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"OUTLOOK FOR REAL ESTATE IN 1954"

E. L. CALLAHAN

*Regional Vice-President, National Association of Real Estate Boards;
President, Huntington Land Companies, San Marino, California*

I am greatly impressed with the responsibility which I have assumed in appearing before this distinguished group of uncompromising experts on behalf of that notorious group of compromisers, the National Association of Real Estate Boards. Long experience has taught me to regard you of the title profession with wholesome respect. On so many occasions you are the final arbiters of our fate. Knowing the exactness with which you probe whatever may be alleged to as a fact, I must admit a certain diffidence in presenting the statistical data with which we support our point of view. However, I trust that all of your time here has not been spent in studying your serious problems and that you may be somewhat mellowed by either external or internal influences.

Prop to Lean On

But seriously it is a special honor to appear before a group to whom the members of our Association are so much indebted. It would be impossible to determine the extent to which public confidence in our title insurance system has stimulated and accelerated transfers of real property. In Los Angeles, and in fact in California, we have so long enjoyed the benefits of title insurance that it is with astonishment and pity that we hear the stories of fellow realtors in some other areas who have no such substantial prop on which to lean.

Local Enthusiasm

I have been asked to give you today a brief resume of the opinions of our National Association on the prospects for the coming year. Somehow it seemed to be taken for granted by our good friends who extended this invitation that our views would be, to say the least, cheerful. Presumably you would expect nothing else from

a group that has been widely noted can only be sustained by war produc-

and sometimes even chided for its optimism. Should anything safe today seem too optimistic to you who are accustomed to regard all things with critical exactness, I trust you will make charitable allowances since what I give you will be the gleanings of a national group of enthusiasts, further colored or perhaps distorted a little by our own well advertised local enthusiasm.

Future Prosperity

From the broadest viewpoint it is difficult to see how we can be other than optimistic as to the future progress and prosperity of this nation. Our outstanding progress is based upon the genius and initiative of our people and barring calamities beyond human control, only the persistent application of bureaucratic controls over a long period can act to restrain the determination of those people to continue to build a Better America. The fortunate fact that the Administration now in power seeks to relax the grip of central authorities on many of our State, Local and individual activities should certainly be looked upon as an encouraging portent of further progress.

Inspiring Possibilities

When we look toward our future and assume that our people are enabled to carry on their many creative and productive activities with a minimum of hampering regulations, and, we hope, with a lessening of those tax burdens which deprive them of so much of the fruits of their efforts—then I say that the possibilities for achievement are truly awe-inspiring.

Genius Overlooked

We who confidently choose the optimistic view of our future prospects are not impressed with the fears of those who say that our prosperity

tion, and that any substantial lessening thereof will lead to a severe economic setback. This view we believe completely overlooks the stamina and constructive genius of our people. The National City Bank of New York in its August letter on economic conditions has most aptly refuted the theory that war production is needed to maintain our national economic health. They say, and I quote: "Fundamentally, a bearish interpretation based on the truce would assume that maintenance of business activity in this country is dependent upon continuation of non-productive expenditures. This assumption will not stand analysis, in light of reason or of experience after other wars. Business depends, in the end, upon the enterprise and ambitions of peoples; upon their willingness to work in order to raise their standard of living; upon research and technological progress; upon saving and investment; upon good management of public and private affairs; upon cooperation and understanding to maintain fair and equitable terms for the exchange of goods and services; and, finally, upon peace, order, and stability." To buttress our just hopes for continuing advancement we have only to examine some of the current statistics of our recent accomplishments.

Higher Levels

Industrial production in 1953 according to the Federal Reserve Board index is well ahead of 1952, and the best authorities agree that it will continue at a higher rate for the balance of this year. The gross national production for 1953 is expected to reach a total of 358 billion, or approximately 12 billion in excess of 1952.

