TITLE NEWS

Official Publication

THE AMERICAN TITLE ASSOCIATION

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VOLUME XXX NOVEMBER, 1951 NUMBER 9

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Official Publication of

THE AMERICAN TITLE ASSOCIATION

3608 Guardian Building — Detroit 26, Michigan

VOLUME XXX NOVEMBER, 1951 NUMBER 9

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Title Insurance, State-Wide

(A Panel Discussion, held at the 1951 Convention of the Illinois Title Association)

MEMBERS OF PANEL:

Harvey Pearson, *Secretary-Manager,* Vermilion County Abstract Company, Danville, Illinois.

Homer Brents, *President,* Brents-Patterson Abstract Company, Taylorville, Illinois.

Lewis W. Hague, *President,* Will County Title Company, Joliet, Illinois.

Francis E. O'Connor, Chicago Title and Trust Company, Chicago, Illinois, Moderator of Panel.

Only he who buries his head in the sands will deny the great strides made by the institution of Title Insurance in recent years. The backbone of all evidencing of titles is now and will continue to be the title plant. Its contents, in the form of an abstract or its equivalent, are the sinews and life blood for the title insurance/title guaranty policy.

The modus operandi of the title insurance/title guaranty company varies in different sections of the country. But the principle is much the same; it is an agency contract or agency arrangement.

It may be said with more than fair accuracy that title insurance today is suffering from growing pains. That is no state secret. It is not static. It is in a state of flux. There are frequent modifications and alterations in the procedures established by the title company in its program of expansion beyond the confines of its county or state of domicile. With these changes, there comes an ever-increasing understanding on its part of the problems which confront its agent locally.

And almost as a corollary, one could comment that just about gone into oblivion is the position of the local abstracter of active and energetic opposition to the title policy. We rarely observe that attitude today in the 50's. And the title insurance/guaranty company on its part is anxious to improve and to expand its field of activity. Its executive officers are more than willing to study local conditions, to initiate procedures of smooth functioning character, and to cooperate with the local agencies toward a mutually profitable arrangement. There is a conviction on the part of both, with the passing of time and in the natural sequence of events, that each can make use of the talents and knowledge of the other, and with profit to both parties in interest.

A far more important factor in the picture is John Q. Citizen. He is learning more about this mysterious thing we call "Title Evidencing." He is the final gainer. For he is realizing that the local title office is becoming more and more the hub, the core, for the adequate and proper handling of his realty transactions.

A Panel discussion on the subject of expanding the services of the title guaranty policy on an agency arrangement was presented at the 1951 convention of the Illinois Title Association. It will be, we believe, of more than passing interest to title insurance/guaranty companies studying the subject of further expanding their field of operation. It will be, we believe, of great interest to abstracters who wish to learn more, who desire to modernize their thinking and their practices and their methods. We invite your careful and studied consideration of these papers, well thought out—all of them—and based upon not theory but actual practice after living with the subject matter in their daily work.

—Ed.

PRESIDENT POWELL: Thank you very much, Mr. Keye.

While we are having the door prize tickets brought up, we might as well have the members of the panel discussion come forward. They are Francis E. O'Connor of the Chicago Title and Trust Company, who will be Moderafor; assisted by Harvey Pearson, Homer Brents and Lewis W. Hague.

And now our moderator, Mr. O'Connor, will take over.

MODERATOR O'CONNOR: Thank you, Byron.

Each and every one of us has an interest in increasing the use of Title Guarantee Policies in downstate Illinois. By this I mean that the sale and promotion of the general acceptance of Title Guarantee Policies by abstracters will be of benefit to all of us in that it will increase the income of both the abstracter and the title company, and in many instances, cut down the overhead expense of the abstract company.

Demand?

You may ask whether there is enough of a demand for our service to justify your active participation in promoting the sale of it. Well, let's look at the facts:

The Public at Large

1. There is a growing awareness among the general public that Title Guarantee Policies provide the greatest amount of title protection possible to obtain. The investment made by the great majority of people in real estate is the greatest investment they will ever make and such investment should be protected. We should now capitalize on this "awakening" to the value of our service and increase it by further education.

"Save That Deal"

2. Many real estate transactions are prevented from failing due to defec-

tive titles, by use of the Title Guarantee Policy. The use of the policy in such a situation is cheaper and faster than the ordinarily cumbersome suit to quiet title.

Lender Requirements

3. The demand for title policies is increasing because of the growing use of the secondary mortgage market. When the lender of money secured by a mortgage on real estate is other than local, or when the mortgage is to be sold to an outside investor, such as an insurance company, the mortgagee often prefers to use title policies.

The Attorney's Valuable Time

4. Abstracts are becoming much longer with the passage of time, and consequently, the job of examining such abstracts is becoming more and more difficult. The old time attorney, who carried his abstract home to examine every night of the week and on weekends and holidays, is gradually disappearing from the scene. He is being replaced by a different breed of young attorney who has many outside interests. These younger attorneys have neither the time nor the inclination to spend many hours of each day and night poring over abstracts and studying the many different phases of real estate law.

Contingent Liability

5. More and more attorneys are becoming aware of the contingent liability they assume every time they sign their names to an opinion on title. This makes them much more inclined toward the acceptance of the Guarantee Policy.

It has been proven by the development of the use of Title Policies in Cook County and the counties surrounding it, that such policies become generally accepted and used in every area where work is done to acquaint the lawyers, real estate men, and lending institutions with the benefits which can be derived from their use. We are going forward on this job of education and much is being done to develop the sale of our service. We now have five regional offices operated by men who are well qualified to answer any questions relating to Title Guarantee Policies and, incidentally to rebut any arguments which may be raised against their use. These regional offices are set up in such a manner as to give prompt, efficient service on any order for Guarantee Policy that may arise in any part of the state. In addition to this, I am currently calling on downstate lawyers, realtors and lending institutions, acquainting them with the availability of Title Guarantee Policies, and explaining their use. We have also done the following:

Newspaper Advertising

1. Beginning in the summer of 1950 we participated with some abstracters in a cooperative undertaking in which we shared the cost of running seven newspaper advertisements in cities serviced by such abstracters.

Window Displays

2. We have furnished a number of our agents and representatives with window displays designed to promote the use of our service. A number of our agents and representatives who lack window space, have been furnished counter cards. These window displays and counter cards are rotated monthly.

Direct-by-Mail

3. We mailed to over 8500 downstate real estate brokers, attorneys and lending institutions, a folder listing names and addresses of our regional offices, our agents, and our representatives.

"Why a Guaranteed Title?

4. More recently a new pamphlet entitled "Why Does a Title to Real Estate Need to Be Guaranteed?" was sent out to the same downstate people, which pamphlet incidentally has been received with great favor.

Chicago Symphony Orchestra

5. Our Chicago Symphony Orchestra broadcast is advertised weekly in those downstate areas in which it can be heard.

This activity on our part, however, is not sufficient in itself. Before a complete job can be done we must have the active cooperation and support of each and every one of you. By this I do not mean passive recognition of the fact that we have a service to offer. Before your profits can be increased you, and you alone, must take a vigorous part in the sale and promotion of the use of the Title Guarantee Policy. After all, you meet your customers every day and you are the only ones "on the spot" who have the opportunity each day to suggest and "push" the sale of our service.

Objections

We are cognizant of the "objections" to the use of Title Policies often raised in downstate communities. We also know that few, if any, of these "objections" have any foundation, and that they may be readily dispelled by use of proper arguments.

Much of the resistance to the use of policies emanates from attorneys who, incidentally, are the very persons who should favor such use. The lawyer, more than anyone else, is acquainted with the "hidden risks" involved in every examination of title. As most downstate lawyers are well versed in real estate law they know that quite often very serious title losses may result by reason of lack of delivery of deeds, forgeries, false descriptions of marital status, divorces which are obtained in other counties or other states, false testimony on heirship, fabricated or expired powers of attorney, minority or insanity of grantors, undisclosed or missing heirs, erroneous construction of wills or trust agreements, and many other matters. Even where a person has a perfectly good title, the lawyer should realize that much money may have to be spent in its defense against spurious suits or sometimes against suits brought by persons who honestly believe they have a paramount title or lien. For example, in the recent case of **Eckland** v. **Jankowski,** an owner of real estate died and his estate was administered as intestate and closed. His heirs conveyed to two innocent purchasers. A year after the estate was closed and two years after the death of the property owner, one Eckland, not an heir, found a will which gave him a half interest in the property and appointed him executor. He had the will admitted to probate and filed a suit for partition against the persons who had purchased the property from the heirs. We defended this suit as, luckily, the purchasers had the property covered by a Title Guarantee Policy. We secured a decision in the lower court. Still thinking he had a legitimate claim to the property, Eckland appealed to the Supreme Court of Illinois, where we prevailed again. In this particular case the purchasers had a good title, but the costs of defending it were very high and would have been borne by them if they did not have the protection of a Title Guarantee Policy.

Litigation

A few weeks ago I encountered a lawyer in a Northern county who had a sad story to relate. In this particular county the attorneys all make abstracts. The firm of which this attorney was a member abstracted a title to a piece of real estate and happened to overlook a pending suit to set aside a deed. This error was caused by the lack of proper records of pending suits in the Court House. Nevertheless, the attorney gave his client, the purchaser of the property, an opinion that the title was clear. They are now working out some sort of compromise with the plaintiffs in the pending suit. Needless to say, this attorney is now completely "sold" on Title Guarantee Policies.

Construction of Will

Another case related to me by a downstate attorney involved construction of a will. His firm construed such will as vesting the title in one person, but, unhappily, another attorney disagreed. They are now fighting it out in the Supreme Court of Illinois. This attorney told me he thought he would win, but that he was lucky his client was wealthy enough to afford all of the legal expenses and costs incident to the suit.

Hidden Defects

The opinions on title rendered by attorneys absolve them of responsi-

bility for loss occasioned by any "hidden defects" or spurious or other attacks on the title not caused by their negligence. If they, on behalf of their clients, prevail in any proceeding attacking the title, they are, of course, free from blame, despite the cost of defending the title which must necessarily be shouldered by such clients. This is as it should be. No one expects the attorney to guarantee the title to real estate which he examines —that is our job and we are perfectly ready, willing and able to do it. The point I want to emphasize is that the poor individual who invests all his life's savings in a piece of property and signs instruments mortgaging the property and much of his future income in reliance upon an opinion of title rendered by an attorney, is not receiving the protection to which he is entitled.

Attorneys Always Needed

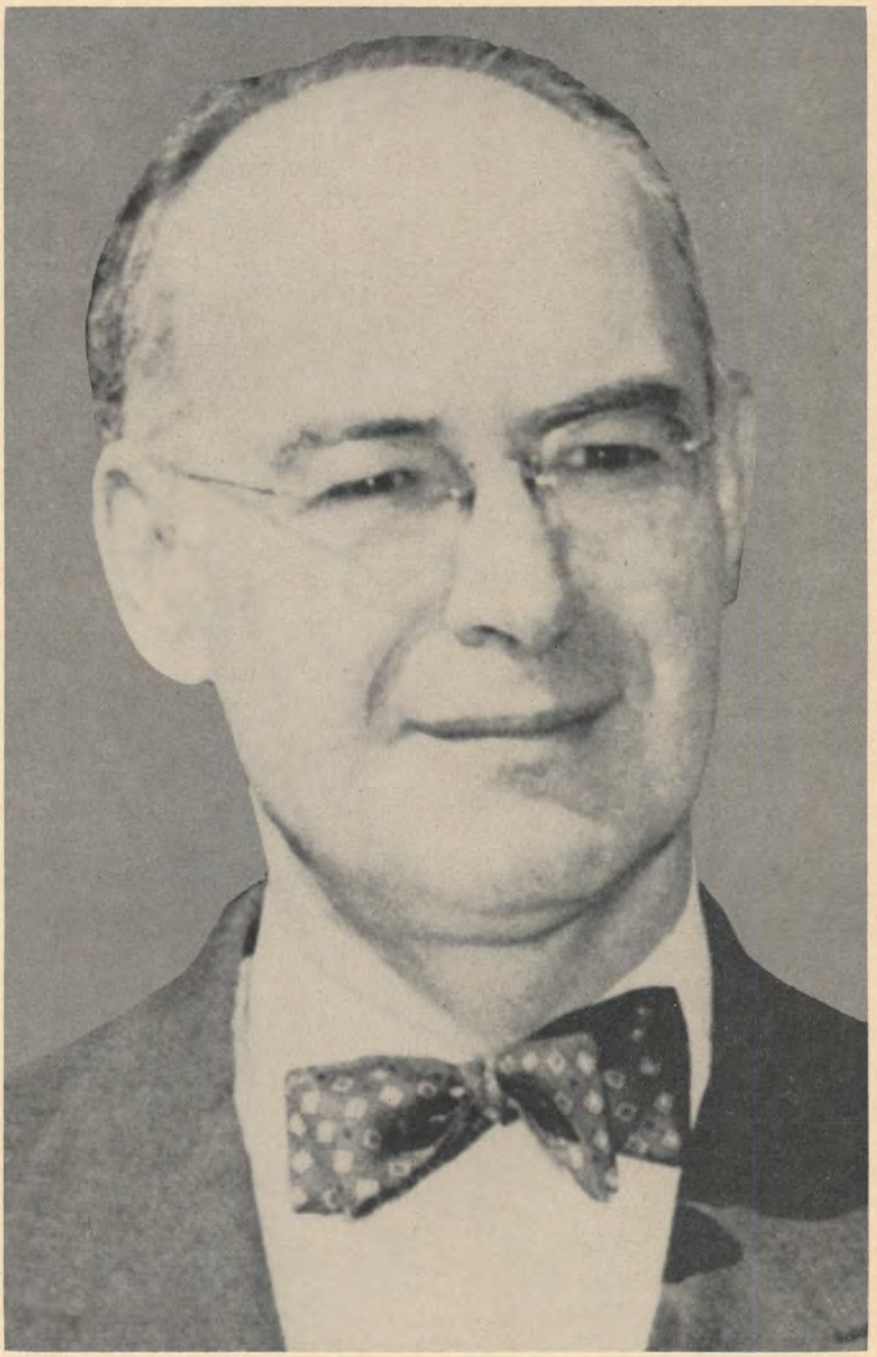
There is little doubt that those attorneys who resist the use of our policies do so because they feel that the general acceptance of our policies in the area in which they practice will reduce their income. This belief is far from the truth. An attorney can charge just as much for handling a real estate transaction where a Title Guarantee Policy is used as he does if he examines the abstract himself—and use of the title policy relieves him of all worry and responsibility for errors he may have made in his examination, and, at the same time, gives full and complete protection to his client. Generally speaking, the fees charged for title examinations by downstate attorneys are pitifully small and in no way compensate for the amount of work involved in such examinations. These attorneys need only look to those counties where title policies are in general use and they will discover much larger fees charged by attorneys for much less work. At the same time, the relief from examining titles gives to the attorney much more time to spend on more remunerative matters.

