TITLE NEWS

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BANKRUPT MORTGAGOR

by

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United States Savings and Loan League

The Effect of Bankruptcy of the Mortgagor on a Prior Foreclosure Proceeding As Contrasted with Its Effect on Subsequent Efforts to Foreclose. Beck v. Unruh, District Court of Appeal, Second District, Division 3, California, September 27, 1950, 222 P. (2d) 242, (Advance Sheet, October 20, 1950).

We are privileged to carry this excellent article in "Title News" by permission of the author and of "Legal Bulletin," official publication of the United States Savings and Loan League. The latter authority comes to us through the gracious approval of Mr. Horace Russell, General Counsel of the League, and well and favorably known to many members of American Title Association. -Ed.

In this case a tax title was successfully attacked at a result of the paramount jurisdiction of the bankruptcy court in the property in question. In 1932 a bankruptcy proceeding was pending against the corporate owner and the property had been scheduled. At that time, the 1926 taxes had not been paid and the tax collector executed a deed in order to convey the title to the state. The bankruptcy proceedings were terminated in 1936 and were reopened in 1947. The trustee in bankruptcy sold the bankrupt's interest in 1947. In the meanwhile, in 1944 the state had sold its tax title which was acquired by the plaintiff in this suit to quiet title. The defendant was the purchaser from the trustee in bankruptcy.

The court remarked the paramount jurisdiction of the bankruptcy court. Upon an adjudication of bankruptcy the United States District Court acquires exclusive authority and control over all property of the bankrupt. The filing of the petition in bankruptcy is an assertion of jurisdiction with a view to the determination of the status of the bankrupt and a settlement and distribution of his estate. The property is in the control of the

court from the filing date. Although the trustee in bankruptcy takes subject to all liens which were valid against the bankrupt, the lien holder may not institute proceedings to enforce the lien without the permission of the court of bankruptcy.

The court observed that, at the time the sale and conveyance to the state were made, the property was in the exclusive jurisdiction of the bankruptcy court. The consent of that court was not obtained in order to make the sale. Consequently the tax collector was without power to convey the property and his conveyance passed no title. Until the bankruptcy court abdicated its jurisdiction, no person and no other court could acquire power or jurisdiction to deal with the bankrupt's property or change its status and of course could pass no title to another by purported sale or otherwise.

No comment is here intended on whether the termination of the bankruptcy proceedings could validate the tax sale. The opinion does not deal with this question. The case is of principle interest as an example of the complete jurisdiction of the court of bankruptcy over the assets of the bankrupt. This discussion is concerned with conflict between that interest and the desires of a mortgagee to foreclose the mortgage.

The case undoubtedly states the law. The interest of the bankruptcy court in the bankrupt's property is paramount and no later proceeding may affect that interest during the pendency of the proceedings in bankruptcy. At the outset, however, it should be noted that the prior jurisdiction of another court in the property by way of a foreclosure proceeding will not be interfered with by the bankruptcy court.

The position of the mortgagee of a delinquent mortgage should be considered from the two standpoints, (1) action taken before the bankruptcy and (2) action taken after the bankruptcy. The first situation to be considered is that of a foreclosure instituted prior to the bankruptcy proceeding.

After the jurisdiction of the state court attaches, the institution of a proceeding in bankruptcy should not affect the prior proceeding. This is based on the notion of comity between the courts; there is no express statutory provision on the subject. This applies whether or not a receiver has been appointed by the state court. Actual possession is not the determinant.

Actual possession may have been obtained by the bankruptcy court prior to actual possession by the state court. Regardless, the prior jurisdiction of the state court will be respected. This is true whether the action in the state court be within four months of the bankruptcy or not--although often the contention will be made that the four-month period has some bearing on the question. In the federal courts these statements are clearly supported by Bryan v. Speakman and by Ross v. Carey. The comity between courts is amply supported on the leading authority of Straton v. New.

Straton v. New is a decision of the Supreme Court of the United States. It dealt with the enforcement of judgment liens by judgment creditors in the West Virginia State Court. The proceeding was to enforce the lien by the sale of the property of the judgment debtor. Consequently, the decision was similar to a mortgage foreclosure. The federal court enjoined this prior proceeding and the commissioners appointed for the sale by the state court appealed. The court recognized that there were discrepant holdings in some of the lower federal courts. It distinguished these cases as cases in which the judgment lien had been obtained within four months or as cases in which the action in the state court was filed after the petition in bankruptcy. It continued with a denial of the holdings of a certain minority of the federal courts: "As heretofore noted, there are a few cases which have held that the bankruptcy court may enjoin proceedings brought prior to the filing of the petition, to enforce valid liens which are more than four months old at the date of bankruptcy; but these cases are contrary to the decisions of this court and to the great weight of federal authority."