Retail trade, personal income, manufacturers' sales, and consumer credit are all at higher levels than they were a year ago, and are expected to continue so throughout the year. The Commerce Department has just announced a new high in employment of 63,408,000 for August—an increase of almost 300,000 over July. Less than 2% of all civilian workers were unemployed in August. Electric power output is at an all-time high. Savings by individuals are expected to hit a

new high of \$200 billion by the end of 1953. The Secretary of the Treasury recently reported that tax collections had reached an all-time high substantially exceeding estimates.

Greater Earnings

National Securities and Research Corporation, with an excellent record in business analysis, predicts, on the basis of existing trends, that 1953 will close with corporate net earnings, corporate dividends, net working capital of corporations, and the total of new security offerings all at volumes greater than were reached last year.

In the meanwhile wholesale prices are leveling, and the cost-of-living index maintained by the Bureau of Labor Statistics is averaging slightly below last year's level. This is desirable, indicating that our economy in the midst of unparalleled prosperity is settling down to a firmer foundation.

Strong Demand

A recently concluded semi-annual survey of the real estate market made by our National Association of Real Estate Boards shows a general trend of strong demand, a high level of activity, and a stable price situation. Real estate boards in 264 communities included in the survey generally expect the present sustained high level of home production to continue with a stable price situation.

Most communities represented in the survey report a vacancy rate of only one per cent or less in commercial property which is reflected by an active market for this class of property with prices steady or trending up.

An Example

The market for industrial real estate follows the same strong pattern. There is an undersupply of one-story industrial buildings in a majority of the communities, and about one-fourth of the reports predict higher prices for this class of real estate.

The attraction of the part-time farm continues to be a strong one for the city worker and is an interesting element in the farm real estate market. A growing popularity of real estate

as an investment, particularly investment in commercial property, vacant lots, and acreages suitable for development, is evident in the survey reports.

History Making

Real Estate Activity has been one of the most important factors in our advancement and prosperity. Construction expenditures reached an all-time high in the first half of the current year. New homes have been produced at a rate unequalled in our history. In the last 5 years more than 5 million new dwelling units have been constructed. This rate of more than one million units per year is more than twice the annual rate during the period between World War I and World War II. Home ownership has increased to the point that we have over 23 million home owners in the nation. 55% of our families now own their own homes. As our population increases we expect not merely to maintain this percentage but to greatly increase it. Our neighbor, Canada, for instance, has more than 65% of its families housed in their own homes. There is no reason why we cannot at least equal that achievement and probably exceed it.

Growing Population

Our population is now increasing at the rate of 3 million per year. Since 1940 our increase is about double the total population of Canada. This growing population is the most basic of all stimulants to a healthy and solid expansion in the national economy in the years just ahead. Coupled with the robust, productive strength that our economic system has developed, it promises steady advance in national output as we move toward the sixties, and real estate, as always, will be a forerunner of this advance. Real estate feels the impact with the demand of a family for a larger house as a new arrival requires more room. School-age children make a mighty demand for real estate just now in the form of school sites and school construction. In a very few years they will be prospects of real estate brokers, and thereafter of furniture, appliances, power, light, and fuel, industries—and of tax collectors.

Greater Needs

The development, improvement and rehabilitation of real property promises to be one of the staunchest supports of an expanding economy in the years just ahead. New dwellings must be provided for our rapidly increasing population; for those now housed but who require larger and more modern accommodations, and new dwellings must be built to replace those which have been destroyed by fire or other accident, which have deteriorated beyond reasonable repair or which through the intrusion of commercial and industrial activities have become unsuitable for habitation. Filling these residential demands creates a need for a great variety of additional construction to supply the facilities required by the new home owners. Frequently new housing involves the building up of an entire new community with vast sums expended for street improvements, extension of utilities, business buildings, factories, schools, churches, clubs, and other structures.