Later Objections to Title

Another advantage of the Title Guarantee Policy which should appeal to the attorney is the elimination of the trouble which often arises when he passes a title for his client and upon his client's selling or mortgaging the property objections he did not consider as material are raised by another lawyer. I know of a case where a young lawyer waived an objection to a title which arose by reason of a tax deed which conveyed a "vigintillionth" interest in the property. This young lawyer then went into the Army. During the war his client sold the property and the tax deed objection was raised by the attorney examining for the purchaser. It cost the seller of the property (the young lawyer's client) over $50.00 to clear the objection. When this young lawyer returned from service he received many letters from his former client blaming him for not properly examining the title and telling him he would never employ him again and that he would never recommend him to any of his friends. The lawyer attempted to pacify him but to no avail. In this case, a young man was probably retarded somewhat in the pursuit of his profession because of a sound opinion on title which was not shared by another member of his profession.

Expensive Service

A few months ago a lawyer in a northern county of the state passed a title for a client. Later, when his client attempted to mortgage the property, 13 objections to the title were raised by the attorney for the mortgage house. The lawyer who originally passed the title then had to spend at least 40 hours in preparing a brief to sustain his position. I know that he received not more than $20.00 for his examination. Figure out what he was working for based on an hourly wage! The last I heard of this



JOSEPH. T. MEREDITH

National President, American Title Association; President Delaware County Abstract Co., Muncie, Indiana

case, the attorney for the mortgage house had waived 10 of the 13 objections in reliance on the brief, but was holding firm on the other three objections.

Waiving Known Objections

Still another feature of the Title Guarantee Policy which should appeal to attorneys, is our willingness to assume some known risks; that is, defects which appear upon an examination of title and are reflected by the attorney's opinion. We feel that many of these objections can safely be guaranteed over because of age; others are waived when we are furnished affidavits of possession and in still other cases the objections are waived because the circumstances of the case minimize the possibility of loss. Guarantee Policies are easily sold when their purpose is to cover these known defects in title. It is well to keep this in mind because many of our best attorney customers first approached us and became familiar with our service when they were involved in real estate transactions where the titles contained defects which they felt they could not safely waive. Once an attorney uses the Title Guarantee Policy a few times and becomes familiar with our method of operation and what we can do for him and his client, he discovers he is not losing any fees and he is more easily sold on using our service in the future.

Your active cooperation can aid the sale of Title Guarantee Policies immeasurably. To show what can be done by the abstracter in promoting the use and acceptance of title policies, we have with us today Harvey Pearson, Homer Brents and Bill Hague to tell you of their experiences in this field. We will first hear from Harvey Pearson.

Statement of Mr. Harvey Pearson

MR. HARVEY PEARSON: Mr. Moderator, Members of the Panel. The lead-off man, as I understand his job, is to get on first base and from there on the rest comes through all right.

The title of this subject in the printed program doesn't appeal to me as quite the true situation. It says, "Increased Profits Through Title Insurance." From that point I am going to conduct my statement.

I would like to inform you that we are all cognizant of the fact that the remarks of this panel are of interest mostly to those people who are just getting into the title insurance deal or contemplating entering into contract for the furnishing of title insurance in their respective counties. So we don't expect all of you to be right on the edge of your chair.

Twenty Years Ago

The beginning of downstate title insurance—I think that is what this discussion is intended for—was in 1929. It was the outgrowth of some eleven or twelve downstate abstracters entering into an arrangement with the old New York Title and Mortgage Company for contracts and furnishing title insurance, on the basis that we were reaching a saturation point of voluminous abstracts. We couldn't quite see that people were forever going to keep on coming back through the early title of our country. Fortunately, at that time we were lucky, as we have always been a lucky bunch in my opinion, and the Chicago Title and Trust Company felt like this was their field, and after we had made the original contract it wasn't too hard to convince them that they should furnish downstate title insurance. Previous to that time they always wanted to confine their efforts to the Chicago area. I think possibly Cook and Lake Counties, and possibly DuPage, at that time were the only ones that had title insurance available as a regular product.

We got changed over to the Chicago Title and Trust Company on a very nice working arrangement. Some of you may know that the old New York Title and Mortgage Company overstepped their field and started guaranteeing other things, other than real estate titles, and they are in the "has-beens."

More Profitable

My part of the program has to deal with the placement or the taking place of the voluminous abstract by the use of title insurance. I think when it comes to a decision between revamping the large old abstract and use of title insurance, that you are able to get equal profit, and in most cases some increased profit, but the main point of it is that you furnish to the customers an up-to-date method of evidencing that title. Title insurrance, in my opinion, is progress in the real estate title field, and it does not behoove anybody in the abstract business to stand in the way of progress. So I think from that standpoint, everyone who does not have title insurance in their respective counties should give it great consideration and try to furnish that service.

Avoid Criticisms

We have today many inquiries about what the attitude should be on the old abstract, made by predecessors as individuals whose responsibility has passed on with them—in a great many cases very competent work—but the fact remains there is no liability under the certificate on those old abstracts. To reabstract and prepare in present day form those early titles is always debatable question between the borrower or the seller of real estate in connection with his deal. And there have been many ways advised on how to bring those up-to-date, by rechecking and attaching exhibits of those questionable short form showings, none of which is very satisfactory. Under title insurance you can recheck your chain and embody all of that in the short title guarantee policy, which we all know is more acceptable to the examining attorney for either the purchaser or the borrower. So there is the point where I think great progress can be made in our field. It can cut off great criticism that has been voiced in the past and will continue to be voiced if something is not devised to take the place of the long, voluminous abstract. (Applause).

MODERATOR O'CONNOR: Thank you, Harvey. This replacing the long abstracting with guarantee policies seems to be a fine idea.

Now, the real estate man is easily persuaded to use Title Guarantee Policies. Most men in the real estate field are very irritated, to say the least, by what they are compelled to do to overcome objections to title raised by attorneys. These objections are sometimes sound but more often are frivolous and accomplish nothing but delay in the closing of the real estate deal and consequently delay the payment of the real estate man's commission. The attorney's examination method of approving title, being as antiquated as the horse and buggy, has caused numerous real estate transactions to fail with the resultant loss of commissions to the real estate man.

Element of Time

As a matter of fact, there are many so-called "title defects" often raised by attorneys and which necessarily delay closing of real estate transactions which we waive or disregard as a matter of course. To mention a few:

1. Release of trust deeds before maturing where a sufficient length of time has elapsed to lessen the risk.
2. Unprobated estates. We often guarantee titles on affidavits of heirship without the necessity of court proceedings.
3. Some "breaks" in the chain of title, often cured by affidavits of possession and payment of taxes.

Attorneys Disagree

Then there are title problems created by poorly drawn or complicated wills or trust agreements over which attorneys constantly wrangle. When we construe a will or a trust agreement as vesting the title in a certain individual we stand behind our position and whether we are right or wrong, the purchaser is protected.

Real estate men are friendly generally to the use of Title Guarantee Policies as this use is beneficial to them in the conduct of their business. The overwhelming majority of realtors with whom I have come in contact, want to do a complete job when they handle a real estate transaction. As part of this job, they would like to see each purchaser of property, when he in turn sells or mortgages, experience no unnecessary title diffi-

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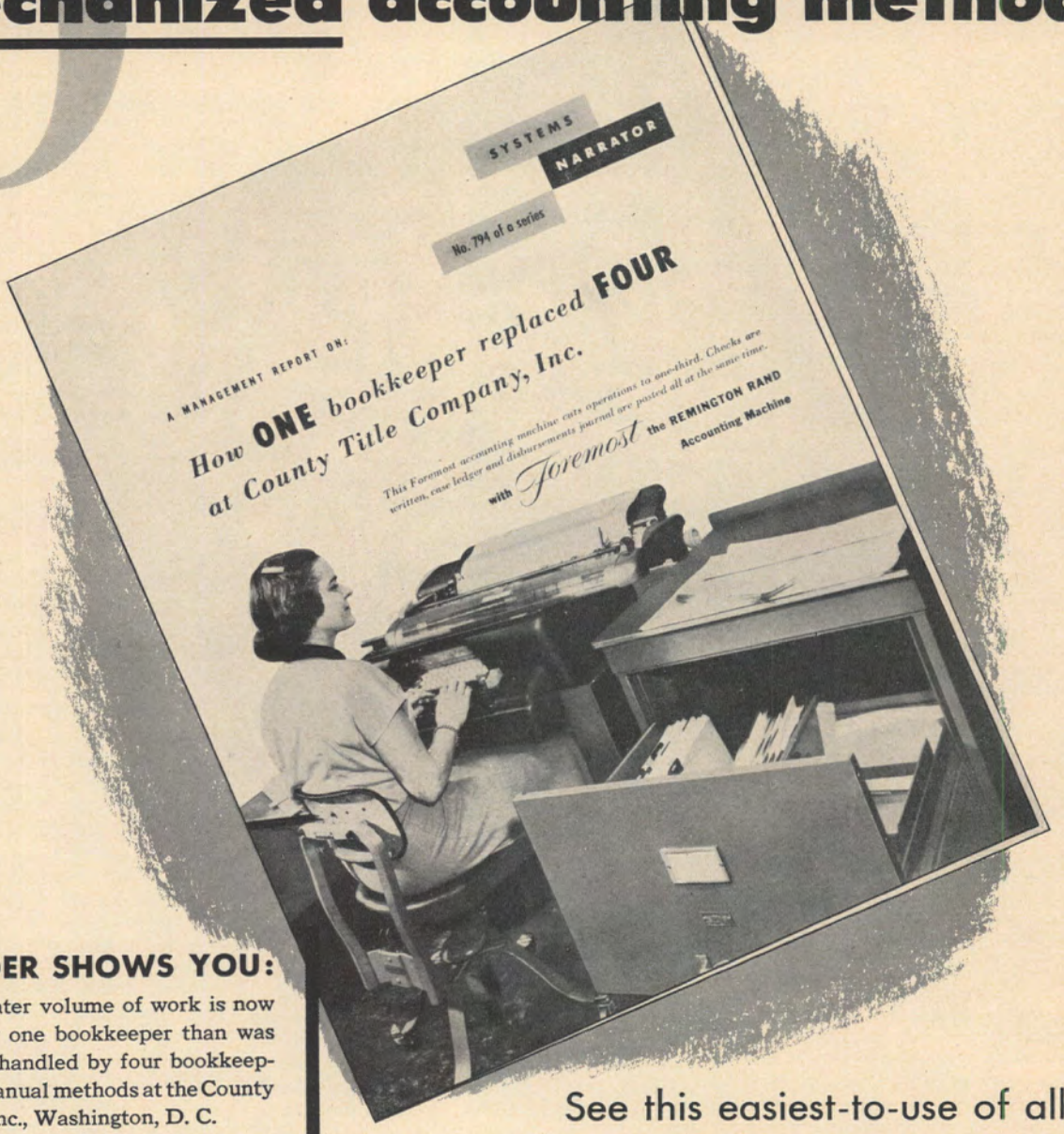

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culties. This can be accomplished in every case where a Title Guarantee Policy is used. Past experience will indicate to the realtor that it is seldom accomplished under any other system.

Blanket Subdivision Policy

An ideal method of selling Title Guarantee Policies is by showing their many advantages to subdividers. When a subdivision is covered by a "blanket policy" and an additional policy is furnished with each lot sale, the subdivider receives quick, efficient and inexpensive title service and the purchasers of the lots receive the greatest possible title protection. Homer Brents has had considerable experience in this field and I will let him tell you about it.

Statement of Mr. Homer Brents

MR. HOMER BRENTS (Taylorville): Mr. Moderator, I am going to confine myself to the "Voice of Experience" and keep off Bill Hague's toes about anything except the mechanics.

The Blanket Policy

My first brush with title insurance in any form came along at the close of the panic in 1934 when the first title policy was ever issued in our county. It was issued to the receiver of the Farmer State Bank in Springfield, and he finally succeeded in selling what had been a potential subdivision with title insurance, because he and the buyers couldn't agree on how many abstracts they should get along with this big tract of land, and the title policy was decided upon. Finally, the four fellows who bought this body of land back were convinced that it was all right to take.

Still More Subdividing

Before long I got hold of the policy, the master policy covering all of the premises they bought, and it wasn't long until they began to sell some pieces off of it, and up until this time I believe there have been ten resubdivisions on the ground that that policy originally covered, and the outstanding amount of insurance is something like about three ciphers more than the policy was originally. It is an immense amount of insurance out there, because we have houses all over the place and each one of them is covered with title insurance. It has been a very nice thing to handle. As the subdivisions were laid out and the policies issued, I tried to be "Johnny-on-the-spot" and get the master policy and issue prompt service when the lots were sold.