The decision in Straton v. New was annotated with the report in 75 L. Ed. The clear application of this case to the situation of a prior mortgage foreclosure is recognized therein: "Where the proceedings to foreclose a mortgage not invalidated by the bankruptcy act are commenced in a state court prior to the institution of bankruptcy proceedings against the mortgagor, whether within or before the four months period they, or a sale thereunder, will not be enjoined by the bankruptcy court; and this is certainly true, where the property has not come into possession of the bankruptcy court or is in the actual possession of the state court."

Neither is this result unfair to the trustee in bankruptcy. If intervention is necessary to protect the interests of the

bankrupt estate, he is perfectly competent to intervene in the state proceedings to protect that interest. The availability of this recourse has been recognized in Straton v. New.

One last observation is necessary as to the position of the mortgagee under a prior foreclosure. If the bankruptcy proceeding indicates that there will be payment of substantial amounts to the unsecured creditors of the bankrupt, the mortgagee should recognize that a deficiency judgment in the mortgage foreclosure may be partially satisfied from the proceeds available through bankruptcy. If the foreclosing mortgagee desires to obtain this satisfaction, he must join the trustee in bankruptcy in the foreclosure proceedings or risk losing the deficiency judgment which might be applied as an unsecured claim. Beyond this, the foreclosure proceedings are not affected by the non-joinder of the trustee in bankruptcy.

The mortgagee's position is different where the bankruptcy or the mortgagor has intervened prior to any action to foreclose. Until the property is sold by the bankruptcy court, the only judicial remedy of the mortgagee is by application to the bankruptcy court. The state court is barred to him.

If the mortgagee desires to prove in the bankruptcy court without surrendering the security, it should be by intervening petition. This petition should set up the lien of the mortgage. The petition should allege the nature of the security and should contain allegations showing why the mortgagee is entitled to a lien. He may not simply rely on an ordinary proof of claim.

Care should be taken that no indication is given that the right to security is being waived. No simple proof of claim should be used since this may lead to the contention by the other creditors that the security has thereby been waived.

Once in the bankruptcy court, the mortgagee should recognize the rights of the trustee to deal with the property. Generally the trustee may do one of three things. First, he may abandon the property. This should be done if the value of the security is not equal to the amount of the mortgaged debt. The mortgagee may then foreclose in the state court. Secondly, he may sell the property subject to the mortgage. If this is done the purchaser will take the property at the sale subject to the rights of the mortgage. Such rights would include the right to foreclose. As a practical matter the purchaser will probably have made

some arrangements with the mortgagee to avoid the possibility of foreclosure upon the purchase. Thirdly, the trustee may sell free and clear of liens. This may be the most advantageous course for the bankrupt estate.

A sale free of liens is often desirable because the prescence of liens may chill the bidding at the sale. The bankruptcy court has ample power to sell free of liens and often does so to assure the best price being obtained. The mortgagee and other lien holders are protected. In order for the sale to be valid as to them, appropriate notice should be given. Without such notice the lien is not discharged. If the mortgagee has determined that he must bid at the sale in order to assure that he will obtain the full value of the security, an examination should be made to ascertain that proper notice has been given.

A sale free of liens is sometimes made free of only certain liens. In such case the order of sale must have due regard for seniority. A sale free of a particular lien must be free of all liens inferior thereto. If the order does not specify, the sale free of certain liens will be free of all liens inferior. By such methods is the lien creditor assured of being preserved in his superior position in the bankruptcy court.

In the sale free of liens caution is necessary where the amount of the debt approaches the value of the security. In such event the mortgagee should object to the sale on the ground that there is no equity for the trustee to administer. Otherwise the bid price may not be sufficient to pay both the amount due on the mortgage and the costs of the bankruptcy proceeding which are applicable to the sale. If no objection has been taken, the cost will be deducted first and the balance paid to the mortgagee. Such costs can be substantial and the mortgagee may receive a much smaller amount on the security than he had expected.

