional Airport and Planning Commission. They gave that Airport Commission authority to lay out an area, a three-mile circle, around the airport, set up rules and regulations, the type of building which could be built in that three-mile area. The law provided that it would become effective when recorded in the County Clerk's office. There was such an instrument recorded in our county clerk's office covering twenty-seven pages. We took one sheet of paper, briefly abstracted it, referred to the instrument and stated that it governed the type of buildings that could be built on the property. We then made a small blueprint showing the three-mile circle, all lands embraced within the three-mile circle and the property within the three-mile circle. We put the plat in the abstract with that one sheet briefly referring to the regulations that governed the use of the property.

MR. FISH: I have one other question and then I will see what you may have. "Have we any protection under copyright laws to prevent plagiarism of our product? Can we enforce a contract with the buyer of our abstracts to prevent duplicating or preventing a third party to duplicate the thing?"

Probably that savors of the curbstoner again. Anyone versed in the copyright law, would you like to give us an answer there? It seems to me off-hand that we would not have any protection there unless we did go to the trouble of having every certificate and abstract we put out copyrighted. I may be wrong. Is there any comment?

I think I will just take a few minutes more of my time to throw it open to any questions you may have and then the following gentlemen have one or two they would like to present, too. Are there any questions you would like to raise on the floor to any problem that has not been answered to your desire?

Unethical Copying of Abstracts

A MEMBER: I wonder if there might be some discussion on the protection of our product. The thought occurs to me that an abstract of ours which covers the basic chain might fall into the hands of some concern which on that basis might issue title policies



HENRY C. G. SCHRADER
President, St. Clair Guaranty & Title Co.,
Belleville, Illinois

to every lot and addition laid out in that piece of ground. What would happen to us if that took place?

MR. LLOYD: As far as I know, there isn't anything you can do about it. I have that happen frequently when a competitor gets our abstract and makes a copy of it on the basis of subdivisions. I do not think we have any recourse whatever. Even if they did have a copyright law on that, he could change it around some and you would have a hard time proving he did copy it.

A VOICE: Does a certificate govern in a case like that?

MR. FISH: I think probably there is no question.

A VOICE: He cannot forge your name to that certificate?

MR. FISH: You have no liability to the person who buys that abstract, but you probably cannot prevent that man from using it.

A VOICE: There is no liability on your part, though?

MR. FISH: That is correct. But I think this gentleman's problem is more protection for himself so that business will come back to him instead of going to someone else. Maybe it is advertis-

ing, so your original signature and name on an abstract mean something, and you get your public educated to look for that.

MR. STEVENS: Mr. Chairman, down in our country a number of companies for years have had on the front cover of the abstract, "This abstract is delivered with the express understanding and agreement that it shall not be copied by anybody for any purpose and so on." I do not know whether that has done any good or not. We used to have that on ours.

I do know that some oil companies and some loan companies do not hesitate to photostat a complete abstract for any purpose that they may wish to use it for. I see them every once in awhile. I do not know whether there is anything that can be done about it or not.

MR. FISH: In that connection I think you have raised probably another question, which you also touched on in your talk when we opened the session, on the use of photographic material in an abstract. In our state there has been some question raised about the propriety and advisability of incorporating complete photographic copies of proceedings or instruments or abstracts in themselves in an abstract and furnishing it to the customer with the idea being that possibly we are making the job look too easy. We in our county have done it for some time, and we feel that the good service that we are able to do as a result of that more than offsets the possibility of this other matter. Maybe some of the rest of you have some feeling on that. Are there others who are using complete photographic copies of instruments or proceedings in their abstracts? Maybe we are alone in the field, then.

MR. PHARES: No, I am doing it.

MR. FISH: Have you had any difficulty, may I ask, of any kind? I think the matter of service is the most important thing there, if you are careful to sign all abstracts as the originals, and make them look as though they came out of your office. I think Mr. Stevens had a good idea in the preparation of his photographic sheets, possibly the notation at the top, setting forth the names of the parties and dates, so if the attorney does not want to go through the entire instrument, he can get a quick survey of the purpose and parties involved just by looking at the top of the instrument.

If you have no further questions at the moment, I think I would like to turn it over to Mr. Hillis, who will take over the chair.