Better Public Relations

Back in 1906 I went to work in an abstract office. Abstracts that were issued then resembled a chain sheet more than the modern abstract. I saw the volume grow, from four, five pages to 100, and I hear the complaints of lending agencies on the filing space, the quantity of materials necessary to read, the typing that was necessary to get it out, and I have become convinced that a title insurance is going to replace almost entirely the idea of furnishing abstracts on subdivisions. The abstracter might say "I am going to lose all that money that I would make, making those abstracts" but if you don't have to make the abstract you don't have to do the work, so what have you lost? You get paid for the work you do. You get your earnings off of the issuance of the policy, and it just seems to me that the sensible thing would be for every abstracter that has to handle the title work on a subdivision where the title is long, tedious, he is going to make friends, he is going to handle it more confidently, he is going to do it with less work and make just as much money as if he labored and worried and signed his name to a big long abstract every time it went out.

Time Saved

I find that the money lenders, and the intervening mortgage lenders would much rather have a two sheet Title Insurance Policy than 100 page abstract. The Federal Building and Loan Association in Shelbyville make some mortgage loans in Christian County, and he has the "flat file" idea, and when I send him an abstract, which in most cases he has because he makes loans in our county where up until recently there was no such thing as title insurance, he takes my abstract apart so he can punch them and put them on those little prongs and put in his file. When they come back they are sort of just tied together. I can't blame him too much because I wouldn't want to give that thick filing space to it either.

Financial Benefits to All

But, seriously, I can't see any reason why the abstracter should shy away from the title insurance on the subdivisions. It has been profitable in our county, and it has been convenient. The mechanics of it are very simple: A subdivider gets a master policy; when he sells a lot you give him a write-off policy covering that specific property, guaranteeing the purchaser that this seller was the owner at the date of the master policy. With that the subdivider is through with his title expense. The purchaser has only a nominal expense to get his policy transferred to his ownership, and a fixed expense to increase the policy to a place where he has a money guarantee covering his investment, and a money guarantee to the lending company who would much rather have that title policy, such as the Metropolitan or the Prudential, or those places, who would rather have the policy than to have anybody's abstract.

Campaign of Education

I find it easier every day to sell title insurance. There was a time from 1934 on forward that I had to almost have a title policy school because people would come into my office that wanted to buy something, such as in this subdivision, and they never heard tell of a title policy, and I struggled with that, even with some members of the Bar. I had to sell the Bar Association on the idea because they didn't know about it. They thought it was just something to use when you had bad title, where you wanted to cover up something, never heard of it when the title was good.

A New Generation

When you think of a subdivision now, I would invite your attention to who those buyers are, what generation they are. You will find they are mostly young folks who have become more and more modern, and they are twice as easy to sell on the idea, if they have to be sold at all, as some of us older fellows who are little hard headed about it. And in spite of the fact that I would rather—and this is just my personal likes—I would rather make a good abstract than do anything else in the world, and try to make each one better than the other, yet I am a strong believer in the idea of converting from the abstract to the title policy on subdivisions. Most of my experience on that has been very satisfactory. (Applause).

MODERATOR O'CONNOR: Thank you, Homer. Homer has certainly pointed the way on how to cut down overhead expense by the use of a master policy on subdivisions.

Service with Security

Banks, savings and loan associations and other lending institutions should be most interested in the service and security afforded by use of Title Guarantee Policies. These institutions are generally quite conservative and the protection of the policy should have great appeal to them. The newest and greenest attorney often examines the titles to property secured by mortgages covering loans made by these institutions. On the other hand, many years of training are required before a Chicago Title and Trust Company title examiner is allowed to handle examinations involving difficult titles. If the officers of some of these lending institutions were fully apprised of the risks they are taking in accepting opinions, they would be quite eager to embrace the use of policies to cover mortgage loans made by their companies.

Many mortgage houses have undoubtedly lost good loans in the past because of disagreement of attorneys on some point of law. This is a good point to stress in selling policies to mortgage lenders.

Secondary Lenders

Insurance companies are lending money on real estate located in all parts of the country. These com-

panies are accustomed to title policies and prefer them to any other form of title protection. The highly competitive mortgage market prevents the insurance companies from demanding them in every case. In many instances, however, due to the circumstances surrounding a particular loan, the insurance company is in a position to demand what it wants in the way of title protection. In these instances, it should be a simple matter for you to sell policies to them.

Service—and Collateral Questions

Then, we have unique services to offer mortgage houses that cannot be secured elsewhere. We issue "L" form mortgage policies which guarantee over, among other things, mechanics lien claims not shown of record. This type of policy is furnished only to insurance companies but we often are able to give special notes on policies furnished all lenders of money guaranteeing them against loss occasioned by encroachments of buildings, non-conformity with restrictions and building lines, and matters of that kind.

Resources

In discussing title policies with officials of various mortgage houses, I have very often heard the comment that the attorney's opinion offers them no real protection as it is only an opinion and, if erroneous, very often has no financial backing. There is a great field here for development of Title Guarantee service. The big job is one of education of the local lending institutions. If the nation-wide lenders of money are apprised of the fact that you can furnish this service and the competition from local lending institutions is not too great, many more policies will be sold.

Bill Hague has done a remarkable job of selling Title Guarantee Policies in Will County. He will now outline to us some of the sales methods he employed.

Statement of Mr. Lewis Hague

MR. LEWIS W. HAGUE (Joliet): Mr. Moderator, Ladies and Gentlemen: Harvey Pearson has discussed with you the benefits of title insurance where abstracts are too long and costly, and Homer Brents has covered the subject from the subdivision angle. I was asked to speak on the development of title insurance in an abstract office.

The development of any product consists in creating in your customers or potential customers a desire for the product or service that you render. I shall confine my part of the discussion very largely to the customer's viewpoint. All of the speakers that have preceded me have given you many reasons why customers should desire title insurance so at this point all I can do is summarize some of the ideas which they have given you.

The Record

As I look back over the records at the Will County Title Company, I find that in the first year in which title insurance was offered twelve orders were received, while last year approximately 2,000 orders were received. Some of this increase is due to a general increase in the total number of orders received, but the percentage of title insurance orders received has increased each year throughout this period.

Looking back over the development of title insurance in our office, and trying to analyze what led to this increase in growth, I do not find anything very startling. In fact, I am reminded of the title of a talk which Kenneth Rice gave at a title convention some years ago, entitled, "We All Sell Groceries." While I was not privileged to hear this talk I am taking the liberty of using this title as the theme for this part of the discussion. To me, the sale of title insurance is not much different from selling groceries, or shoes, or abstracts. The interesting thing to me in connection with this phase of the business has been that many of the same principles that apply to the sale of any commodity apply to the sale of title insurance.

The Attorney Recommended

This is not to minimize in any way the sales material provided by the Chicago Title and Trust Company in the way of newspaper advertising and window displays. These have made a considerable impression and have helped us a great deal in our promotional efforts. Just a couple of weeks ago I had an attorney and his client in my office discussing the form of title evidence to be used in connection with the deal in question. After finding out that the title insurance would be a little bit cheaper the client then asked the attorney which was really the better form of title evidence. The attorney not only recommended a title policy, but insisted that his client look at our current window display on the way out in order that he could see for himself the advantages of title insurance.

Sell Yourself First

To go back to our ordinary sales talk it seems to me that the first thing that any salesman needs to do is to become sold on the product which he is selling and that means that he must be convinced not only that it is a worthwhile proposition from his own viewpoint, but also from the point of view of his customers.

Harvey and Homer have shown you some of the benefits accruing to the abstracter. I will try to cover briefly some of the things that make it advantageous to the customer, and some of the methods that we use in presenting these ideas. Customers can be roughly divided into two classes: (1) The ultimate users of the product, such as property owners, mortgagees and persons in that category. (2) Lawyers and realtors. At various points I will discuss the situation from the viewpoint of these two classes.

Protection

The first and most important reason for using title insurance is the protection that it gives against risks, known and unknown, which are inherent in the ownership of property. This, as has been pointed out before, is something that is important to attorneys as well as title owners, for if something goes wrong with a title the client almost invariably brings the matter back to his lawyer, and even though it may be one of the unknown risks, the client being human is a little bit inclined to think that he didn't get a very good job done. With title insurance, the matter is brought back to the title company and the attorney suffers no embarrassment. A great deal has been written and said about this phase of title insurance and I shall only mention it briefly. Chicago Title's new booklet, "Why Does Title to Real Estate Need to be Guaranteed," covers the subject very adequately, and is well worth reading. We keep a supply on our counter and hand them out to interested parties.

Uniformity of Interpretation

The second advantage of title insurance, as I see it, is uniformity of interpretation. With title insurance, once a decision is made with reference to a title problem, it is settled for all time. With an abstract, if the attorney for the purchaser does not accept the title as previously examined and approved, the deal either falls through, or considerable time and expense may be involved in meeting his objections. Title insurance is also a protection to the attorney, for no matter how good judgment he may have exercised when he passed on the title, if the attorney for the purchaser does not agree, the first attorney's client may lose the sale.

Another benefit along this same line is the universal acceptance of title policies by money lenders all over the country.

Expeditious

Very often real estate deals can be expedited through the use of title insurance. Unprobated estates, as has been pointed out, are a common example, where, if the estate is intestate with the furnishing of an affidavit of heirship, and a bond for claims, the deal can be closed immediately instead of waiting nine or ten months for the estate to be probated. Even testate estates can be expedited by taking a bond for claims. Many objections to title, which under the abstract system, require a bill to quiet title can be worked out through title

insurance, thus saving much time and expense.

Convenient

Another thing that appeals to me, and I think should to all customers, is the convenience of title policies. The title policy is small in size and can be gotten into even the smallest safety deposit box. Most abstracts require a pretty big one. I always tell a customer who asks for the return of an abstract which has been used in connection with a title policy, how glad we are to return it to him for now he has to rent the space to store it instead of us. The cost of maintaining a safety deposit box large enough to hold the abstract very often results in its being kept in the cellar or in the attic or some other handy place where eventually it is lost. This is a very much more serious matter than the loss of a title policy, for it may cost $100.00 or more to replace the abstract, whereas with an affidavit of loss, and the payment of a nominal sum, the title policy can be reproduced.

Flexible

The flexibility of title insurance is another advantage. Before the policy is issued the title can be reshuffled in any manner and title policies can be issued to fit the requirements of the owner. We have issued as high as 26 guarantee policies out of one order. Additional policies do not cause such delays as might be occasioned in making extra copies of long abstracts, and the fee for additional policies is small.

Time Saved

Separate owners and mortgage policies are a convenience in that the owner does not have to worry about getting his title evidence back from the mortgagee, while abstracts are sometimes lost by failure to return them when the mortgage is paid off. Mortgage policies, as Francis pointed out, can be adjusted to the needs of different lending institutions and thus speed the procuring of loans. There are three basic forms of mortgage policies, and with the addition of various notes required by different lenders, the variations are almost infinite. A subdivider, as Homer points out, can order a master policy covering the whole subdivision. He can order the amount of insurance which he feels he will need when he makes a sale of the property. If, before the property is all sold, he needs additional insurance, this can be bought at a small cost. With the old abstract system and printed abstracts, if the subdivider ran out of printed abstracts, considerable delay and expense were involved. The other solution, of course, would be to order a large number of printed copies and then perhaps have some to burn at the end.

In conclusion, I might mention a few things which apply to all salesmanship, for after all is said and done, it is the personality of the salesman that counts more than any other item in making a sale.

Know Your Customer Well

We make a special effort to call all of the customers by name, the first name or nickname, if possible, and to use it often. Doing business on this basis, I think, is particularly helpful to young attorneys who bring their clients along.

Careful Consideration

In this connection, no matter how trivial the objection which the attorney has raised may seem to us, we always try to give it very careful consideration and if his client is present, we always remind him when we agree to waive the objection that we look at these matters from a business viewpoint, and not from a purely legal angle as he must.

Quick Decisions

We always try to give customers a quick decision on any problem that they present, and by this I do not mean snap judgment. In this connection we have found it very helpful to use the telephone and have always found Lyle Maley, David McKay and Harry Frey very willing to cooperate. Even if an answer cannot be given immediately, we can get some indication as to the amount of time required and we can often present to the people in the Chicago office a much better picture of the situation than we could by correspondence.

Training of Employees

One other thing that we do, and that is to discuss the advantages of title insurance with all of the employees, and point out to them situations where policies would be advantageous to the customer. Actually, the girls at the order desk and the other employees sell a good many more title policies than I do. Even the people who do not meet the public have relatives and friends at home who ask them for advice in connection with title matters.

Avoid Arguments

One final word, and that is, "The customer is always right." If we have a situation which seems to be tailor made for a title policy, and after we have made the best presentation that we know how, the customer says, "I want an abstract," we never argue with him. In the first place, nothing is ever gained by antagonizing a customer; and, in the second place, many of these abstracts come back in a short time with an order for a title policy. We had a very interesting example of this a short time ago. The customer had no title evidence, but decided to take an abstract, for it was an $80,000 deal, and the insurance premium was rather large. After the abstract was completed the attorney for the purchaser spent three weeks examining it and then, without trying to write an opinion, demanded a title policy. We were able to overcome the objections to the title in a short time, and the policy was issued.

The Trend

As you watch the trends in title evidence all over the country you can see the shift to title policies. This undoubtedly comes from the fact that customers all over the country are realizing the advantages of title policies. It seems to me that if any abstracter is going to be progressive and up to date, he should be able to offer his customers title insurance for if he doesn't, they will probably secure it elsewhere.