These are some of the questions which may beset the mortgagee upon the insolvency of the mortgagor. It will be seen that his control of the situation is substantially greater where he has moved promptly toward the liquidation of the security in the state court. In the bankruptcy court there is necessary involvement with the contentions of the other creditors. In order to follow the proceedings in the bankruptcy court it has been found necessary to have some familiarity with the positions of the other creditors in order to deal wisely with the situation. There

may be considerable conflict from the trustee and the creditors as to any application of the mortgagee for its attorneys' fees or interest beyond the date of filing in bankruptcy. The trustee may be harassed by other troubles in his administration of the bankrupt's estate and months and even years may slip by before the sale of the mortgaged property has finally been obtained. If the mortgagor is a builder, the loans may be incomplete. In such case there is substantial risk of loss during the period of inactivity of the trustee.

Thus, if the savings and loan association has knowledge of the insolvency of a delinquent mortgagor, it must take into consideration its position in or out of the bankruptcy court. If it determines to delay the liquidation of the security (which may be advisable for other reasons) such determination must be with the recognition that the association may be surrendering the control of proceedings for liquidation.

Once involved in the bankruptcy proceeding, the attorneys should be cautious that none of the rights of the mortgagee have been surrendered. A timely petition requesting the abandonment or immediate sale of the property may be helpful to force the sale at the earliest possible moment. The attorney should be insistent, as far as possible, that the association be saved harmless to the extent of the value of the security. This would include, in the ordinary mortgage, the fees of the attorney and the interest on the mortgage down to the date of sale.

There will be a tendency of the unsecured creditors to feel that the demands of the mortgagee are somehow unfair to them. Many will receive no or very little satisfaction. None will be allowed fees to their attorneys and interest will stop even on written obligations upon the adjudication in bankruptcy. The referee may not be entirely sympathetic to any one creditor being in such favored position. Despite all this, it is not deemed advisable for the mortgagee to surrender its advantage in any way. If necessary, the other creditors and even the court should be reminded that many small savings accounts depend on the repayment of the principal amount of the mortgage with interest. These accounts should not be burdened with extra expense if the security will bear the cost of the mortgage contract. It has been found helpful to remind the court that many of the other creditors are claiming on items which include quite substantial elements of profit. The savings and loan association, after the payment of the cost of money, is confined to a very small margin

between that cost and the return on the mortgage. The great bulk of the debt is derived from funds actually advanced. Its mortgage is of record for the world. Its transactions are not of such a nature as can bear large losses on the security liquidation.

Savings and loan associations are substantial lenders in any community. By virtue of that position involvement with the bankruptcy court is bound to arise. It is suggested that a vigorous protection of the rights of the association under its mortgage will be substantially rewarded by the respect of the bankruptcy court. That respect may be obtained in the relatively small number of cases in which bankruptcy involvement occurs at the present time. It may be immensely valuable in any future period of widespread liquidation.

AUTHORITIES: Straton v. New, 283 U. S. 318, 75 L. Ed. 1060, 51 S. Ct. 465. Bryan v. Speakman (C. A. 5th) 53 F. 2d 463. Ross v. Carey, In re Broome, (C. A. 5th). 174 F. 2d 872. Remington, Bankruptcy Law of the United States, 4th Ed. Sec. 2048. Collier, On Bankruptcy, 14th Ed. Sec. 57.07, 70.97, 70.99.

ESCROWS

by

WILLIAM GILL, SR., EXECUTIVE VICE-PRESIDENT
American-First Trust Company
Oklahoma City, Oklahoma

In real estate transactions the words escrow, escrow contracts, agreements or instructions are considered synonymous.

An escrow consists of a written instrument designating and authorizing the escrow holder to receive and dispose of cash, checks, securities, deeds, mortgages, oil and gas leases or other documents, in accordance with the provisions of the escrow. Thus, the escrow holder or custodian does not usually become the representative or agent of either of the parties alone since the provisions of the agreement ordinarily require the representation, to some extent, of all parties concerned.

In recent years the use of escrows has shown a rapid increase and this additional service can now be obtained throughout the county from abstract and title companies.