CYRUS B. HILLIS

CYRUS B. HILLIS, President, Des Moines Title Co. (Des Moines, Iowa.) I was asked this morning to substitute for Ralph Smith of Keokuk, Iowa. Mr. Smith is one of our leading abstracters and title men, and I am sure that you would have all profited by anything which he might have told you.

In looking over this program and the material which is itemized on which discussion is desired, I feel my reaction would be more or less snap judgment to the considered opinion of other gentlemen who have had an opportunity to study these questions. After I tell you a little story, and in view of the lateness of it, I will waive my time for the other members of this panel.

I am reminded of a story about a young Chinese, an orphan, brought up in a mission school in China, where he had learned to speak English rather well. But, of course, he had not learned the customs which are in vogue in this country. It came to pass that he came to America on some sort of a mission, and he lived with a Chinese family who were thoroughly Americanized. After awhile he was invited to a dinner party where everybody at this party were Americans. He was somewhat perturbed because he did not have any fun. Not having any small talk to talk about to his dinner companions, he asked his friends to tell him what to do. They told him, oh, to just talk on some simple subject to the members of his family and the members of the family of the people who sat next to him.

When they went in to dinner he found himself between two very charming young women. He was rather embarrassed, but after awhile he mustered up his courage, and turned to the very lovely lady on his right and asked her if she was married. She said no, that she was sorry to say that she was not married, that she hoped to be married sometime, but as yet she had not found the young man of her choice or that she was his choice. That stopped him for a minute, and then he asked if she had any children.

He then realized he had made a mistake, so he thought he would try to do better with the girl on his left. He turned to her and asked her if she had any children. She said, oh, yes, that she had a very fine little boy who was three years old and a little girl only six months old, and she expostulated on their good points. Then he asked her if she had a husband and if she was married.

Receivables From Undelivered Abstracts

I am going to, at this time, ask the other gentleman to take this panel, because I know that he has made some preparation, but before I do there is one point in here which, possibly, some of you have had a similar experience. It is in connection with bills receivable that were touched on this morning. We have found in the last few months that we have gotten quite an accumulation of abstracts that have been made and billed and have not been taken out of the office. The people have come in and found out what the charge was and said they would be back, but they have not come back. Although our total collections have been excellent

and our bills receivable are not increasing, we do find that we have a very substantial amount of undelivered abstract which will need attention. I wonder, in view of the existing conditions, if any other abstracters have had a similar situation.

MR. DONALD A. HUGHES (Cherokee, Iowa): Our situation has been a little different than that as our bills receivable have been decreasing. We have been working on them quite steadily the last two or three months. Our main trouble comes with attorneys, if I may say so, who will be probing in the state and deliver an abstract to us for continuation. Then we in turn bill them on behalf of the customer for our work. When it comes time for



J. B. WEBBER
*President, National Title Insurance Co.,
Los Angeles, California*

them to settle the estate they collect their fees, and by that time have mislaid our bill, and we have a dickens of a time trying to get our money out of the attorney or the customer, the customer thinking the attorney's fee included the abstract bill, and the attorney having forgotten that there ever was an abstract bill. We have that difficulty, and we are having some trouble in trying to solve it and find out what we can do to reckon it.

MR. HILLIS: In such matters as foreclosure proceedings, I believe if you would make a simple entry on the docket of your claim you would in all probability get your money, because that would be reported and the estate would undoubtedly not be closed with that claim existing.

CHAIRMAN GLASSON: Mr. Hubert Smith from McAlester, Oklahoma, I am sure, has some interesting things to bring to you. I am going to ask him to condense his section of the forum into about ten minutes.

V. HUBERT SMITH

MR. SMITH: The first thing I am going to ask you to do is to stand up,

turn around, get comfortable, light a cigarette, and let us all relax before we start this five minutes.

There is a certain radio program in which a member of the cast goes down through the audience and says I have a lady, doctor, or I have a man, doctor, or this, or that, or somebody else, and the doctor asks foolish questions. I am going to stay down here on the floor where I can be close to you people, and maybe I might point out this one or that one or the other one.

I would like to see more of the little one, two, and three man abstract offices speak up at these forums. After all, the bulk of our abstracters in the United States are small abstracters. We want opinions from folks from the small town.

The first thing I would like to bring up is this, do you make "surface abstracts," if so, why? How many make surface abstracts?