MODERATOR O'CONNOR: Thank you, Bill. Methods of selling are important to the promotion of any service. Bill's methods have been highly successful and would be well worth following.

The public is becoming more and more security-minded. This insurance consciousness is a great factor to be exploited in your sale of Title Guarantee Policies. The investment in real estate is probably the largest single investment a person makes in his lifetime, and you, in offering Title Guarantee Policies, are providing a means of insuring this investment. There are many definite advantages of title policies which should be stressed. A few of them are as follows:

Full Protection

1. Purchasers and mortgagees are relieved from all loss or worry occasioned by a defective title resulting from errors made by county officials, errors made in examining the title, or from hidden defects. Attorney's opinions are limited to the title as shown by the abstract. A Title Guarantee Policy covers the whole title and protects against loss from hidden defects as well as defects which are disclosed by an examination of the title.

No Duplication of Effort

2. When a Title Guarantee Policy is employed in a real estate transaction there is never duplication of the examining process. Once a title is guaranteed, it is never re-examined. This extinguishes the difficulties spoken of before, where old title defects are brought up each time a piece of property is sold and are buried only for the period of time any one owner holds the title without attempting to transfer or mortgage it.

Fast and Efficient

3. Title Guarantee Policies afford the simplest, fastest and most efficient method of dealing with real estate titles. The number of man hours required to issue a policy is but a fraction of the time required to prepare an abstract of title. In examining a title for the purpose of issuing a Title Guarantee Policy, the

examining attorney needs only to be furnished with "pencil minutes"; in other words, a chain of title from the tract indices, take-offs of the documents to be examined, and the usual searches. The abstract of title does not have to be typed up. The preparation of the information actually needed requires fewer people, is faster, and is less expensive, than preparing an abstract.

Defense of Title

4. The Title Guarantee Policy defends the assured in case a suit is filed attacking the title. This defense of title is made regardless of the merits of such suit and the costs of such defense are assumed no matter which way such suit is decided by the court. The assured need not wait until he suffers a loss before he receives protection from his policy.

Stabilization of Titles

5. Use of Title Guarantee Policies tends to stabilize real estate title and places much property on the market that otherwise could not be sold because of title defects.

The very excellent discussions by Harvey, Homer and Bill clearly show the job that can be accomplished by all of us in promoting the sale and general acceptance of Title Guarantee Policies. I am certain that if all of us become more active in selling policies we will be able to accomplish as much as they have.

Thank you very much for your attention.

Now, if there are any questions from the floor I am sure any of these gentlemen will be only too glad to answer them.

Additional Premiums

MR. JAMES T. REID (Rockford): I would like to ask you and your panel what the subdivider's process is in handling, say, a $5 title policy on a lot, how they get over the large price increase at the end of the building period when they have to have a $10,000 policy. Is that a question of education to the lot owner, the house builder, or is that a problem which the title abstracter provider is going to bear? Whether he bears the brunt of the criticism in not warning a prospective home builder that there will be an additional $80 title insurance charge as compared to a $10 abstract continuation charge? I think I have discussed it with you, and I wonder what Mr. Brents or some of the subdivider title insurance experience has been along that line.

Increase the Blanket Policy

MR. BRENTS: Jim, I don't know whether we have the perfect system on this or not. We have a subdivision that consists of so many lots. We get the master policy to cover a considerable amount of that, if not all of it. If the subdivider is not a builder, we issue a write-off policy for the amount of the sale of the lot; if he is also the builder we issue the write-off policy to cover the sale of the house and lot. And that burden, that is, the amount of that write-off policy is deducted from the master policy. If it runs out through the use of all the master policy insurance in sub-policies on lots, we get the master policy increased, and he is entitled to the reduced price as the amount of the policy goes up. If the buyer of the lot is going to build his own house, or have it built, about his first job is to see where he is going to get the money. The lending agency, of course, wants to know about it and they want to advise him about it. He is told how much of an increase he is going to have to have in his policy and what that will amount to in money, and it is figured into the loan and paid out of his loan expense.

In my experience I haven't had any trouble with that sort of an arrangement because everybody has understood it as the deal progressed. I don't know whether it answers all the things you want answered or not.

MR. REID: I would say you have answered my question. I would be concerned with the face of the policy that you deliver to begin with. In other words, you deliver a $1,000 policy and warn him that when he builds the $10,000 policy is going to cost him another sizeable premium; or do you, does the subdivider pay that additional amount by having enough original insurance so that the $9,000 or $10,000 ultimate policy can be issued off the master policy without too much additional charge?

The Home Owner Neews Protection

MR. BRENTS: If the subdivider is not the builder he doesn't want to pay that amount. So if the purchase is completed in our office, or if the real estate salesman makes a sale, we quite often are called and asked how much the insurance is that he would get, what the size of his policy would be that he would get from the subdivider, and the answer to all that is always that it is enough to cover the purchase price. Then if we have an opportunity we tell the builder, or the prospective future owner just the mechanics of exactly how it is going to work out, and what the expenses are going to be. Where these young fellows are building houses, the figures are so big anyway they just feel they are going in there and paying rent, as one of our speakers said this morning. Sometimes I think they just shrug their shoulders and say, "Well, it all goes together anyway," and we don't have any trouble in the sale of policies from that angle at all.

MODERATOR O'CONNOR: This cost angle is always a matter of education as well as what Homer Brents points out, the very real protection they get from the Guarantee Policy, because it is not too excessive.

Escrows

(A Panel Discussion, held at the 1951 Convention of the Idaho Title Association)

MEMBERS OF PANEL:

George Nodell, *Resident Attorney,* Prudential Insurance Company of America, Boise, Idaho.

Homer Ross, *Escrow Officer,* Idaho Title Insurance Company, Boise, Idaho.

C. A. Webber, *President,* Title Guaranty Company, Yakima, Washington.

Arthur A. Anderson, *President,* Snohomish County Abstract Company, Everett, Washington.

Edgar Anderson, Phoenix, Arizona, Moderator.

Twenty years ago—Yes, even ten years ago—the expansion of title insurance, relatively speaking, was negligible. We have seen, particularly in the days following World War II, its almost unbelievable growth. We have seen its spread from state to state, and from metropolitan centers down-state and up-state into the rural sections. That growth, that expansion, is ever on the increase.

Some, perhaps much, of this can be attributed to the requirement of many large lenders that their mortgage paper be secured by a title policy. Credit for certain of this growth can be given to the energy and vision of executive officers of title companies, as, for instance, one company which decided to plough back for several years all its revenues (less only reserve account) from its operations beyond its county of domicile.

As we see the picture, the matter of "Escrows" and the establishment of the abstract and title company, via its Escrow Department, with adequate earnings in the escrows, is very much today in the position of title policies fifteen, or even ten, years ago.

Today an immense amount of work which actually is in the field of escrow service is handled by the average member company on a haphazard basis, a "hit and miss" system, with insufficient understandings as regards both the seller and buyer, and definitely—oh so definitely—with inadequate fees for the liability assumed and the work involved.

There has been acceptance by many companies of instructions to "Record the enclosed mortgage when you establish this as a valid and first lien—and then bring the abstract to date."

This certainly can be classified as an Escrow. True, it is unilateral. Nonetheless, it contemplates performance by the title man of a service which is above and beyond that which ordinarily he would be expected to perform in the extension of an abstract. He must search for instruments placed of record after the closing date of his abstract and prior to the moment he records the mortgage. He must weigh all such recordings. He must withhold the recording of the new mortgage if there have been intervening recorded instruments which affect it "as a valid and first lien."

This service, the extra service, with its additional attendant liability, is usually performed without additional compensation, without adequate payment for his assumption of liability.

Yes, he receives his fee for extension of the abstract itself. But that is a fee to which he is entitled by whatever means might be adopted to place the said mortgage upon the land records.

We submit it is the wish and hopeful prayer of the abstract and title company, wherever located, that he shall make his office the center, the core, the hub of all the title work, including the routine steps, in a real estate transaction. Thus, his office is a "natural" for an Escrow Department, properly staffed, well trained, and experienced in the task of closing transactions involving the sale and purchase of land, and transactions involving encumbrancing of title to land. He is outstanding in his community for his ability (and desire) to hold in the strictest of confidence all the intimate details of these transactions. And that honorable position is an asset upon which he rarely "cashes in."

We recommend to our readers study of the presentation in this issue on "Escrows" delivered at the 1951 Convention of the Idaho Title Association. We are privileged to reproduce this Panel discussion. We urge your personal consideration of the presentation in its entirely. We suggest the subject be placed on the agenda for consideration by title people of your area at regional meetings of the Winter and Spring, and at conventions of the title association of your state.

We occasionally dream that we would wish to be the Judge Landis of the title world for one year. "Men's thoughts are much according to their inclination," wrote Bacon. For our fee to serve the title fraternity as its Judge Landis, I would charge you a fee of fifty percent of the extra fees I would force you to charge, fees justly and honorably earned by all of you, but never charged and never collected. At the end of the year, I would retire and live in comfort for the rest of my days.

To return specifically to the subject of "Escrows," we'll hazard this prediction: "By 1960, the growth of a smooth functioning Escrow Department, handled by trained personnel, with adequate fees for the services performed, will be (sic—can be) as impressive as has been the growth of title insurance in the ten years last past."

But to make this prophesy come true, there is need for the application of brains, careful studies and intelligent planning. We have the brains and intelligence to make this dream a reality.

Do we have a sufficeincy of the Will to Do It?

—Ed.

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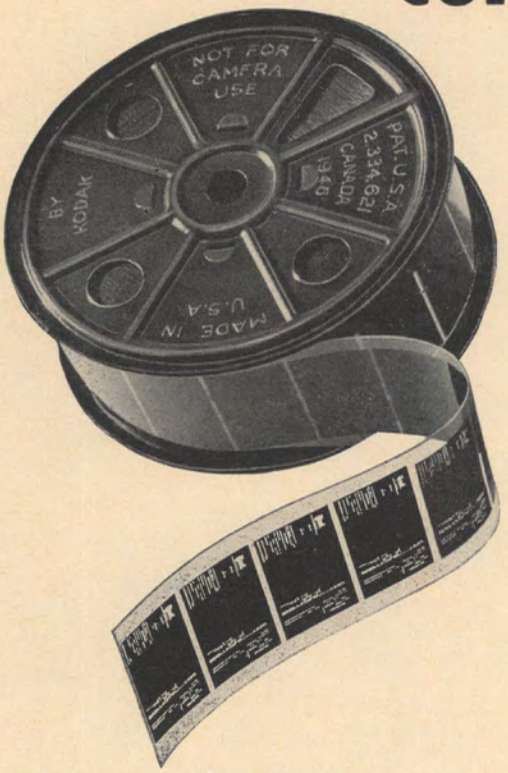

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PRESIDENT TATUM: We will now have a panel discussion on Escrows with Mr. Edgar Anderson, Phoenix, Arizona, in charge. The panel consists of George Nodell, Resident Attorney, Prudential Insurance Company of America, Boise; Homer Ross, Escrow Officer, Idaho Title Company, Boise; C. A. Webber, President, Title Guaranty Company, Yakima, Wash.; and Arthur A. Anderson, President, Snohomish County Abstract Company, Everett, Washington. Mr. Anderson.

MR. ANDERSON: President Tatum, Ladies and Gentlemen: The subject assigned is that of Escrows. Of course there are many phases of that subject—legal aspects, routine aspects, administrative aspects, etc.—but I believe that you're more vitally interested perhaps in (a) trying to get escrow business and (b) how to handle the escrow business, especially with real estate brokers, so we will endeavor to direct the inquiries along these lines.

Defined

To give a brief as to the meaning of "escrows", I'll just read a paragraph that gives the whole picture. "The transfer of real property is far more intricate than the transfer of personal property. There is no right in the Anglo-Saxon heritage so jealously guarded as the real property right. The law has clothed it with protective features. The temper of our modern civilization and the well known Latin maxim "caveat-emptor" entitles the purchaser of real property to desire the assurance that when he parts with his consideration he receives in return evidence of title to the property purchased according to the terms and conditions of his bargain. By the same token, the seller cannot be expected to part with his title until the consideration has passed into his hands. The obligations of the seller in the form of liens to be discharged from the proceeds of the sale, money to be raised on the security of the property to enable the purchaser to consumate the transaction as evidence of good faith, necessary documents must be on hand binding the deal. Lien claimants would be equally unwilling to part with their rights unless their interests were likewise safeguarded.

Necessary Adjustments

"As between the parties, there will be adjustments that will have to be made, taxes to be adjusted, insurance premiums, interest on existing mortgages, etc. The title must be searched and objections removed. It is evident that some time must elapse between the inception of the transaction and its final completion. This demands that some machine be set up to afford this protection and to perform the functions incidental to satisfactory completion. We believe that escrow with title insurance is the best vehicle to achieve these results."

That really covers the whole subject of escrows and we can now get into the various phases. I hope as this develops that you have your questions ready and direct them to the chair for assignment to members of the panel for answer.

Sources of Escrow Business

Let us first determine the sources of our business. They have been classified by the panel into six groups: 1. National mortgage lenders, 2. Local lenders, 3. Real estate board — member brokers, 4. Real estate brokers not members of the real estate board, 5. The public at large, and 6. Attorneys. I don't know how it is in Idaho, but in many states perhaps half of the deals are closed between parties without intervention of a broker. It appears to us that each one of these groups has to be handled in a different way and of course the approach will be different. Having Mr. Nodell, of Prudential, with us, we will ask him for a short statement on the need of escrows from the national mortgage lenders viewpoint.