Unless escrow agreements, contracts or instructions are in fact binding contracts, they are unenforceable and valueless. Therefore, extreme caution must be used in the preparation thereof. Most title companies use their standard forms for simple escrows. Since many escrows are more or less complicated and require special conditions and provisions, no universal form can be prepared. The mandatory provisions require a positive agreement by all parties, the agreement must be irrevocable, the escrow holder must accept the obligations imposed and must be a third or disinterested party, and his duties clearly defined to permit the delivery or return of any item deposited to the proper party within the time specified.

An escrow holder should never accept a verbal escrow. It should always be a written escrow and in sufficient detail to

avoid any misunderstanding.

Let's take a case of a typical real estate escrow and see what might have to be done:

John Smith wants to buy some property from Richard Roe, either direct or through a real estate agent. John knows how much he will pay and how it can be paid, and Richard knows what he wants for the property and how he wants it paid. They present the deal to a company which has handled numerous similar transactions, therefore, it is a simple but a cautious matter. The same transaction for the buyer and seller is quite dangerous and complicated.

An escrow agreement, contract or written instructions should contain all the details, including a specified final date for the closing thereof. The down payment or cash in full is deposited by the buyer and the deed is deposited by the seller. The agreement might contain numerous provisions. It may be the abstract must be secured, extended to date and examined and requirements, if any, met; or the purchaser may ask that the title be insured or guaranteed;taxes and special assessments paid or prorated; existing hazard insurance policies cancelled and unearned premium refunded, and new policies obtained or the existing policies assigned and premium prorated. Perhaps a loan will be secured to pay the balance of the purchase price. If a real estate agent is involved, his commission may be paid. The seller may have agreed, as a condition of the sale, to redecorate the property,repair the plumbing,a fence or a garage; some of the drapes, rugs or furniture may be included in the sale of the property; if rental property, rents may or may not be prorated. There may be a second mortgage or liens against the property.

The escrow holder works out all of these and possibly other details of the transaction and in a sense acts as an umpire, seeing that each party is protected and gets whatever the agreement provides. During the pendency of the transaction and the compliance with the provisions of the agreement, the buyer's cash and the seller's deed are held intact and the real estate agent's commission is not paid until the sale has been completed. If the deal blows up, the deposit is returned to the buyer and the deed, abstract, etc. to the seller.

Naturally,disputes and misunderstandings sometimes arise.

The escrow holder being a disinterested party is usually a successful arbitrator. Experience has proven that fewer deals blow up or go sour when placed in escrow and handled by competent personnel skilled in the handling of escrows. Because the escrow holder is a disinterested party, fewer suspicions are aroused, fewer misunderstandings and disagreements arise when the time comes to tie down the last few remaining details.

It is well to remember that when an escrow is once legally created, all monies and documents are beyond the recall of the parties to the escrow, as long as there is a compliance with the provisions thereof, and the death of either party will not prevent or delay the closing and will not affect the legality of the transaction.

A satisfied purchaser made this statement regarding the purchase of a home: "I never knew what ESCROW meant, until it saved a real estate deal for me. Escrow was just a crossword puzzle word to me until we bought a house last year. Our lawyer, who's pretty keen, suggested that we handle the deal through an Escrow Agreement with a responsible title company. So we put up our payment and the seller put up his deed with the title company as a holder of stakes until the necessary papers were cleared, when he'd get the money and we'd get the deed. Three days later the owner died . . . but the deal went through just the same. If we hadn't had that Escrow arrangement, the house would have gone to the man's relatives, and it might have been years before they could sell it. Now I know what Escrow is, and you should too, if you ever buy property.".

Take the case of property belonging to numerous heirs, living in various sections of the United States. It's a simple matter for the buyer to deposit in escrow the purchase price and for the owners to deliver their respective deeds at various times. When all deeds have been received, the record can be quickly checked for possible changes of title subsequent to the date of the last examination, and the transaction promptly and safely closed.

In one instance an oil company wanted to lease a tract of approximately 1,200 acres of land. It belonged to 21 different owners. The company would not drill a well unless all leases could be obtained. Some of the property owners did not want to lease unless all owners leased. A simple escrow agreement was prepared. The oil company deposited the cash for the

consideration of all leases; when all leases were deposited with the escrow holder, the records were checked, and, as nothing had been filed of record since the last examination of the titles, each lessor was mailed a check for his portion of the leases recorded. To have handled a deal of this nature in any other manner would have been an almost impossible task.

There are many other ways whereby an escrow agreement is extremely helpful. It is the safest, inexpensive method yet provided for the landling of realty transactions.