Surface Abstracts

MR. ED BULLARD (Ardmore, Oklahoma): Why do you make surface abstracts? We are in an oil country. For instance, on ten acres we might have anywhere from one hundred to one hundred fifty instruments on ten dollar an acre land. Some rancher, possibly, wants that ten acres to go into his ranch, and he wants some evidence of title. He does not want to pay you the price of an abstract to show oil and gas leases and mineral leases which might be on that title, so he comes in and asks for an abstract on the surface only. In that case we eliminate all of the leases and instruments pertaining to minerals and give him a surface statement.

MR. HILLIS: How do you make your statement?

MR. SMITH: What statement do you make on your certificate, Ed, to show that it is just surface rights?

MR. BULLARD: On the caption we show this abstract covers the surface rights only. In the certificate we make the same statement with the addition that, if we do not take into consideration the instruments which might have rights of ingress and egress, we refer them to the records for such instruments.

MR. SMITH: Do you feel completely safe when you turn out a surface abstract?

MR. BULLARD: Frankly, I do not.

MR. CAULKINS: There might be a little enlightenment along that line. Oklahoma is an oil country. To show you how that can be done and how it is done, Osage County of Oklahoma, that whole county, was originally a reservation for the Osage Indians. In the settlement of the Osage Reservation, the Federal Government reserved all mineral rights for the Osage Indians. The abstracters in Osage County never abstract any of the mineral rights, oil lease, or anything pertaining to mineral rights unless requested to do so. All their certificates are set up subject, of course, to the reservation

of mineral rights reserved by the Federal Government for the benefit of the Indians. I have never had a request for an abstract of that kind, and I would not make it if requested.

I had an order just a short time ago from an attorney, who wanted to know about what the cost might be and what there was in the title. I called to his attention that he was talking about the mineral rights which were outstanding and were not owned by the surface owner. I told him I would make the abstract, but would omit the certification as to the chain of title on mineral rights, if he wished me to do so; that it would cost him sixteen dollars less for the abstract if we omitted certifying that half of the mineral rights, leaving out all those transfers affecting those mineral rights. He told me to make the abstract and put them all in.

MR. SMITH: I thought maybe there would be abstracters from more oil states here who made surface rights abstracts. Apparently Oklahoma is about the only one.

MR. STEVENS: In Texas we make them all the time, making them as surface only and minerals only.

MR. SMITH: The point I would like to bring out here is that it is very dangerous to make a surface rights abstract because the owners of the minerals, the royalty owners of that land, have certain rights themselves. They have right of ingress and egress. They can come in there and drill a well. They can come in and take out coal or asphalt or whatever it may be. It is very dangerous if any of you abstracters are making surface abstracts and you had better watch your step.

This question is one I have heard mentioned before, and I might just bring it up. Do you, as abstracters, read all of the A.T.T. Bulletin? If not, why don't you? What can we do, if

anything, and is the bulletin satisfactory? I am not trying to jump on Jim, what I am trying to get at is this, is there something we could have Jim add to the A.T.A. Bulletin which would make it more interesting to abstracters? Do any of you know of anything? There have been two or three mentions which were made to me. Why don't some of you speak up now? Jim puts out a dandy, good bulletin, and it is not meant as a criticism to the bulletin. What this is meant is that maybe he might include a little more of something specifically for abstracters. I see we are apparently not much interested in that.

How can we get cooperation between competitors? Who has a competitor that he can get along with? If you have a competitor you do get along with, how do you do it?

Tell us how you accomplish that, Mr. Wells.

MR. WELLS: My competitors are fine fellows. I like them and they like me, I think. We have met as often as once a month and sometimes once a week.

MR. SMITH: You are starting with a good premise when you say your competitor is a fine fellow.

MR. WELLS: When I have troubles I go to him, and when he has troubles he comes to me.

MR. CHARLES W. HIGHT (Harrisonville, Missouri): Of course I have had more experience with my predecessor's competitor than with a present one. He has been in our town now for about a year and a half. We try to talk our troubles over together. We kind of call on each other once in awhile when it is necessary, and we just do not try to go out and cut each other's throat, I will guarantee you that.

MR. SMITH: I think one of the first things in getting along with our competitor is recognizing that our competitor is a person just like ourself. We must recognize that he is a person trying to do the same thing we are and that he is in the business, too. But, maybe, that is preaching a little bit too much.

My time is now up. Is there any particular question which has not been brought out? This is to be the last time you will have an opportunity to get up and bring up some question on the floor.