National Lenders

MR. NODELL: I would say the advantage of using escrow service is one-man accounting—you only have to train one man. The national lender does business in counties with brokers and he sends his transactions to that broker; the broker in turn has to train five different people to handle his total transaction. If there are one or two title plants in the county and he can close through a title plant, obviously, he only has to train people at the title plant. Another factor, of course, is the safety of the funds. When he sends the funds to be used in a real estate transaction naturally he's more concerned with the safety of the funds from the time they leave the office until he gets the note in his hands with the recorded mortgage as a first lien on the security of the real estate. Another factor is the experienced personnel of title companies who are trained to do that and its incidental work. It's part of their everyday work. They know the necessary techniques and practices. They do a very effective job with them.

MR. ANDERSON: That seems to bring out, Mr. Nodell, the point that is well for us as title men to consider—a one-package closing. In other words, the realtor or real estate broker once he has brought the purchaser and seller together has really performed his function. From that time on, it becomes one of title and closing. Your thought is that the title examination and closing should be in one package. Title insurance with escrow would really sum it up briefly. Mr. Frank Sparks, is he in the audience? Frank, you've had some experience with this, what is your point on escrows, what is your reaction?

Mortgage Lending Closings

MR. SPARKS (Nampa, Idaho): We close mortgage loans in the office. It seems the logical place to do it because the fact that you have the information right there. Ordinarily speaking, when someone outside of the office closes them, they have to either call our office or come down and have us check anyway before they complete the transaction. We have all the information right there and we can check ourselves. I think it's safer.

MR. ANDERSON: One important thing is how to develop an escrow business. I have been associated so long in places where the escrow business is a concomitant part of the title business that I've almost forgotten that we ever had the problem. We must have had, but it seems to have been overcome. Here are some very interesting figures: In Phoenix in 1939-40, 60% of the deals were closed in escrow. Today, 85% to 88% of the real estate transactions and mortgages are closed through escrow. This shows that it can be done and that the trend is upwards. We never hope to get to the 100% point even though the progress tends in that direction. It has been suggested, Homer, that one of the difficulties is to overcome the prejudice of real estate brokers who like to close the deals themselves. What is your experience in this?

Personal Contacts

MR. ROSS: My experience with the real estate broker is that he feels when the customer leaves his office and comes into the title company he has lost personal contact with that customer and he wants to keep both buyer and seller in control as long as possible for future business. We had a very good example of one young real estate firm in which neither one of them had any previous experience in the real estate closing business. In the first or second transactions they depended upon the attorney for closing. Not understanding what would happen, they came into our office to recheck the attorney's findings and closing statement. I was a little bit worried about possibly being put on the spot with two customers. It happened that in figuring it all out there was only 3 cents difference between the attorney's closing and the way I figured it, but on the strength of that and the rapidity of the service that we rendered in checking his figures, probably a mere 30 minutes, they informed us that in the future we would handle all their transactions.

Now what has occurred is this: Instead of losing the personal contact with their customers, they feel they have furthered that contact with their customers. They have furthered that contact in that they make it a point to express to their customers, their buyer and seller, that they are not qualified to close—they don't feel

that they are qualified to close, but to come down to the title company where the evidence of title is going to be prepared and have them handle the closing; that they have the experienced personnel to do it. You would be surprised at the reaction that the customer—both customers—seem to take. They feel that they have had their transaction handled by someone who has made a study of that. Every satisfied customer is our best investment.

Impartial-Confidential

MR. ANDERSON: I would like to add—don't you think, too, that it impresses the parties with confidence in you because you sit there as an umpire, impartial in the little differences that might occur?

MR. ROSS: Definitely so.

MR. ANDERSON: And also they appreciate the confidential relationship you have towards them.

MR. ROSS: That's right. Both buyer and seller know that we're impartial. There might be a feeling of partiality or they might feel that there is a feeling of partiality as far as the real estate agent is concerned in closing his own transactions.

Real Estate Broker

MR. ANDERSON: Have you encountered any difficulty in the reluctance of real estate brokers to go into escrow? Do the older brokers resent it or do the younger ones, or can we make any distinction?

MR. ROSS: The older brokers who have been handling escrows for years are the ones that will put up the greatest objection to them. The younger brokers seem to have a more open mind and can readily grasp the advantages. Their prime interest, of course, is to sell and they can grasp that in putting closing into escrow the minute the property is sold and all terms worked out, they are free then to go on and sell another piece of property while that transaction is being closed.

MR. ANDERSON: I understand that in Idaho quite a few of the transactions are closed through attorneys. Getting the attorneys on our side is something for us to consider—what method should be used in order to induce them? It would look to me that an attorney's time is valuable—so valuable that he should rather favor escrows rather than object to them. Arthur, have you got any thoughts on that, how to approach attorneys in developing in them an attitude toward title insurance companies and closing their deals in escrow?

The Attorney

MR. ARTHUR ANDERSON: More and more attorneys are being confronted with the details of their business, cases they have to appear before the court on, the general office business, interviews and one thing or another —we find in our county that the lawyers are more and more shifting that duty to the title people. They don't like to work so much in figures lots of times and they begin to realize, I think, that a title office having all the last minute information is in a better position to check the record right up to the last, put the deed on record and make the disbursements called for in the escrow instructions. I believe that any busy, large-operating lawyer will not want to be bothered with the detail that is involved. Similar to the examination of the abstract, they all look to the title people now because examining once or twice a year doesn't give them the feeling that their opinion is going to be correct.

MR. EDGAR ANDERSON: And the customer that feels the need of the services of a lawyer can always take his title report to them and have him examine it.

FLOOR: As a lender or representative of a lending institution, do you feel it's much worthwhile for you to have a transaction closed in escrow by the title company adding that charge, whatever it is, for the escrow, would you rather have that, or have it come through a broker who will do it for nothing? That is one problem with which we are confronted. We say we'll close the loan for them and they say, well how much do you charge? When we tell them, they say the real estate man will close it for nothing. You, as a lender, which is the more advantageous, which would you prefer?

Performance

MR. NODELL: Speaking for our Company, we prefer that it be closed in escrow by a title company rather than closed by a broker. Our reason of course is selfish; we realize that the title company handling the closing is financially responsible—no reflection on the brokers that they're not financially responsible, but the fact is the loan business is competitive. We'll take loans from any broker but we don't get a Dun and Bradstreet report on every broker who brings a loan into our office. For that reason, I have a preference between A the broker and B the title company why I close through the title company. In the first place it eases my work. I feel that with a minimum of education and having gone through the process once, the title man knows what to do, whereas every time you close through the broker you have to go through the process of education. Does that answer your question?

Intervening Recordings

MR. SHIRLEY: If it isn't confidential information, how many times has Prudential been jeopardized by intervening instruments on abstracts?

MR. NODELL: Well, I have been here since 1946 and the only time we've been caught that I know of on an intervening instrument taking priority was a child support money judgment. In this case the closing was handled by a lawyer and he went to the precaution of calling and relying on a telephone report from the title company, but he didn't tell the title company he was going to record a deed and a mortgage so no search was made on the new incoming owner-mortgagee, and on GI loans the requirement of the FHA and the VA is that the mortgage which they insure be the only lien on the property. Now we do have a judgment—it may not be a first lien, our mortgage may be a first lien, but there is a question whether or not our FHA insurance on that loan is valid or GI guaranty is valid.

Local Financial Institutions

MR. ANDERSON: Another source of escrow business is that of the local lenders, savings and loan associations and the like. As I understand it here in Idaho in quite a few communities the escrow work is done by the banks —savings and loan associations. Chet, you coming from east of the mountains, do you find any opposition in that group in closing in escrow with the title company?

MR. WEBBER: With the large number of national institutions, it is practically necessary for them to close an escrow and they send the proceeds of the loan over to the title company. In Yakima all of the national lending institutions do close their mortgage loans through title companies and the local lending institutions are seeing that it relieves them of a lot of bookkeeping work they would have to do, that the title companies are now doing it. They more and more are now starting to send their checks over to the title company on their own loans and they're becoming very happy with it and especially is that true where if there's any chance at all of new construction or remodelling or something of that type going on and they're asking us to issue an ATA policy on it. That's just like a red hot potato to those fellows. They just don't want to have anything to do with them, so in some instances we have taken the burden of issuing ATA policies where there has been some remodelling and it's proven so satisfactory that two of the local lending institutions are closing everything except what they call their reorganization loans where they are just reorganizing and picking up an additional $500 or so, but any new loans are closed through escrow.

Boost the Broker

Now this statement that Homer made about your real estate men, we found the same thing—they didn't want to lose that contact with their buyer and their seller; we're not get-

ting around it, but we're trying to help it this way: In one large company over there, we closed the deal in escrow and then the proceeds of the sale are going to be turned over to the seller. We write the check and our instructions are so taken in that manner that we write the check to the real estate broker; he then writes a letter to the seller inclosing the check. They think it's very impressive that they can turn the check over to the seller along with a nice letter saying how it was closed and if the seller comes into the office after the money, on our closing statement at the bottom of it, we put a little note to the effect that their broker—then naming him—has placed the deal in escrow for the protection of both parties and that we're happy to inclose their check and hand them a check for such amount.

We always plug the real estate brokers or rather we try to do it to impress the buyer that the real estate broker was acting in his behalf when he did place it in escrow and they seem to like that very well too.

Get Consideration Deposited

When the buyer comes in we attempt to have him place the entire purchase price in escrow rather than just the earnest money and we find that the purchaser does not put up the same resistance to putting up the full amount of money as he does in leaving the full amount with the broker, but they will leave it with the title company and then after once having left it in escrow with the title company, they don't go out and talk to their neighbor and talk around, they feel having put up their money — "well, I've put up my money; there is nothing I can do about it." Many cases they've put up their earnest money, go out and talk around and decide to back out of the deal and many times earnest money receipts are improperly drawn. It's very easy to back out of the deal, but having deposited the full amount in escrow they don't think that they're able to back out as easily as when they just put up the earnest money.

Fees

MR. BLACKHURST: I'd like to ask, what reaction do you have to that extra escrow fee? We divide the escrow fee between the buyer and the seller. We have two brokers that say either the buyer or the seller put up too much resistance and they take it out of our commission.

MR. WEBBER: Those two fellows are just not particularly sold on escrows. We send our brokers a statement with a check for their commission and they have absolutely no bookkeeping work to do whatsoever. Our people like it.

MR. SPARKS: What we find in Nampa—the real estate men we've contacted about escrows say, "I'd be willing to place my work in escrow, but maybe a lot of the rest of them won't. That makes the charge on a transaction that I make higher than on somebody elses." We run into that.

A Selling Job

MR. WEBBER: That's kind of a selling job, Frank, to get them satisfied on your escrows. We don't run into that resistance too often. Practically all the earnest money receipts in our county are put out by the title companies and are supplied to the real estate men and the attorneys and printed on the bottom (a little bit fine, but it's in there) that upon request of either party that is, either the buyer or the seller, that the funds and papers are to be placed in escrow with—and then your company's name is put in there and that one half of the escrow fee shall be paid by each party. That has helped us an awful lot. We are rendering a service to both parties and they should each be willing to pay half. You have to get proper fire insurance policies with proper endorsements, you're seeing that he receives a proper deed, that it's placed of record, that there's no intervening changes in title, adjustment of rents many times, taxes, etc.

MR. SPARKS: I think that's very true, but we do have those difficulties with them alright.

Uniform Receipt

MR. ANDERSON: Chet just made me think of something — "the big print giveth and the little print taketh away"—but we did solve that problem in Phoenix. We decided that to get a uniform earnest money receipt adopted would be advantageous; there were six or seven different forms of receipts. Every one had its own flaws. We invoked the aid of the real estate board and the title companies got together with the real estate board and drew up what they thought the best form possible and induced the stationers to throw out the sale and furnishing of blank earnest money receipts. Our escrow requirement in the earnest money receipt is not in fine print, but in the same print as the rest of it. "This deal shall be closed in escrow with the blank company." Just as though it were a mandatory thing that should be done, because in our experience the parties expect to close the deal in escrow. "Let's go down to the title company" is common. Now those who do not want to close in escrow will have to delete that paragraph and they will forget to delete it when it says it shall be—that's all there is to it and it's just one way, instead of making it optional, make it mandatory. That again of course is an educational problem but gradually, by repetition, it becomes an established practice.

Growth of Escrows

MR. ELLSWORTH: In comparison with a fellow in California and the figures Edgar gave, Chet, what would your figures run, what percentage of escrow business do you have since you started?

MR. WEBBER: Are you referring to brokers, Russ?

MR. ELLSWORTH: (Boise, Idaho) No, to the whole business.

MR. WEBBER: Our percentage up until about May 1 when the mortgage market suddenly closed up, why probably 60-65% of the deals were involved in FHA or VA or that type of deal and out of that percentage most were being made to national lending institutions as a group, so we have roughly I should say about 40-45% of our overall mortgages closed in escrow. That's not true now of your deals where the brokers are involved.

MR. ELLSWORTH: When did you start?

MR. WEBBER: It's only about 2 to 2½ years ago since we really tried to go out and get the escrow business. Thats' why I wanted to go down to the California convention—I wanted to get their ideas on that and then go out and contact these brokers themselves to see if we couldn't get practically all of their stuff in escrow. I think we're well enough along that it can be done because it's really to their advantage.

FLOOR: Do you ever close any FLB loans?

MR. WEBBER: No, we don't. They just don't close FLB loans in escrow. We've closed farm loans for other national institutions and we have to look after the water and everything and take care of it, pick up the stock, etc. I believe FLB loans are closed through their local Secretary-Treasurers.

MR. KUNAU: (Burley, Idaho) Do you pay the escrow charge?