There are listed 12 advantages of closing real estate transactions in escrow. (Author unknown):

CLOSING REAL ESTATE TRANSACTIONS IN ESCROW

1. Protects the purchaser against intervening liens or incumbrances occuring between the date of sale and the date the transaction is completed by recording.

2. Enables the seller to use purchase money for purposes of paying and satisfying liens in order to effect title as agreed.

3. Enables the purchaser to borrow money on property he is seeking to acquire and to use the proceeds of the loan as a part of the purchase price.

4. Facilitates and makes more certain the closing of a deal involving consolidation of numerous titles into one ownership.

5. Enables closing of a transaction involving a sale and immediate resale with a differential in purchase price.

6. Eliminates disputes, because the closing is based on a written agreement.

7. Enables the attorney to save time for more important matters and avoids erroneous clerical details inherent in every transaction.

8. Enables real estate men to have more time for selling by avoiding burdensome, technical details of closing.

9. Enables the broker to avoid responsibility for unforseen

technicalities and mechanical mistakes in computations.

10. The confidence of buyers and sellers of real estate is inspired when escrow service is recommended for their protection.

11. Uses the services of highly trained,financially responsible escrow men as neutral stakeholders during the course of the transaction.

12. It seldom happens that a deal handled in escrow fails.

(For a simple form of ESCROW INSTRUCTIONS used by one title company see next page.)

ESCROW INSTRUCTIONS

Dated

TO (Name of Title Company)
(City and State)

You are requested, as Escrow Agent for the undersigned, to take and hold the accompanying

and to dispose of same in accordance with the following instructions and directions:

It is understood and agreed that you shall neither incur individual liability to anyone nor suffer expense or damage for any act or omission of yours so long as you act in good faith in the carrying out of instructions herein set out. In the event of any disagreement or controversy arising out of this transaction from any cause, at your option, you will hold the entire escrow deposit until such disagreement or controversy shall have adjusted and settled to your satisfaction. The provisions hereof shall be binding on the undersigned and on their respect heirs, devisees, executors, administrators, assigns and other legal representatives.

_____ _____

_____ _____

Receipt of these instructions and the documents described herein is acknowledged.

(Name of Title Company)
By_____

All money and documents received to our satisfaction and Escrow Agent relieved of further liability, this _____ 19___.

_____ _____

_____ _____

REPORT OF NATIONAL PRESIDENT
(1950-1951 TERM)

MORTIMER SMITH, VICE-PRESIDENT
Oakland Title Insurance and Guaranty Company
Oakland, California

This Mid-Winter Conference is a gathering together of people who are in the title industry for the purpose of sitting down with one another and in the language of our trade participating in and reflecting upon discussions of what has happened in our business lives since last we were together and what we have learned from those happenings, and in trying to reveal to ourselves our business lives of tomorrow.

It has not been a very long time since our splendid convention at Oklahoma City, only a very few months as a matter of fact. As we deliberate here in these sessions, please let us each one realize that it is a distinct privilege for all of us here to be able to come here and have our friends tell us of what is going on in his or her own community. All of the financial and business services existing cannot render that service to any of us so accurately and as fast as can you. So, please take an active part as we go along. Do not agree if you do not agree. Upon many preliminary thoughts it may take many honest disagreements before a final judgment in your own mind can be determined.

Remember that a calculated optimism or a calculated pessimism, either one, can much distort our powers of reflection. The greatest marvel of the mind is its exploration, and its expansion under the impulse of a hint or a suggestion. While treading along congenial lines, the way often opens up very unexpectedly, and then our own initiative and faculty do the rest.

As you all know, the actual work of your Association is done in its headquarters located in the Guardian Building in Detroit by our able Executive Vice President Jim Sheridan and

his assistant, Secretary Clyde Morrison. With Jim and Clyde operating so well, I would think that the Guardian Building would change its name to the Sheridan-Morrison Building. Certainly with those two there they don't need the Guardian any more.

As a matter of fact, with the Staff functioning so well, there is very little of the actual work of The American Title Association about which your officers have to worry.

A man on trial for murder was being examined by a group of psychiatrists to determine his sanity, or lack of it. One of the examiners suddenly leveled his finger at the accused and barked, "Quickly, now, how many feet does a centipede have?" The defendant looked at him scornfully and then shook his head. "Good Lord", he sighed, "is that all you've got to worry about?"