MR. BLOCK: I have a question I want to submit. I know you will be surprised to learn the Iowa abstracter is not responsible, as a matter of law, for his errors and omissions.

The case arose where the abstracter who was writing a certificate representing to all who might rely upon it that the contents of the abstract were correct and complete, but he had omitted a mortgage. He was sued by the purchaser of the land and was defeated in the trial court. He appealed the case to the Supreme Court. The Supreme Court said that he was not liable, be-

cause the buyer of this piece of ground had not paid him a cent for that abstract, that there was no privity of contract between the buyer of the land and the abstracter,—because the seller had furnished this particular abstract and there was, consequently, no liability. That is the legal situation under which we make abstracts in the state of Iowa.

The fact that they are not legally liable has not prevented any Iowa abstracter that I know of (except the one involved in this particular case) from paying when he misses taxes or any other instrument. He recognizes his moral responsibility and he knows that his public expects him to make good on his certificates. In the first place, should they publicize the fact that there is no responsibility on an abstracter? I am very much in doubt about that. I would like to hear the expression of this panel on the question of whether we can let the public know that fact. I would like to hear Mr. Glasson's thoughts on the subject.

CHAIRMAN GLASSON: Mr. Block has talked with me about this case. I intended to ask him for the citation, as I would like to re-read it. I have known about it. I had always assumed that we were liable to anyone relying upon the abstract in any transaction in which the abstract might be furnished, if we so certify. I cannot conceive how the mortgagee, or how the buyer of this property, could have bought that property without having had some title evidence brought up to date. Perhaps he did in that case. I am not familiar enough with it to know. We do know that in the state of Iowa the abstracter's liability is a matter of contract, and being an unwritten contract the statute of limitations runs against it in five years—not from the date of the discovery of the error, but from the date the error is made—which, of course, is the date of the delivery of the



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abstract. On any abstract we have had out for five years or more we have no legal liability.

I do think it is true that in these days when the courts are becoming more liberal, more equitable, shall we say, and following the dictates of conscience more than the dictates of Common Law, I doubt very much whether that case would be sustained in a similar case at bar today. I am inclined to think the Court would take the stand that when we certify to "anyone relying upon this abstract," we have meant exactly what we have said; and, if necessary, they will find some ground for getting around the fact that there is no consideration paid from the purchaser of the land to the abstract company for the contractual liability.

As to publicizing that, again, that is one of those things which, I believe, is just not done in the best circles. I doubt very much whether we would gain any advantage from it. In fact, I can see where we might undergo a great disadvantage. Those would be my only thoughts on the subject, but I will be very much interested in reading the case.

MR. HENRY J. WILDER (Orlando, Florida): Mr. Chairman, may I say a word in reference to this gentleman's question about collecting his accounts after he sends out the abstracts. I would like to quote you in our certificate the paragraph that we have and a good many of our abstract companies in Florida use the same thing.

"This certificate is issued in consideration of the payment of all charges for the preparation of the foregoing abstract and no liability is assumed hereunder, unless said payment is made before the loss appears and certificate of full payment appended hereto is

certified by an officer of this company."

The certificate has a blank to show the payment date and it must be filled in.

MR. SMITH: I am going to ask Mr. Gill if he has not had some experience in the times past of similar situations like this Iowa case.



RALPH B. SMITH
*Manager, Smith's Title Service
Keokuk, Iowa*

MR. GILL: Regarding the liability of abstracters, I am going to refer to a case which I had in Texas. Some years ago we were receivers for a company which went broke. We had a farm we thought we owned. I got down there and checked into the record as to the chain of title, and found omissions which cost us some forty-

eight hundred dollars in that receivership.

I made the statement to a convention in Texas, and I am going to make it here—that I think it is criminally liable for anyone to be in the abstract business that does not have a bond or some protection for the public. Let me go a little farther. You can go into the state of Texas, you can go into the states of, I believe, Missouri, Illinois, and Indiana. I can leave Oklahoma and come up here and go into the abstracting business in these states. I can move out tomorrow, and if the public has a loss, what do they get? Nothing. The certificate is not worth any more than the responsibility of the man who puts his name on it.