Payment of Escrow Fees

MR. NODELL: On the escrow instruction sheet that was passed out to you, No. 13 says the borrower must pay all the expenses of closing the loan including the cost of the abstract of title, title insurance premium, attorney fees, recording and escrow fees and GI appraisal fees. We've had no complaints on passing the escrow fees on to the borrower. From the national lenders standpoint, we encounter no difficulty in that requirement that the loan applicant pay those escrow fees. As I stated he may grumble to the title company, but we don't hear much of it. Just for fun and to show you what you're up against in closing a VA loan, I've attached pages 3 and 4 to the instructions that were passed out. The VA now permits a 1% service charge to be collected by the lender. The lender then has to absorb the escrow fee, as shown on "i" of item b, so you GI loans have the 1% service charge and

our letter of instructions probably will contain a statement to that effect that Prudential will pay the escrow fee out of the 1% service charge.

Confidential Nature

ART ANDERSON: Edgar, I'd like to have you give us your experience in the closing of escrows—just who you give the information to with respect to the deal when you have a deal, whether you divulge the instructions of the seller to the purchaser or the instructions of the purchaser to the seller. Do you allow any Credit Bureau to know that you have the escrow in the office? How do you handle that?

MR. ANDERSON: We regard the escrow service as an absolute trust relationship and therefore an absolutely confidential one. Any inquiries that come from the public, from parties not in any way related to the deal, we absolutely refuse to give out any information. This has happened to us on occasion. An attorney will write us a letter, or another broker has written a letter regarding a certain deal. When we receive those letters, we don't know the content of the letter until we've opened it up; when we open it up we're charged with knowledge of the content of that letter. The letter may indicate that he's going on a fishing expedition to find out if there is a sale. In that case, we feel the need of at least acknowledging the letter, so we acknowledge receipt of a certain letter, word it very carefully and diplomatically and simply say that we cannot advise you whether or not that transaction is pending.

Adjustments

If, however, you feel that your interest should be protected, there is one course and that's to see your attorney. If he thinks we've got the deal in escrow, all the attorney can do is attach, serve us with a writ of garnishment or similar process, but we will not give out information to any other party than to the parties to the transaction and the real estate broker, i.e., the broker who we are advised is the broker in the case. Other real estate brokers, one thinks he may have an excuse of listing, thinks he should have had the deal, yet it came through another broker. He goes on a fishing expedition. Well, he's got to be handled very carefully, so that you don't give out the information or offend him. That's the course we follow. We regard the transaction in strict confidence. That I think is the key to the escrow business. Impress upon the public the fact that it is a confidential relationship.

MR. ART ANDERSON: You'd speed up the closing of your escrow if you had wind that the attorney was trying to attach, wouldn't you?

MR. ANDERSON: Absolutely. On the other hand, there have been times when something may have delayed the closing of the escrow for the same reason.

MR. KUNAU: In most of the towns here in Idaho you see most of the attorneys and realtors every day or so when you go down to the corner for a cup of coffee, or they'll just come in and sit down and say: "That was sure a good fishing trip—say, I hear so and so is selling." Well, you couldn't say, "go and see the attorney." It's different when you have to look him right in the eye and say I don't know a thing about that when he knows that you do.

Must Be Confidential

MR. ANDERSON: Well, in that case I'd take the position and say something like this: "You realize we can't disclose any information of that nature. Our relationship is purely a confidential one and we can't give it. Watch the record." You've got to be frank with him. He's asked you a direct question, which you can frankly answer. There is no use evading the question. You should come out equally as frank with him and say you're sorry but you can't give out that information and he'll have more respect for you.

MR. ART ANDERSON: And you could say this too. Supposing I came in and asked you about that divorce action you're handling. I want to know something about it. That's confidential information. He can't give it to you and you wouldn't want it anyway except possibly for the human interest.

MR. ANDERSON: He maybe wants the information because he thinks some other broker may get the commission. Now suppose the shoe is on the other foot. Would you want me to tell Bill Brown that there was a pending deal in this office with reference to it?

Decline to Give Opinion

MR. JANECEK: Speaking of personal relationships. I have a very close friend who was handling a transaction and we were out for coffee. I said, "Art, just who is involved in this case?" He said, "Mike, I'm just not at liberty to disclose this information to you." I think perhaps that's a good phrase, rather poetic sounding and rather effective. A man knows there are some things that you just can't disclose.

MR. ANDERSON: He knows that he can trust you when he has a transaction where he is involved.

MR. ART ANDERSON: You might also handle it by telling them "I can't give you anything on it now but just as soon as I find it on record I'll let you know." When it's public record, it's anyone's knowledge. As long as the papers are there entrusted to you, you've got to keep it that way.

The "No Broker" Deal

MR. ANDERSON: The phase of the sources of business dealing with the public at large where the deals are not closed through any broker. In our town at least 50% of the deals are not. This I would say is one of the easiest groups to start building up the escrow business. Once they've dealt in escrow and the deal has been closed satisfactorily, you make two good contacts and two good friends. They go out satisfied. The next time either one of them have a deal they come back to you. The point there is how to educate the public at large to close their deals through escrow and at the same time not tread on the toes of those now engaged in the escrow business—say the banks. How to judiciously get the public at large educated to desire escrow. My Swedish cousin here being a public relations expert will give us a report on that—what would you do, Arthur?

The Personal Touch Again

MR. ART ANDERSON: Well, I might relate an experience or two that comes to an office and I know most of you have experienced it. There are few people who deal in real estate but once or twice in a lifetime. They come and say "We are selling this piece of property. I want to be sure that it's alright and I want to be sure I get the money, can you help me?" Our limitations are such that we cannot draw documents, but we say this: "You go get your deed fixed up, bring it back and we will give you an absolute binder which will prevent us from delivering that deed until we get the money you got coming and from that money you're going to let us take out the charges. You have to put revenue stamps on your deed, perhaps record a release, pay taxes and other incidentals." To the buyer we say: "You, as the buyer, give us your certified check—get a cashier's check if it's easier for you and leave it with us or if you want to give us your own check and give us a day or two so that we can clear it—we'll handle it, but we won't turn that money over until he can furnish you with a policy of title insurance insuring you as the owner of the property free of tax, assessments, mortgage, etc." That personal touch is a close relationship you can appreciate because they're really coming to you for help and it does require considerable amount of patience.

Safety for Parties

Now that's only one customer, but you'll find in the course of the year there are a large number of people who are in the same fix. They come in and need some help and they're willing to pay the expense involved when you explain what you have to do and how they're going to be protected. By starting along that line, you build a confidence which is so essential. Sometimes you know in every industry there are some who

are mistrusted and some people are narrow enough to blanket the entire industry as they find one individual and many times real estate people are not always trusted by their customers. Many a case we've had where this one real estate man was an exceedingly good salesman and yet some indicated he wasn't too trustworthy, but he would say, "Here let's go over to the title company, leave your deed there and the money and you're just as safe as you can be on any transaction. We can get that closed up in quick order and you won't have to be worrying about whether you're going to get your money or if the deed's going to be turned over without being paid." In that sort of a relationship the real estate man himself is going to be sure he's going to get his commission. Some of those embarrassing moments come when you've got to get paid for your real estate commission and it's just a little bit difficult at times.

Oral Advertising

Using circulars explaining the escrow service sometimes help—getting them out to the customers when they get their policy. The advertising program, of course, is used in large cities. In our smaller communities, we don't attempt to advertise, but we make it known that we have the service and when they get to understand what escrow is—many people don't really understand what an escrow is—they just are at a loss—get them acquainted with it and get their confidence.

MR. ART ANDERSON: You get both parties in the office. From the buyer you get his instructions and take his money. From the seller you take his instructions and get the deed. Help the attorney, have the girl write the description right then and there, fill in the deed, send it over and the attorney is pleased by it and it works out quite well. One thing it shows the confidential nature of escrows. A woman came into the office and very confidentially she asked, "May I speak to you in private?" I said yes, so she and her husband came into the back room and she said, "Now, we're buying a piece of land and we want to be sure we get that land and we don't want to lose our money. How can we work to get it?" "Well, leave it with us and we'll give you a receipt and take your instructions so that you will not lose your money unless you get the land." She raised her skirt up and out of her money bag she pulled out $700. Now what would you do in a case like that?

Separaate Instructions

MR. ANDERSON: One phase of Arthur's first question, whether or not we disclose to the other party to the transaction what the other party's instructions were. I think in the State of Washington they take separate instructions from the buyer and from the seller. Our practice is different, we make a set of instructions which they both sign. A portion of those relate only to matters in which the seller is interested and others in which the buyer is interested. They are joint instructions so that the seller sees all that the buyer agrees to do and vice versa. We experience no difficulty that way. The real estate broker has at times objected to us putting on the face of those instructions the commission which he receives. Now why he should object, I don't know. The only object of putting it on the face of the instructions is that for simplicity. We put the instruction sheet in the typewriter and everything is typed on the first sheet. There's nothing to be typed elsewhere, except to simplify. This saves motion. The buyers agree to pay these charges and the seller agrees to pay these charges, both sign. From the proceeds of the cash payment, we pay brokers commission of so much. The balance of all future payments to go to the seller except as specified.

MR. WEBBER: Do you ask that the broker leave with you in escrow a copy of the earnest money or the earnest money receipt itself so that you can be guided thereafter in accordance with the terms of the earnest money agreement?

Earnest Money

MR. ANDERSON: No, generally we discourage the earnest money receipt being placed in escrow. I really don't know why. I would rather have the earnest money receipt before me so that I could see that the instructions conform and it prevents any dispute arising between the parties. Even when that is done, we would immediately at the close of the transaction turn the receipt back to the party who gave it to us.

MR. ART ANDERSON: I wonder, Edgar, if one reason may be that when you take an earnest money receipt you are in effect attempting to interpret their contract agreement. Now, of course, we're oftentimes called upon to do that, you've got to kind of watch that. If it's a standard form, you're familiar with, it seems to me an easy thing to use and be guided by, but it seems to me you've got to name them under definite escrow instructions.

MR. ANDERSON: There are times when I have suggested to a broker in order to save his time—he's one of these livewires and wants to spend his time out getting new business—"Just leave the earnest money receipt, we'll draw up the papers and shoot them back to you." Our real estate law provides that the land commissioner may make rules and regulations—there's a very nice regulation that all earnest money and other purchase money shall be placed in escrow and no commission shall be paid to the real estate broker until the transaction is finally consummated.

Broker's Commission

We had this case up the other day—we ran afoul of a real estate broker. He objected very strenuously because he wanted to get his commission immediately from the earnest money. The deal was not to be closed until July 15, but he wanted his commission right away. We told him we had no alternative but to comply with the law. He has to pay the money to us—the earnest money, otherwise we don't open up the escrow or proceed; otherwise we'd be guilty of compounding a violation of the law. We say "Now here we can't do that, we hold this money in trust to be paid to the seller upon the performance of the contract. If the purchaser is willing to authorize us to do this in writing we will do it, but we must secure his permission." We have him write a little note to us to the effect that we're authorized to pay out of the funds this commission and releasing us from any responsibility for such act.

MR. WEBBER: In connection with that, that is one thing in Yakima we're not too successful in prying their earnest money out of them and our instructions are so worded that the real estate man is retaining the earnest money. Now, however, if the earnest money exceeds the commission he has coming, he has no objection to paying that in, but we are just not too successful and we don't press it except to bring it to the attention of the purchaser that the broker has the money and not us and that we're going to pay out up to the difference. If you can get the buyer and seller in front of you, you can work it because you can put it in such a way that you can get it, but to call him up and ask for it, it's tough.

Again the Commission Feature

MR. EDMONDS: Doesn't the broker oftentimes hesitate to have the buyer know how much commission he's getting?

MR. WEBBER: We take separate escrow instructions and in many cases they don't know. We never disclose it to them unless the broker says so, but it is a little bit ticklish.

MR. ANDERSON: By way of remedying that situation of getting the earnest money would be, of course, to get a rule or regulation from your commissioner like in our law. I don't know. It has certainly saved us many headaches.

Long Escrows

We would like to touch on this subject of long escrows. I assume you mean by long escrow an agreement of sale where the deed is not to be delivered until the contract has been fulfilled. I'll give you our experience and then call for others. Our

escrow instructions provide for either a long or a short escrow. In other words, we have a clause which says if any portion of the purchase price is evidenced by an agreement to sell, the escrow agent is authorized to collect payments thereunder. As a consequence, we have developed a collection department. The fee for that is $10 a year, half of which is paid by the seller and half by the buyer. We find it very profitable if you get enough volume. In fact the figures from one company in Phoenix for collection fees alone over and above the escrow fee is ample to pay their entire accounting expense and still make a profit. They had $42,000 in collection fees alone. The larger company had over $85,000. Their accounting expenses are about $16,000, so you can see the profit they've made on these collections. These are mere collection fees.

We do not undertake to advise the purchaser and the seller that the insurance has expired, etc., or that taxes have not been paid. All they are is simply a receiving agent, to receive the money if, as, and when, it's paid. When it is paid and is delinquent and violates the "time is of the essence" clause in the contract, our receipts indicate we've received the money, subject, however, to the approval of the seller. In other words, we send the money to the seller. If he accepts the money then the time is of the essence clause is waived. It works out very satisfactorily.

Delinquencies

MR. WEBBER: In connection with that, if the contract becomes delinquent 2 or 3 months, do you notify the seller of the delinquency?

MR. ANDERSON: No; that's up to him. When he doesn't get his money he immediately rings up and says, "Here, what about this—I haven't got my money." Our law provides that when he has paid in 20% of the purchase price, the purchaser is entitled to remain in possession of the property a certain period of time—3 months if he's paid in 30% or more than 20% and not over 40%. If he's paid in 50% he's entitled to 9 months possession of the property after delinquency. In that case the seller not having received his money he says send him a 10-day notice. We have a form for this, saying we are directed by the seller to advise you that you are delinquent, etc. We're doing that merely as his agent. We don't do that, however, until he pays $5 in to us to reimburse us for our expense. The notice goes out and if it doesn't come in within the 10-day period we send another notice and the consequence is (I think it's 21 days before the money is actually delinquent) it's delinquent.