"Better America"

However, our National Association is not concerned only with the construction of new buildings. We have initiated and are vigorously promoting on a national scale a carefully prepared plan for the rehabilitation of blighted areas. This plan has been and is being actively promoted this year throughout the nation in a movement spearheaded by two Southern Californians: Charley Shattuck, this year's president of the National Association of Real Estate Boards, and Fritz Burns, Chairman of the special committee which carries the banner "Build America Better." Both have traveled extensively; in fact have been devoting practically all of their time to the work of the Association, and Fritz Burns' efforts have been devoted almost exclusively to the Build America Better program.

The major targets of this program: Improvement of the nation's housing standards, elimination of urban blight and slums, and development of more adequate real estate financing facilities—will bring solid expansion in the nation's real estate economy.

Headway

Our "Build America Better" drive, which is the Realtor's declaration of war on slums, is already making impressive headway. The initial phase of this program is all-out enforcement of city ordinances that require owners of neglected property to bring their structures up to adequate, reasonable modern standards. It's beginning to sweep the country, as more and more cities dust off their important ordinances on housing standards and enforce them.

New Method

What we need is a method of attack on unfit housing and neighborhood conditions that is swift, direct, equitable, and capable of being used wholesale. Past experiments have met none of these conditions and have been geared to costs so high that all the money in the Treasury could not finance truly large-scale elimination of the conditions that must go.

Practical Plan

Our "Build America Better" plan will rid the cities of slums and unfit housing through a process of neighborhood conservation. This means marking off neighborhoods that need attention within specific boundaries, and, on the basis of a coordinated plan, doing three practical things:

1. Enforcing the city's codes on health, sanitary, safety, and building requirements so as to bring about repair and improvement, or demolition in the case of properties that cannot be rehabilitated. In most cases this means enforcement of existing, but neglected codes. However, in some cities amplification of existing codes may be required.

2. Bringing the vitality of new construction into these older areas on long-vacant sites, or sites cleared in the neighborhood conservation program, through a federal income tax incentive. What we propose is an amendment to the federal income tax laws that will permit an investor to depreciate the total cost of any new capital improvement to an existing structure, or of a new structure, in a neighborhood conservation area, at a

rate not to exceed 20 per cent in any one year, at the option of the taxpayer in calculating his income tax.

3. Improving city schools, parks, sewers, and streets in the conservation areas while private owners are being required to do their part through local code enforcement.

Revitalized Arm

Past experience has taught us one outstanding lesson: that if we want to get this job done, we must equip our cities with the power to carry out their part in this plan. Our "Build America Better" plan proposes just that—a revitalized arm of the city government with power to do that part of the job which can only be done by the exercise of public authority, and we propose to follow up with a vigorous campaign which will resist any tendency towards apathetic enforcement and will alert the property owners to the benefits of wholehearted cooperation.

Major Stimulation

There are no limits on results that can be attained through this approach. It can do the whole job so that the older city areas, as well as the new developments, can enjoy the benefits of adequate and attractive housing with agreeable surroundings.

This can also provide a major stimulant to our entire economy. It has been estimated that in money, materials, and manpower involved, it can add up to as big a factor in the national economy as total annual new home production.

Higher Standards

Another basic need in raising the nation's housing standards generally is greater availability of mortgage money. This need is dramatized today by the high demand for home ownership through FHA insured and VA guaranteed mortgages with an extremely tight supply of funds for such mortgage financing. The Federal Reserve Board has called attention to the fact that the slow down in activity under the guaranteed and insured mortgage programs in no sense represents a decline in demand for mortgages of that type. We have, in fact,



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a constantly increasing demand for mortgage financing that grows with our increasing population and family formation.

Mortgage Market

To meet this growing demand adequately and provide a permanent secondary mortgage market to insure greater availability of mortgage financing funds, we need the system of regional mortgage associations that the National Association of Real Estate Boards is now urging. This proposal is embodied in H. R. 6614, introduced in the House of Representatives by Rep. Douglas R. Stringfellow (R., Utah).

Under this plan a system of 18 regional mortgage associations would be chartered and supervised by a Central National Mortgage Association. Initial capital of the regional associations will be subscribed by member mortgagees. A member of a regional mortgage association will be able to sell the association mortgages totaling 33 times the member's investment in the association.