During the oil rush in Indiana and Illinois, also in Mississippi, there were a number of abstracters who came in from Oklahoma. They cut you out of business which you had been having there for a long number of years, and which you had been trying to build up. They even went so far as to cut prices. I think every state association ought to give serious thought to setting up regulations to keep curbstoners from coming into your state overnight and wipe out a lot of your business. The public, too, is entitled to consideration when you put your name on the certificate and, perhaps, a bond at least would be of some help.

In the state of Texas we, at least, would have collected five thousand dollars if there had been the bond. As it was, we collected nothing. I have just used Texas as a reference because I knew you would not care.

CHAIRMAN GLASSON: That is very interesting, ladies and gentlemen, but the time has come when we must close.

In Memoria

MR. BENJAMIN J. HENLEY (Executive Vice-President, California Pacific Title Insurance Company, San Francisco, California): Mr. President and members of the Association:

The passing of Donzel Stoney, to me, indicates rather the youth of the Association than its age. Donzel Stoney was, as all of you who knew him so well as Donzie, in the title insurance business in San Francisco in 1905, two years before the organizing of the American Title Association in 1907. From a very short time after organization of the Association he was a regular attendant at its conventions. From the time of my acquaintance with him some twenty-five years ago he was a very regular attendant at annual conventions.

California, I may say with some modesty, has established a business in our line of work which has become somewhat of a model, at least on the west coast, for the transaction of our business. To that development Donzel contributed no small part. He was always



DONZEL STONEY
San Francisco, California

MR. CHARLES H. BUCK, President, Maryland Title Guarantee Co., Baltimore, Maryland:

I am privileged on behalf of this Convention, to pay tribute to the memory of a past President of this Association, Mr. H. Laurie Smith.

It is deemed proper that there be noted in these proceedings something more, with respect to Laurie, than the usual formal resolution of this Association; that, no doubt, will be offered by the Committee on Resolutions.

For H. Laurie Smith was not the usual man. He was a man with a plan, a plan which, with little financial backing, he nurtured and developed against vicissitudes and opposition until it blossomed into a strong and vital force in the title industry of the Country. We all saw the development of that plan and the growth of Laurie's company, and a few have adopted some of his methods.

I met Laurie first about twenty years ago at an American Title Association Convention, held in Atlantic City. It was his first convention—mine also. Since that meeting we had many contacts—in Association affairs, in business, and socially. I believe few in this Association know better than I, the fine character of the man who has left us.

Many times he was called on for service by this Association. His were, in the main, the hard jobs. He was an able representative of our Association in Washington. His industry was enormous, his generalship excellent. This Association could not have afforded to pay for the high quality of service

which Laurie gladly gave to all of us in these matters, often at a considerable expense to himself and his company. His accomplishments as our President were outstanding.

Simple, considerate and understanding in his business and personal contacts, those who knew him could not help but love him. He was a brilliant



H. LAURIE SMITH
Richmond, Virginia

attempting to stabilize the business. He was farseeing in his programs. He was probably more responsible than anyone else for the development of title insurance in the rural communities of California. He did it in such a way as to elicit and maintain confidence and respect of competitors and customers. He was looked upon in California as one of the leading exponents of title insurance, and one of the finest competitors, and one of the finest gentlemen it was possible to work with. I can speak to that with absolute certainty, because I was a competitor of his during the last twenty-five years of his lifetime. I think no one, even his closest associates, grew to respect him or admire him or love him any more than I do and did.

It is indeed a pleasure to pay this tribute to Donzel Stoney whom we all knew so well, who contributed so much to this Association, and who, as its president in 1927, conducted one of the finest conventions the Association ever had.

leader, loved by his associates and respected by his competitors. His complete integrity was evident to all with whom he had contact.

The measure of a man is how he lives, not his material nor social success, but rather by the kind of association he has had with his family and in his treatment of his fellowmen. In making an estimate of Laurie's life, I cannot help but think that Bryant, when he wrote the closing stanza of "Thanatopsis," must have been thinking of a man just like Laurie, for Laurie's life exemplified the theme of that sermon. It is, as you know:

"So live, that when thy summons comes to join
The innumerable caravan, which moves
To that mysterious realm, where each shall take
His chamber in the silent halls of death,
Thou go not, like the quarry-slave at night,
Scourged to his dungeon but, sustained and soothed
By an unfaltering trust, approach thy grave,
Like one who wraps the drapery of his couch
About him, and lies down to pleasant dreams."

H. Laurie Smith so lived.

May I suggest that we all stand a moment—silent—as a tribute to his memory?