The Escrow Instructions

Under the terms of the original agreement and the terms of the escrow, the agreement of sale is made up, a quit claim deed is made up by the purchaser to the seller and left with us in escrow. A warranty deed from the seller to the purchaser is left with us in escrow. The escrow instructions provide upon delinquency and on due notice in accordance with the agreement herein set forth, we are authorized to deliver said quit claim deed to the seller and return his warranty deed, and the corollary of that, is that the warranty deed we are authorized to deliver to the purchaser, if, as and when, he has paid in full. The quit claim deed we accept not for the purpose of expunging the interest of the buyer in the property. We regard it as the evidence of the termination of that contract interest. I have raised the question, and am still raising it, as to its legality. However, it is a practice which has been in existence there for so long that I'm wondering whether I'm wrong or they are wrong. I am hesitant myself. One of these days it'll be questioned. We regard these as irrevocable escrows because of specific instructions of delivery of deed if and when performed. It will be recorded after the death of the party, but nevertheless it will relate back because that deed is dated the same date as the contract.

MR. JANECEK: With respect to this quit claim deed, if the buyer dies and it's in default. . .

Notice

MR. ANDERSON: That raises one of the questions I'm raising because there is the question of to whom should you give notice. When you give them notice it has to be given to the right party. So before we give notice we require a further search to see whether or not that purchaser has died. I think we've had two cases where we found that the buyer was dead. A notice was sent to the dead man, a notice was sent to the attorney of the dead man's estate in probate, to all of the heirs and one to the executor. Every possible notice we could and then nothing being done that deed was delivered and placed of record.

MR. SEDA: That undoubtedly released you of any responsibility as far as the escrow is concerned, but now in case of this escrow if you have to furnish a title policy, there will undoubtedly be some questions.

MR. BELL: On this business of taking a quit claim deed, I'd explain to these people the policy of the Idaho companies. We don't do it that way at all—ever. We're convinced it's illegal. We'd very much like to hear from George Nodell about the procedures he wants us to follow in closing P.I.C. loans.

MR. NODELL: I'll start out by saying that there are still quite a few cases closed on abstracts, so we ask and our escrow agents have been very kind to close both title policy cases and abstract cases for us. In other words, in the abstract cases we have the abstract examined and get an opinion from our local attorney. In some cases, in Boise, for instance, the title company sends the abstract to the attorney. Homer Ross in Boise gets the opinion of the attorney and he closes abstract cases in escrow for us the same way as title policy cases.

Closing Instructions

When Mr. Bell asked me to come here, I thought it might be helpful if I would bring along just a sample of one of our letter closing instructions. I told the young lady in our office just to take a letter of instruction at random and have copies of it mimeographed so I could bring it here to show you what it's like. She selected a loan we have just sent to Gordon Gray at Twin Falls for closing. Now please refer to the mimeographed letter of closing instructions which you all should have.

This letter, of course, is written on Prudential letterhead. Page 2 is the standard closing instructions which apply to all closings. The specific instructions are on the first page and are numbered 1, 2, 3, 4, etc. This case is what we call conventional loan —that is a loan without FHA or GI insurance so we sent Mr. Gray the note, mortgage, owner's affidavit which is on our form, closing statement, which incidentally is attached as the final page, and check for $8000, lender's loss payable clauses, we require a letter of indemnity from the builder to protect against mechanic's lien claims. Nos. 1, 2, 3, 4 of the Specific instructions on page one Mr. Gray should attend to in closing. No. 1—secure fire insurance and that is supplemented by our loss payable endorsement with the premium fully paid for the amount stated on page 1. The loss payable clause to be signed by the insurance agent and then the policy to us. No. 2—Secure warranty deed, and check the record from the date of the title report and record. Next item—secure a letter of indemnity signed by Ray Neilsen, the contractor. That's a printed form which we have prepared to indemnify us against mechanic's liens. Fourth—Furnish policy of title insurance, showing the first mortgage subject only to ordinary exceptions.

Title Policies

MR. BLACKHURST: May I interrupt right here? Why do you on some require standard and why ATA on other cases?

MR. NODELL: Construction loans are all ATA if mortgage is recorded before start of construction. If not, we ask for standard mortgagee.

MR. BLACKHURST: It hasn't been with us.

MR. NODELL: It's been out of line then because it's been over a year ago we agreed to take standard policies in the ordinary run of cases.

The only time we require ATA is before construction starts in construction loan cases.

MR. BLACKHURST: The majority of ours have been ATAs. It just seems only once in a while a standard policy is written.

MR. NODELL: That's our standard procedure.

MR. SHIRLEY: The choice comes from your correspondent anyway whether it be ATA or standard. That's in my case anyway, your correspondent asks me to furnish a standard or ATA.

MR. NODELL: Our correspondent hasn't been following instructions then as very generally we take standard policies.

M. KUNAU: What protection do you have if construction has started prior to the recording of the mortgage?

Special Cases

MR. NODELL: Those are special cases. We take them up as they come on a special case basis. When one arises, Seda sometimes says "OK, I'll give you an ATA" or if he's not feeling good he'll say "a standard." I believe it depends on the integrity of the builder. If the builder is o.k. and pays his bills, Seda gives me an ATA. If he finds out the builder is shaky from a financial standpoint, Charlie will shake his head. That means we take a standard or not close the loan. I think Seda gives me an ATA where he can safely and frequently stretches a point to do so.

A copy of the closing letter went to Twin Falls Realty & Insurance Co. They were our broker in this loan. We sent them a copy so that they know our loan has gone out of our office and has been sent to the title company for closing.

Procedures

Turn to page 2 of the closing letter. First thing is to acknowledge receipt of the loan papers. The reason we like to have an acknowledgment is to know that you have received the papers. Just send us a post card acknowledging it. Some have just made up a printed form for this on a post card. We also require our check to be cleared in 10 days. You can see we don't want money lying around in the field without being used and for that reason if the loan is not ready for closing, let us know about it. Chet just mentioned that he gets his closings from our Seattle office. He has his marked up for followup in 8 days.

If at the end of 8 days the loan isn't closed he fires a letter in to the Seattle office saying this loan won't be closed because the borrower is out of town until next Tuesday or for whatever reason. Well, he probably gets a letter back saying "hold the check until the borrower returns." We want to know that you have the papers for closing. If there is a delay in closing send the check back in ten days after receipt. If the loan is to be closed within a week, we may permit you to keep the check. Of course, on the other hand, if the time to close will be indefinite, return the check, drop us a line when you are finally ready to close and if the papers are usable we will return them to you with another check. If not, we will send you a new set of papers.

Ship All Papers Promptly

Then as soon as you do close, we want everything that's ready returned promptly and particularly the promissory note. Our home office wants these notes on file down in Los Angeles within about 20 days after the check is issued. In other words, after we pay out the money, the Home Office wants the note there in about 20 days. If they don't receive it they get uneasy. Return the recorded instruments promptly to us on their return to you from the Recorder. If the Recorder is behind in his work, that's different. In the meantime, you will have reported the closing to us.

Item 2. Ordinarily in our note and mortgage forms, the only information you will have to insert is the date in the acknowledgment. We date the note and mortgage on what we anticipate will be the closing date and we do not want these dates changed. The date of the acknowledgment will be left brank so you can insert it. I might say that we try to make these stock instructions as simple and plain as we can. We use them in all types of closing and we have used them for the past 4 years and they work very well. We use them for closing with escrows with title companies, lawyers and with real estate brokers, so there are some things here that are very obvious and at the same time we want to make them simple and explicit for easy use. The note and mortgage should be signed using the names set forth in the mortgage. Those are the names as we get them from the title reports. Occasionally there will be riders attached to them to be signed by the borrowers and recorded as part of the mortgage.

Item 3. In FHA loans we inclose a copy of the note and mortgage to be attested by the notary public. It is necessary to turn these attested copies over to the FHA. Then there are also FHA forms which are I think FHA forms 001 or 002.

List All Disbursements

Item 4 pertains to our form of closing statement which I have attached here as the last page. That form of closing statement will be partially filled out by our office. We usually insert at the office the deposits for taxes, insurance and service charges. If we make a service charge, it will be indicated on the closing statement. Your job is to list on this closing statement each disbursement that you make out of our check. If you draw 5 checks, there will be 5 disbursements shown. Item A of the closing statement is total proceeds. Item B is money which is necessary for the borrowers to deposit in case the proceeds of the loan are not sufficient to close the deal. In item 1 you should show existing liens which you pay off in closing a loan such as the first mortgage, second mortgage or judgments or perhaps consideration for deeds. In item 2 of the closing statement, show any taxes you pay. Item 3 is Hazard insurance premium paid. Item 4 is closing costs which are to be inserted in the separate box by you. Item 5 will be filled in by us. Item 6 is the FHA premium for the first year and will be filled in by us. Item 7 reserves for taxes and insurance will be filled out by us. Item 8 is the net balance which goes to borrower and will be filled in by you. Now that means the actual balance you pay him. That is the item which you should show. If he has $50.62 due, that is the figure that should be shown in item 8. Both columns should be added. The total should balance.

Each item which you pay or for which you write a check should be shown on the Closing Statement. It should be a complete picture and account of disbursing the loan and closing the real estate sale if closing the loan also involves closing a sale. The form is intended to be flexible and not rigid. You may make whatever change in the form is necessary to show the facts. The blank space is intended for this purpose. It should be filled out in detail.

Detailed Showings

Sometimes we receive Closing Statements with the total proceeds of the loan shown in item 8 on the left-half column as having been paid to the borrower which in this case would be $8000. When I receive a statement completed in that manner, I feel it does not reflect a correct picture of the loan closing. If some question is raised, say in ten years, about the details of closing that loan, we can only show our check was paid to the borrower. We just do not know exactly what happened. If the Closing Statement says a certain amount was used to pay a mortgage, and another amount was used to pay the consideration of the deed, and the other items on the statement are properly filled in, we can account for every cent of the proceeds of that loan. We can say "Here is the borrower's signed statement showing the exact disbursement of this loan."

The closing statement is designed anticipating closing in an attorney's office, but when a title company closes, then just strike out "closing attorney" and write "Idaho Title Company by Homer Ross, Escrow Officer" or whatever company it happens to

be and the borrower signs on bottom two lines.

MR. SEASHORE: On this item 3 of the closing statement, explain exactly what amounts are supposed to go in this bracket. It's never been quite clear in my own mind what they're all for.

MR. NODELL: Suppose you get a separate fire insurance policy for $2000, a windstorm policy for $1000, and say extended coverage for $500.

MR. SEASHORE: The last blank is to be filled in for some other coverage?

MR. NODELL: That's right, suppose you get a public liability policy or something like that, the premium for each policy should be inserted and the total shown in the left half column.

F.H.A.-V.A. Loans

If there are no more questions, we'll go on to No. 5 of the second page of the closing letter. Most of the loans you have been closing recently are FHA or GI. All the GI loans and I expect about 90% of the FHA contemplate the purchase of the property by the borrower for which the Prudential loan is used as part of the purchase price. That means you've got to take up a deed. No. 5 is our warning about that deed when therefore a conveyance of the security is involved. The deed must be dated prior to or same date as the mortgage and should be recorded prior to the mortgage. The deed must not contain any restrictions, covenants, conditions, easements, reservations or exceptions different from those appearing in the abstract of title or title report. Submit the deed for approval to the examining attorney or title insurance company with this letter before closing.

MR. SHIRLEY: The deed should be recorded before the mortgage. You don't object to them if they go on afterwards, do you?

Priority of Recording

MR. NODEL: Yes, we do. I like the deed recorded before the mortgage. I may be a little old-fashioned on it.

MR. SHIRLEY: I disburse a lot of funds and 9 times out of 10 we never put the deed on until after the mortgage is recorded and the mortgage funds are used for the purchase of the deed.

MR. NODELL: I don't go along with the Idaho Statute which permits you to do it, but I don't like it. We have two Idaho cases on account of which the statute was exactly holding that those mortgages recorded before the deed don't give constructive notice.

MR. WEBBER: The deed must be dated before the mortgage.

MR. NODELL: I may be a little peculiar on this but I know I'm safe when I insist that the deed be recorded first.

MR. SPARKS: Wouldn't the mortgage be constructive notice if it goes on before the deed? If it's within the chain of title?

MR. NODELL: Your Idaho Statute indicates it is. If we ever get a supreme court decision sustaining the statute, I might be willing to rely on that statute. The Idaho Statute says the mortgage does not give constructive notice until the deed is recorded. I think the mortgage is dead on the record until the deed is recorded. It seems to me that we are just kidding ourselves for that reason in recording a mortgage before the deed.

Get Everything Clear

MR. ROSS: Ordinarily, I don't run into any complications excepting where the deed is in escrow with the bank, placed in trust until the money is deposited, picking up the deed from a contract or something like that. I have worked out an agreement with the collection department and escrow department in the banks that the check will be deposited, but will not be cleared for 24 hours or until I give them clearance that everything is OK and they have worked 100% with me on that. Then when we're sure that the mortgage will be a first lien, we release the money to the bank and put the deed and the mortgage of record.

MR. SHIRLEY: What would happen where an agent would spend 30 days working on the mortgage papers and getting the mortgage drawn up, the borrower is getting the money for the purpose of satisfying a very impatient creditor on some other property and he's got to wait until the money is here and you've got your mortgage and he jumps the gun on you and puts an attachment on you. Do you have to go through the whole procedure?

MR. NODELL: I guess I don't understand your question.