Sound Investment

The Central National Mortgage Association will insure the portfolios of the regional associations, and will issue debentures for sale to the public secured by these mortgage portfolios. The public will thus be offered a sound investment, and savings of average investors will be channeled into financing needed new development. Operation of this system of mortgage associations will not be confined to home mortgages. The regional associations will buy mortgages on all types of real estate.

Private Capital

This entire system of mortgage associations will ultimately be privately owned through purchases of stock by member mortgagees. Initial

capital to put the system into operation will necessarily have to be provided for by Congress. In this respect the plan follows the pattern of establishing the home loan bank system. Government capital put the system into operation, but now all government-held stock in the home loan banks has been retired.

Urgent Status

This type of secondary mortgage facility has been the aim of industry leaders for years. The current shortage of financing, especially in small communities and areas remote from financing centers, in the face of high demand has brought the matter to an urgent status.

We have more than twice as many urban home owners in the United States as we had in 1940, yet demand remains high and will continue to remain high because of the basic stimulus to our entire expanding economy—the current increase of our population which we have noted at the rate of about three million a year.

A Better Future

So the Real Estate Industry in the same spirit that the other industries of our great nation are planning and working for a better future, has set its sights high. We believe that our contribution will be a major one in stimulating the increase of home ownership through the development of new housing, business and industrial areas, and through our active campaign for revitalizing and restoration of blighted areas. We look forward with undiminished confidence to the coming year and well beyond, assured that we have the means, the ability, and the determination to continue along the path of progressive achievement which has distinguished our nation throughout its history.

In Memoriam

JOSEPH T. MEREDITH

I am sorry that I do not have the oratorical ability of Al Sulelzer, or his tremendous deep knowledge of the inter-thinking of our friend, Joe Meredith, or I could do much better in saying a few words in memory of our former President.

But today, we pause to pay tribute to one who loved this association most dearly, and who served it most ably.

One year ago today, Joe Meredith presided at this convention, and for many years, his calm judgment, his ability and his sense of true value, had been imprinted into the very fabric of our organization.

But, Joe was not just a title man. He lent his energies and his talents to a host of other activities in his community. He was a lawyer of distinction. He had served his country in the First World War. He had served his community as the first President of the Ball State College Foundation, and was active in raising funds to make possible the Students Center of the College in Muncie. He had served as President of the Muncie Civic Theatre. He had been Secretary and President of the Muncie Chamber of Commerce, and had organized the Dynamo Club, which had later become the Junior Chamber of Commerce. He was a member of the Board of Directors of the Merchants Trust Company of Muncie.

In our association, he served as Secretary and President of the Indiana State Association, as Chairman of the Abstracters Section, Vice-President and President of the American Title Association. At the time of his death, he was a member of the Board of Governors.

The offices which he held with distinction do not adequately tell the whole story. Truly it could be said of



him that to whom much is given, much can be expected, for Joe was endowed with a tremendous genius for organization. He was noted as an orator, whose wit and genial observations gave point to the deep understanding of moral fitness, which he embodied in his daily life. He had a clear and unwaivering sense of moral values and his business life was governed by a code of conduct that truly embodied the golden rule.

His close friends, both in and out of the association, were his greatest admirers, for to know him was to love him. And so as we pause today to say our farewell to a great man, one cannot doubt that when we reach the Valhalla to which he has journeyed, we will find that our Joe will be there to extend his helping hand to the newer arrivals.

—GEORGE E. HARBERT

REPORT OF NATIONAL PRESIDENT

(1952-1953 Administration)

EDWARD T. DWYER

President, Title and Trust Company, Portland, Oregon

Ladies and Gentlemen of the American Title Association and guests:

In no sense can this effort of mine be classified as a speech. Let us identify it here and now as a statement. I notice a change in your countenances already.

May I say at the outset that the only reason I appear before you at this time is that custom dictates that this must be—A President's Report I believe your program calls it.