So there is nothing to worry about, but there is planning to do.

Too many of us these days, both inside and outside of the title business, in fact all over the Country, have forgotten how to plan ahead. This is probably brought about by the fact that we feel burdened by the problems of a national or international scale about which we feel that our own meager little planning can do nothing; but the result of the situation is unplanned confusion, unless, as some people think, the very confusion existing is in and of itself the perfect result of a vast master plan.

Very frankly, I had a real problem in the thinking of the preparation of this report. How serious should be its vein was a chore for me to determine, as these times present themselves.

Most sincerely I do thank all of my brother officers for not only their offers of aid and assistance during the past formulative period of our administrative year but for the way in which they responded by action when needed. I appreciate the manner in which all of the members of Committees and their Chairmen, from many of whom you will hear during our Conference, accepted assignments. The acceptances of appointments to the positions of the Committee Chairmenships and as Members of our respective Committees was not 92% or 97% or 99%--but 100%. You cannot be better than perfect. Thank them all, each one.

Everyone has been most helpful.

Our part in whatever is taking place these days is most certainly an integral one, and the word whatever is used with a purpose. For whatever or wherever, the title business is going along with it to its ultimate--it will not be following us. So, perhaps, our approach should be serious these days, not a forlorn seriousness but an active, participating, intelligent seriousness.

The other day, I saw a young mother with her very small son walking along the sidewalk. Suddenly, the small fry ran a few steps ahead of his mother and then turned around and, still talking and laughing with her, started to walk backwards as he faced his mother. "Jimmy," she exclaimed, "you turn around and look where you are going. You will get hurt if you don't."

Just a young mother and her small boy--acting out a family incident applicable as a truism for our whole Country--"If you don't look where you are going, you will get hurt."

If our title business, and all business, whether in the form as we know it now or in some other guise is going to be a part of whatever it is into which our existence is developing itself, then we who deal in a fundamental commodity, ownership, had better not sit complacently by, waiting for something about which we feel we can do nothing to pass along and leave us alone. If we do, if we keep postponing our days of decision, we are like the old fellow who waits for the river to pass along before he crosses; but the river flows on and will flow on forever while he waits and waits. Far better for us to cross our rivers as we meet them.

People talk about "the good old days". Good or bad they can't go back to them. What is done and what is gone is gone. But we can and must plan and act for the days to come so that those future days will be good. It does look as if all of us are going to have to realize the realism that the law of life is struggle. Struggle, change and progress. Remembering always, of course, that Novelty doesn't necessarily mean Truth.

Any thinking about the future either on your part as individuals or on the part of The American Title Association as an organization of individuals can and must have just one premise: a self respecting citizenry of a self respecting America, and in this case our premise is our goal.

This is The United States of America. It has always functioned as a great Nation. It is our most sincere desire that It always will. The only mentality that our Country has, however, the only character that It can possess, are the grouped together mentalities and the cumulative characters of the average standard of Its citizenship. Our job is to further the regeneration in that citizenship of an unqualified self respect, an inherent realization that we cannot be dragged up; we have to push ourselves up.

We are a hard working industry, but we don't mind hard work. As a matter of fact, any work which we can do to strengthen the United States of America will be done by us not only with alacrity but with a sense of accomplishment and a real pleasure. Our part will probably be an unsung one but it will be our part--and not on a minimum basis but with our contribution being the very best that we have to give.

Please have a good time at this Conference. That is one of the purposes of your being here. We hope that attendance at our sessions will help to foster progressive thinking about our business. We all need all the help that we can get.

And as I close this report, which, after all, is not so much of a words and figures portrayal as it is just a conversational piece perhaps just as if you and I were sitting down across a table, please let me leave two thoughts upon which you may ponder at your leisure.

Any inflation when it throws off its shackles as a result of Emotional Economics is a tragic thing. At one time in the year 1923, the German Mark had fallen to exactly one billionth of its pre-World War I value. Of course we are not Germany--but we do have inflationary forces at work. Our job is to master those forces before they master us--to resist Emotional Economics.

And, lastly, let us know, confidently, that there is a way forward. As the Title Industry, we will continue to co-ordinate Ourselves. That, at least, will leave no dis-unity among ourselves and we, then, as we always have done, will be one organized force, both as individuals and as an Organization, in association with all Americans working for--Your Country and Mine.