MR. SHIRLEY: If the money was borrowed in connection with a sale and they had an impatient creditor who wanted to get in on the sale and you had your mortgage made up for a month or two weeks and you were waiting for the deed and you were using the mortgage fund. In that time lots of things could have happened to the title so your mortgage couldn't be recorded then, so you have to start a new transaction.

MR. NODELL: Do you mean that you'd use part of the proceeds of the loan and not record the mortgage and in the meantime an attachment went on?

MR. SHIRLEY: No, I don't mean we have used any of the money yet. But somebody was waiting for it and got anxious and jumped the gun and attached it or filed a lien or something.

MR. NODELL: As I understand it you still have the money in your hands.

MR. SHIRLEY: You'd have to start the loan procedure all over again, wouldn't you?

MR. NODELL: You mean in your examination of the record you find an attachment or something?

MR. SHIRLEY: Yes, after the mortgage is drawn, but before the transaction is closed.

MR. NODELL: I would first say to the borrower, "we can't close this until you get this attachment out of the way."

MR. SHIRLEY: If the mortgage is on first . . .

Not Notice

MR. BELL: A mortgage recorded out of the chain of title or before the recording of the deed to the mortgagor is not notice and never became notice until our statute was amended at the request of the FLB. Now it is by statute notice as of the date of the recording of the deed. This is fully explained in Chapter 1 pages 6 to 21. See particularly Para. 8 on pg. 8 and Para. (g) on pg. 15.

MR. JOHNS: Your point is very well taken. As I recall it the common law does not require a search of the record on a stranger in the title. We have trouble getting the deeds until after the mortgage is recorded. We don't care when its acknowledged. We require that the deed be dated the same date the mortgage is recorded or prior to the date of recording the mortgage, then we have to assume the liability. We guarantee that you have a first mortgage, but for our own protection a search is made by somebody who is not privy to the deal. We of course search the record before we pay for the deed or at the time of recording the deed or we pay for it the next day, but in that way I have understood we protect ourselves against the question you raise on common law. That has been a question that has disturbed us for some time. While I'm on my feet, I wish to say your form of closing instructions has worked very well where we operate.

MR. NODELL: This No. contemplates that the deed would be deposited in escrow with the title company. We presume we're dealing with reasonable people, but you may find people who would not do that.

MR. SHIRLEY: There are still a lot of the loan companies who slap their mortgages on first and then begin to check title afterwards.

MR. ART ANDERSON: It's pretty much the practice on the coast to record the mortgage first, making our check of the record and then we're in

a position to pay out and put the deed right on record afterwards.

MR. BELL: The only cases in Idaho are against this. Now there just isn't any question on it prior to 1941; a mortgage recorded out of the chain of title never did become notice. I don't care when the deeds go on record. If it's recorded after the mortgage, the mortgage never could become notice. Subsequent to 1941, however, the statute makes the mortgage become notice with the filing of the deed bringing it into the chain of title.

MR. NODELL: I may be old-fashioned, but I know I'm safe. We'll pass on to No. 6 of page 2—Examine the records, search borrower's names for judgments.

MR. ELLSWORTH: We should settle this point. If we can't get the deed what do we do?

MR. NODELL: I would say in a case where you can't get the deed, take the seller to the courthouse and close your loan at the courthouse by checking the records right there.

FLOOR: Why not have John Bell finance a case to the Supreme Court on that?

FLOOR: Are you not satisfied, once you get a policy insuring your mortgage as a first prior lien?

Finality of Title Policy

MR. NODELL: We don't go behind the title insurance policies. We feel we can rely on them, but I expect the instructions followed. Now, if you don't follow the instructions, that's the same thing as if you'd close a loan with a judgment outstanding, or something like that. As I say, we don't go behind the title or check on it to see, because we have no means unless we examined the title ourselves, which we don't have the means to do.

We're ready for No. 6 of page 2. That's elementary for anyone who's experienced in closing loans to examine the records, search borrower's names for judgments and to be positive that nothing has been filed or entered of record subsequent to the date to which the title evidence is last certified, which changes the condition of the title or constitutes a lien on the property.

Prior Encumbrances

No. 7 of page 2—if the records are clear except as to encumbrances to be paid out of the proceeds of the loan and before any of the loan proceeds are disbursed, record the deed, if any, and then the mortgage. That reverts back to No. 5. All encumbrances and liens prior to our new mortgage should then be paid out of the proceeds of the loan and properly released of record so that our new mortgage will be a first and only lien on the security.

Taxes

No. 8 of page 2—taxes and special assessments must be paid in full, including all installments of special assessments due in the future.

Insurance

No. 9 is hazard insurance policy with premium fully paid which we touched on before.

Mechanics Liens

No. 10 is precaution against mechanic's liens and unless it's a case where we require an ATA policy, very generally, of course, you are not insuring or guaranteeing against mechanic's liens. All we require in No. 10 is that you investigate to the best of your ability and find out if bills are paid.

FLOOR: Does that mean inspection?

Inspection

MR. NODELL: No, you can generally, you people who handle escrows and closing, get the feel of those deals and find out who built that house and then you probably know the reputation of the man and whether or not those bills are paid. Our inspector makes some investigation and from his investigation he will make a recommendation as to the type of mechanic's liens protection to require. If he says to get a letter of indemnity from the builder, we require that. That's what we did in this case we sent Gordon Gray. Get a letter of indemnity from Ray Neilsen. He was evidently the man who built the house. That's all we require in that case as protection against mechanic lien claims.

Item 11 of page 2—in title policy cases, obtain the title insurance in favor of Prudential in an amount of the loan insuring our mortgage as a first lien in accordance with preliminary report and, of course, with instructions on pages 1 and 2 of the closing letter. Page 1 will frequently say that certain items on the preliminary are to be eliminated.

No. 12 is to the same effect for abstract cases.

No. 13 we commented on before—to pay closing expenses out of the proceeds of the loan Page 3 pertains to the closing of GI loans. Fortunately for the time being at least, there aren't very many of them.

Appraisals

No. 14 states that the sale price of the property shall not exceed GI appraisal. The VA set an appraised value on the house and they will not guarantee a loan if the sale price exceeds their appraisal. For that reason in closing a GI loan you want to be certain that the sale price of the property, etc., does not exceed the amount of the appraisal.

Sections 15 and 16 pertain to filling in the VA 1876 form for reporting the closing of the loan to the VA. The appraisal figure will be given on page 1 of the closing instructions.

MR. WEBBER: In connection with that we had one in Yakima where the appraisal was sent out before the loan was closed, a new LID came on and we closed it without paying the LID figuring it was a new purchaser. We closed it by getting that amount from the veteran. We paid it but it showed that on the statement and we would not permit the veteran to pay it. The fact that his loan wasn't closed before that assessment came on we had to go after the owner and get the money from him and refund it to the vet, so if there's any LID's, local improvement assessments on during that interim why the seller also has to pay that.

MR. NODELL: Chet's right on that. The VA is very particular.

MR. WEBBER: Even though the Vet is willing to pay it, they won't let him pay it.

MR. ANDERSON: Any further questions, Mr. Nodell.

Erroneous Recordings

MR. JANECEK: One way to avoid the error of the county recorder of getting the instruments mixed up and filing the mortgage first is to see that your reception numbers are on the proper instruments in the proper order. If you stand there, he must put the reception numbers on the instruments as you hand them to him. If you watch him so that he puts No. 1 on the deed and No. 2 on the mortgage, you won't have any trouble.

MR. NODELL: Idaho has a system of reception numbers, don't they?

FLOOR: Yes, they do.

MR ANDERSON: We have one last question on the panel . . .

MR. BLACKHURST: Now, when do you require ATA policies?

MR. NODELL: In cases of construction loans, we require them.

Drafting Instruments

MR. KUNAU: I have a question on preparing deeds. From conversation I gather only attorneys are supposed to do that. All real estate men in Cassia County draw deeds. I was just wondering, are they sticking their necks out? Is there a law that only attorneys can?

MR. ANDERSON: That just depends how aggressive your bar association is. They have a standing committee on unauthorized practice of law. Now what that is I don't know, but until you can define what the practice of law is, I can't define what the unlawful practice of law is and that's really the question. It's a matter really of amity between your bar association and your title association In California, they've solved it very nicely by treaty between the Bar and Title Association and we have done the same thing in Arizona. Now we feel that this is

such a long established practice of over 20 years that we feel we're pretty safe, although we have put in that declaration the statement that we do not attempt to define the pracice of law and also this may be revoked or amended at any time upon 60 days notice. We're willing to stand on that.

FLOOR: About advertising You said you have some circulars on escrows. Is it on your letterhead?

MR. ANDERSON: Yes, title insurance we have in the middle and we have trust and escrow.

FLOOR: You recommend that highly, don't you, Art?

MR .ART ANDERSON: Yes.

Mining Claims

FLOOR: Do you insure mining claims?

MR. ANDERSON: No, we have an exception in our policy. We don't attempt to insure them. That's a nice job for an attorney to do. There is one question Arthur would like to ask you which is a very pertinent question.

The Cancelled Note

MR. ART ANDERSON: In the ordinary process of closing escrows, you have in your office—take the case where there is a mortgage on the property to be paid off, how many of you secure the cancelled note and mortgage that's paid off when you close? You get your release but do you also ask for the note and the mortgage. The reason I ask that question—there is a rather unusual experience in Seattle that indicates the wisdom of doing so. Perhaps not so much in case of your banks, savings and loan associations, but we have the famous Malhorn case in Seattle.

Mr. Malhorn had been in the business of making mortgages for years and years. He had made assignments of mortgages and he'd sold these mortgages to widows. Then came along the depression and hard times and he would not give over an assignment. His name would show, the company's name would show, as the holder of the mortgage, but the note was in the hands of the widow or individual who bought the mortgage.

Malhorn Case

There came a case where Mrs. May and Mr. Malhorn had half interest in property they put in escrow and this shows the advantage of having title insurance together with the escrow. It worked out whereby the conveyance of the half interest would be divided into several properties. On one of them it showed that Mr. Malhorn had a half interest and that he had previously given a deed to a Mr. Hibbs who had made a mortgage for $40,000 and then had deeded back to Malhorn so that the record showed the title in Malhorn as to half interest and that's all he covered in his mortgage, subject to this $40,000 mortgage. The title company showed in their report this mortgage and asked for the release and he said he'd get it and he satisfied it on the record by marginal satisfaction by the corporation.

The question was raised as to his authority and he supplied an affidavit showing that he was the only owner of the company and only officer who could sign the release anyway. But they asked for those cancelled notes. He said they'd been destroyed, but it so happened that there were quite a number of them and he later brought in $15,000 worth of these notes and the cancelled mortgage and they turned those over, but there would be the $25,000 outstanding and those who held these notes outstanding then brought action to recover, keeping in mind now that on the record Malhorn was the holder of that mortgage.

We carried the case to the Supreme Court causing quite an expense. We had a number of them there and in this instance we were successful in sustaining our position. We had done everything that an escrow agent could be expected to do. We had gotten the existing notes and the cancelled mortgage and that left it up to those holders of the notes, because they had entrusted him and had not received an assignment of the mortgage to give notice of their rights on the record, but it shows the need of getting the cancelled note and mortgage, particularly where there may be some opportunity for someone dealing in mortgages retaining on the record the ownership of the mortgage, by transferring the note and he would keep on paying his notes as they came due. He had quite a party there for a while and then he skipped the country. I believe they found him in Los Angeles as a cook. He went to jail but he got out.

MR BELL (Boise, Idaho): I don't think the Idaho court would follow Washington's. You cannot safely pay off a mortgage without the surrender of the promissory note. It doesn't matter whether they record the assignment or not. The security follows the note. You shouldn't deal with a mortgage at all unless you get the note and if you can't get the note, don't pay it off. It constitutes the obligation and the mortgage is only security.

MR ART ANDERSON: That's one point I thought would be worth while to throw out here because I think it's very good practice to get that note.

MR. EDMONDS: Can't you rely on the release of the mortgage?

MR. BELL: You do it every day in examining titles and you don't know whether or not the owner of the note signed the release. That's one of the risks of title insurance. But where you're closing an escrow let's avoid the risk by always securing the notes.

MR. ART ANDERSON: It's just in escrows that this point seems to me to be really vital.

MR. ANDERSON: That terminates the panel discussion unless you have any questions.

MR. BELL: There's one more thing that I might point out before you stop. George mentioned a moment ago that 10 years from now somebody might ask about some payment in an escrow and he'd like to see that closing statement of disbursements showing in detail not just that the fellow got $8000. Remember that same thing applies to you too. If you don't keep careful track of what happens to the money and in such a manner that anyone looking at your record 10 years from now can tell exactly what you did, sooner or later you're going to get caught. Now the escrow business is good business. It develops other business, it's an ideal adjunct to title insurance, but don't think you can do it on your cuff. You're going to have to keep complete records on them the same as you're keeping records of title policies. You just have to get used to keeping track.

Microfilm to Save Space

MR. ANDERSON: just one comment, John. When the records get too big, microfilm them and throw away your escrow file. If there is nothing else I'll turn the meeting back to Mr. Tatum.

PRESIDENT TATUM: Thank you, Mr. Anderson, and the members of your panel.

ROLL OF HONOR

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36.	1942-43	E. B. Southworth	Crown Point, Ind.
37.	1943-44	Thos. G. Morton	San Francisco, Calif.
38.	1944-45	H. Laurie Smith	Richmond, Va.
39.	1945-46	A. W. Suelzer	Fort Wayne, Ind.
40.	1946-47	J. J. O'Dowd	Tucson, Ariz.
41.	1947-48	Kenneth E. Rice	Chicago. Ill.
42.	1948-49	Frank I. Kennedy	Detroit, Mich.
43.	1949-50	Earl C. Glasson	Waterloo, Iowa
44.	1950-51	Mortimer Smith	Oakland, Calif.