A Great Honor

I say without the least feeling of embarrassment that on September 12 last year in Washington, D.C., when you good people elected me to the office of President of your Association, you made me one of the happiest men in the country.

Even the trip to Europe upon which my wife and I were to embark on the day following dwarfed into a thing of relative unimportance when compared with the great honor you had bestowed upon me.

Task Ahead

Naturally, I had high hopes upon that occasion to accomplish much for our industry. Looking back it seems rather strange how easy that task looked to me then.

Frankly I'll confess I have a feeling of guilt in having been able to do but an infinitesimal part of the great task that lies before our organization. Some solace comes to me, however, from other men who have held this office who tell me that they, too, realized the feebleness of their efforts when it came time to turn the reins over to their successor in office.

Growing Problems

It may be that this feeling of impotence arises, in part at least, from the fact that ours is an ever growing organization requiring new needs,

practices and new thinking on a day to day basis.

The fact is that because of the diverse interests of our members, the difference in our state laws, varying local procedures dictated by local customs, our problems are not easy of solution on a national level.

Retrospect

I could not help but wonder as I made a few notes, just what progress we have made since we set up as a national Association and thinking it might be well to look at the record I wrote headquarters for copies of the proceedings of our first meetings. Believe it or not we have them and a bound volume covering the first three meetings was sent me.

In glancing through these ancient pages I found that our first meeting in August 1900 was attended by 59 delegates. Our registration for this meeting I am told is over 700.

The first three conventions were one day affairs all taken up with discussions of what we today might consider the fundamentals of our industry.

Come A Long Way

I seemed to sense, in reading these reports, that some of those in attendance were afraid to say too much lest their competitor get wind of something they were doing that was considered advantageous to them. Some were there it seemed to me to learn but not to teach. I was forced to conclude that in this respect we have surely come a long way.

But such as these early meetings were, it was a beginning and without such a start I hate to contemplate what the present plight of our members might be.

Mutual Help

I want to suppose that our founders were unselfish men who, even at that

date, had come to realize that no one title company had a monopoly on brains and that each one in the business had something to offer that could be of tremendous help to others in the industry.

Let us be grateful that our founders had this idea. A simple one to be sure, viewed in the light of present day thinking, but from that simple idea has sprung the giant organization with which you and I are so proud to be affiliated.

Convention Prove Worth

Not that the proposition needs proof but in support of it I need but point out that all right thinking men and women in our industry must believe in the merits of our organization, otherwise our membership in increasing numbers would not have seen fit to come together to exchange their ideas at least once each year for the past 46 years. Indeed many of us have found it advantageous to leave our busy desks twice each year for the identical reason.

To convince yourself that we have made progress dig up some of the old publications and compare them with our present efforts. Let us hope that the next two decades will show even greater progress than was accomplished by us in the past 46 years.

Looking Ahead

And now to change the tune slightly.

It is, I believe, the prerogative of a retiring President to tell the membership of his hopes and aspirations for the future of the Association and with full knowledge that I may stand alone on the matters I propose, I willingly take the chance on being over-ridden and disagreed with by making these suggestions. First, I would like to see our group go back to our original conception of a mid-winter meeting. I suggest we bring it back to a business meeting. It, too, is rapidly becoming a miniature national and in my opinion we do not need two conventions a year.

Secondly, I believe a better month than September could be chosen for our national conventions. The question of weather is important and September in most cities in which we are

forced to meet is invariably too hot for comfort.

Third: For years I have advocated a training course for employees of title companies similar in scope to the courses conducted by the American Institute of Banking. I hope to live long enough to see that dream become a reality.

I do not say the time is ripe to act: But some thought might well be devoted to the advisability of such a program.

Fourth: This year I fully intended to set up a committee to draft a uniform Owner's title insurance policy. My efforts brought forth nothing tangible, but another day is coming and I would urge my successor in office to give this matter particular consideration.