ABSTRACTERS SECTION REPORT OF CHAIRMAN (1950-1951 TERM)

GEORGE E. HARBERT, PRESIDENT
De Kalb County Abstract Company
Sycamore, Illinois

It has been my privilege to serve in the capacity as chairman of the Abstracter's Section for the past six months. During that time the Abstracters throughout the country have been unusually busy, and by and large have had no complaints about the type of business which they have been receiving. Whether this will continue in the future is a matter which is hard to predict, although from the reports which are now being received, it would appear that the volume of business which the abstracters will be able to obtain in the next three or four years will be considerably reduced. I believe that the predictions for the current year indicate that they will receive about 70% of the business which they received last year.

The problems which the abstracters are encountering have a tendency, in my opinion, to convince them of the necessity of membership in national title organization. Their problems are becoming more complex, and require, in many instances, expert advice, which they cannot individually afford to purchase. I need only mention a few of these to illustrate my point. Today, they are confronted with the problems of wage and price control. Some states are now discussing licensing laws with their legislatures. In one state, abstracters are being confronted with the question as to whether they can install and operate photostatic and other equipment in the office of the Recorder. Then, too, I think most of them foresee that the national lenders are talking more and more about uniformity of abstracts, of pricing, and of method of showing the material which is to become a part of the abstract. All of these tend to bind them more and more to the national organization.

During the past six months I have attended one convention--

that of the State of Indiana, and found that that state was progressive and active in advancing the use of sound abstracts and in aiding its members to produce such abstracts. It is expected that during the course of the next few months the abstracters will receive much literature concerning our directory, and I think that they are realizing the importance of its use.

At this Mid-Winter conference we will discuss some of the aspects of abstracters' liability insurance, and I have been handed a very splendid report from the chairman of that particular committee, Al Soucheray of St. Paul.

It is hoped that the relationship between the abstracters and the title underwriters will continue to be co-operative, and that they will be able to work out their problems to their mutual satisfaction. With this in mind, it is our hope that a permanent committee will be appointed to consider the relations between the abstracters and the underwriters.

I must conclude by saying that the co-operation which I have received from the officers and committees in my section is 100% perfect. On every occasion where I have asked for assistance it has been cheerfully given and I feel sure that this splendid spirit will continue indefinitely.

TITLE INSURANCE SECTION
REPORT OF CHAIRMAN
(1950-1951 TERM)

EDW. T. DWYER, EXECUTIVE VICE-PRESIDENT
Title and Trust Company
Portland, Oregon

Since our meeting held in Oklahoma City, no demands have been made upon the time of the Chairman of this Section.

The program of working out a set of standard exceptions in our mortgagee's policies to meet the wishes of counsel for the life insurance companies is making progress under the initiative of Ben Henley and the Standard Forms Committee.

Indications are, from copies of letters Ben has sent me, that some initial punches have been swapped and that the Committee of Life Insurance Counsel, headed by Colonel Swezey, will soon be ready to submit its thinking to our Committee, at which time both Committees will have something tangible upon which to start working in earnest.

From the correspondence passing between National headquarters and the officers of the Association, I gather that the question of reinsurance is of paramount importance to many of our members. I belong to the group who contend that we, in the industry, should and must provide this coverage for our members by those in our industry. In my opinion, it would be a fatal mistake for us to encourage general insurance or casualty companies to enter our field. We should, before entering into a compact with anyone of the several "outside" companies, think this through and ask ourselves whether we are courting disaster for the future.

We all know the story of the camel begging to put his head into the tent to get in out of the weather, and then gradually easing himself into the tent, inch by inch, until he had driven the rightful occupant out in the cold. Maybe we had better not

let the "camel" get his head into our tent. I cannot believe there is room enough in the tent for both of us.

May I again urge each member to start thinking about the particular topic upon which he wants discussion at Colorado Springs. It's not a bit too early to begin framing our program. With the magnificent setting for our Fall Convention--the luxurious appointments of the Hotel--we must have a program of unusual excellence to do it justice.

Write me soon, won't you, and let us get under way? You furnish the topic. We will get the right person to handle it. It is perfectly proper for you to propose the name of a speaker, also.

Jim Sheridan reports that the sale of our Title Directories is increasing. Neither of us, however, is convinced that the membership is doing all it can in this regard. The cost of an additional twenty-five Directories is so small I can't believe it is a matter of cost that is holding you back. So increase your order and then find a place to put them where they will do you and the whole industry some good.