Sincere Thanks

From the bottom of my heart I want to thank all those good members who have served on my committees so graciously and so efficiently.

Some of you I realize, took your assignments to help me out of a difficult situation because of my absence from the country for the first several months of my administration. Never has a president of any organization received better co-operation. I hope I may, in a small measure at least, be able to do something for you some time.

A Grand Year

It has truly been a grand year. I know a little more of our problems than I did a year ago and have a much higher regard for our organization and the people who comprise it.

To my successor in office I offer heartiest congratulations and bespeak for him the same type of co-operation you gave me.

And last but not least, I want to thank Jim Sheridan and his staff for their courteous and efficient assistance.

A Fine Convention

Your hosts, I know you will agree, have outdone themselves to make this a convention long to be remembered. Enjoy yourselves to the fullest. They

will feel hurt if you miss any of the many diversions they have planned for you.

To all who helped make this convention the success that it is, I give my sincere thanks.

REMARKS OF PRESIDENT-ELECT, GEORGE E. HARBERT (1953-1954 Administration)

GEORGE E. HARBERT, *Vice President, American Title Association;
President DeKalb County Abstract Company, Sycamore, Illinois*

I am deeply appreciative of the honor that you have accorded to me today, and with your assistance I will try to fulfill the responsibilities of this office in such a manner as will bring credit to our Association.

Our Association is an aggressive, virile organization and it is no wonder that each succeeding president notes that our business is changing. Change means progress but it also can mean a drift away from those standards which have been established by our predecessors to guide our profession.

In the past few years we have enjoyed a period of prosperity unequalled in our history and far beyond the expectation of our most optimistic forecasters. Today we may be entering into a period where those profits will be curtailed. The temptation to risk security for a short time advantage will present itself to all of us. But let us never betray the faith and confidence of our customers; that confidence which we and our predecessors have striven so hard to establish.

During this convention you have heard reports from many committees. I hope they will continue their work on your behalf.

During this convention a revision of our Code of Ethics has been accomplished but I sincerely believe that in our business we are already

observing the practices spelled out in that Code.

The expanding use of title insurance cannot fail to cause some changes in our respective businesses, but I have only to point to California and the Pacific Coast where title insurance is supreme to assure our associates in the abstract field that this change will prove beneficial to us as well as to the issuing companies.

For this next year, I recommend to you a continuing careful examination of costs. It may be that business will decline a few percentage points but you can rest assured that only by herculean efforts can we reduce costs proportionately. Modern methods have been and are being installed in many of our plants but even these aids should not obviate a careful analysis of our charges to be sure that they adequately compensate us for the services that we render.

Last but not least, let us redouble our efforts to produce sound public relations with our customers, our employees and our competitors. Each one of them is important to us and the rewards from good public relations are fruitful. Above all else, there is no substitute for good service to our customers.

In conclusion may I take this opportunity to thank our gracious hosts and to wish all of you God speed on your journey home and until we meet again.

REPORT OF COMMITTEE ON CONSTITUTION AND BY-LAWS

JOHN J. O'DOWD, *Chairman*

President, Tucson Title Insurance Company, Tucson, Arizona

At the Mid-Winter Conference of the American Title Association, held in St. Louis, Missouri, February 27th, 1953, the Committee on Constitution and By-Laws, J. J. O'Dowd, of Tucson, Arizona, Chairman, presented certain proposals to amend the Constitution. These were approved by the Conference delegates. They were presented by Chairman O'Dowd and his Committee for final action at the 1953 Annual Convention of this Association, held in Los Angeles, California, in September. The proposals follow:

AMENDMENTS TO CONSTITUTION

Article III—Section 1, First Paragraph. To read as follows:

"The following persons, who shall have subscribed to the Code of Ethics of this Association and who shall have agreed to be governed at all times by its provisions, shall be eligible to active membership in this Association:

(Note: The words, "who shall have subscribed to the Code of Ethics of this Association and who shall have agreed to be governed at all times by its provisions," are to be added with in Article III, Section 1, First Paragraph).