Not that I am looking for work; but having the feeling that this Section could and should be of more value to the membership, I called the officers and executive committee of this Section into a meeting at this convention for the purpose of determining what, if anything, could be done to perform a greater service. All of us, I know, would gladly welcome a chore but feel that the demand should properly come from the members. Your executive committee and officers have promised to do some thinking as to the best methods to employ to enlarge the activities of this Section.

REPORT OF PLANNING COMMITTEE

WILLIAM GILL, SR., CHAIRMAN
Executive Vice-President
American-First Trust Company
Oklahoma City, Oklahoma

The first report of the Planning Committee appointed by President Al Suelzer in December, 1945, was made at the Mid-Winter Conference held in Chicago in 1946.

Since that time five supplemental reports have been submitted. Without taking time to enumerate any of the Committee's recommendations, it is suffice to say that numerous accomplishments have resulted from the work of the Committee.

Reports of committees and recommendations are of no value unless constantly kept in mind and unless put into effect as conditions and funds permit.

The officers, Board of Governors, our national staff and members have been most cooperative in the acceptance of the reports mentioned and many of the suggestions have been put into effect.

We respectfully urge the Board of Governors to review these reports and ascertain the feasibility of carrying out other recommendations.

Of particular importance at this time is the work of the "Special Educational Committee" recommended at the Oklahoma City Convention last fall. It was suggested that we "consider the advisability of conducting by regions, states or districts, classes, schools or clinics for trainees similar to those sponsored and conducted by the American and numerous state bankers associations, the Building and Loan League and real estate groups". It was pointed out that this might more properly be an activity in which our state title associations should engage

and control by reason of dissimilarity of customs, practices, laws and court decisions of states, etc. We believe if a practical plan can be developed, it will be of great value and available to members desiring to take advantage of the program.

The American Title Association was organized in 1907-08. Many interesting characters since then have had a great deal to do in building the fine trade association we are now privileged to enjoy.

Some of those who assisted in the growth and success of the American Title Association have answered their "last call". Other old timers in the Association will not always be with us.

A record or history of the Association since its beginning would be an inspiration to our members, as well as informative.

It is therefore recommended that the President appoint a committee, of one or more persons, to prepare such a record or history. Much valuable information and material can now be secured from a number of "old timer wheel horses" which at a later date may not be available.

Mr. William M. West of the Commonwealth Title Company of Philadelphia, a member of the Planning Committee, asks: "What effort are we making to duplicate our fundamental plant records, in case of catastrophe"?

This question is of concern to some of our members and, if time permits, he should be asked for his comments regarding this important matter.

Your Committee continues to solicit your ideas and suggestions. The American Title Association belongs to the members. Active participation in the affairs of the Association by our members means a much stronger and more valuable National organization and, in addition thereto, more benefit will accrue to each of us.

William M. West	Jackson Hospers	Mortimer Smith
A. W. Suelzer	George C. Rawlings	Joseph T. Meredith
Paul W. Goodrich	George E. Harbert	Charles H. Buck
W. M. McAdams	Edward T. Dwyer	James E. Sheridan

William Gill, Chairman

RESOLUTION

The threat of communism to free countries and their institutions has been brought into clear focus with the outbreak of the Korean situation and the commitment of our manpower and materials again in the cause of freedom. The title industry is ready to share in whatever sacrifices may be or become necessary to prevent the enslavement of freedom-loving people. As a part of our national program for that purpose, controls of prices and materials have been imposed, with the likelihood they will become more drastic, and the inroads upon our manpower supply will increase with the expected further military mobilization.

The American Title Association hereby records its recognition of its responsibility to work for and with its members to supply adequately the title needs of all persons and to render our service with all possible efficiency and to heighten our appreciation of our objectives and responsibilities and our determination to fulfill them.

We respectfully urge:

1. That our members solemnly resolve to continue to render the highest type of service, with full support of the principles herein stated, and to maintain sufficient personnel and facilities to provide that service;

2. A full cooperation with all government agencies and others needing our services and, in every possible way, assist in the furtherance of our defense efforts;

3. That, since an organization's effectiveness is measured by the stability, interest and activity of its membership, state associations be urged to increase their efforts to secure additional members and that all our members be more active in the national as well as the state associations.