The following two amendments are new:

To Article VII — Section 3. Add paragraph:

At the same time the President shall appoint a Grievance Committee of not more than 5 members, one of which he shall designate as Chairman. The term of office of such committee shall be contemporaneous with that of the appointing president.

To Article VIII—Duties of officers and committees add Section 15 to read as follows:

Section 15. The Grievance Committee is charged with the duty and responsibility of receiving and investigating complaints of alleged member violations of the principles of the Code of Ethics. A complaint may be filed by another member or by any aggrieved party. The complained-of member shall be given notice of the complaint and full opportunity to refute the charges against him. The Chairman shall report the Committee's findings, with its recommendation to the Board of Governors, at its next meeting. The decision of the Board of Governors shall be final and binding upon the parties subject only to appeal therefrom to the next following annual convention meeting of the membership. No censure or expulsion shall be effective except upon a vote by two-thirds of the full membership of the Board and only after reasonable notice to the complained-of member and granting him the right to appear in person and present evidence in his defense.

Upon motion, duly seconded, the above were approved by the delegates attending the annual convention of 1953.

REPORT OF COMMITTEE ON ETHICS AND PRACTICES

MORTIMER SMITH, *Chairman*
President, Oakland Title Insurance Co., Oakland, California

CODE OF ETHICS

The American Title Association

The foundation of the American heritage of personal Freedom is the widely allocated ownership and use of the land. Upon the furtherance of that heritage, depends the survival and growth of free institutions and of our civilization. The Land Title Profession is the instrumentality through which titles to land reach their highest accuracy and attain the widest distribution.

The Title Profession having become such a vital and integral part of our Country's economy, there are imposed on each member of the American Title Association obligations above and beyond those customarily required of participants in ordinary commercial pursuits and a code of ethics higher and purer than ordinarily considered acceptable in the market-place, to the fulfillment of which the Title Profession is dedicated. Each member of the American Title Association shall be ever zealous to maintain and improve the quality of service in his chosen calling, and shall assume personal responsibility for maintaining the highest possible standards of business practices, and to those purposes shall pledge observance and furtherance of the letter and spirit of the following Code of Ethics.

First

Governed by the laws, customs and usages of the respective Communities they serve, and with the realization that ready transferability results from accuracy and perfection of titles, members shall issue abstracts of title or policies of title insurance only after a complete and thorough investigation, founded on adequate records and learned examination thereof, and shall otherwise so conduct their business that the needs of their customers shall be of paramount importance.

Second

Every member shall obtain and justifiably hold a reputation for honesty and integrity, always standing sponsor for his work intellectually and financially.

Third

Ever striving to serve the owners of interests in real estate, members shall endeavor (a) to facilitate transfers of title, by elimination of delays and unnecessary exceptions and (b) to make their services available in a manner which will encourage transferability of title, provide adequately for obligations which they assume in connection therewith and afford a fair return on the value of services rendered and capital employed.

Fourth

Members shall support legislation throughout the country which is in the public interest and will unburden real estate from unnecessary restrictions and restraints on alienation.

Fifth

Members shall not engage in any practices detrimental to the public interest or to the continuing stability of the Title Profession.

Sixth

Members shall support the organization and development of affiliated state title associations founded and maintained upon the Principles set forth in this Code of Ethics.

Seventh

Any matter of an alleged violation of the principles set forth in this Code of Ethics may be submitted to the Grievance Committee of the American Title Association.

On motion, duly seconded and carried unanimously, the Code was given approval by delegates attending the annual convention of 1953.

REPORT OF COMMITTEE ON DIRECTORY LISTINGS AND PUBLICATIONS

MORTIMER SMITH, *Chairman*
President, Oakland Title Insurance Company, Oakland, California

At the annual convention of The American Title Association held in 1952, the Board of Governors authorized the appointment of a Committee on Directory Listings and Publications. Subsequently that Committee was appointed by President Dwyer, consisting of Mr. Earl C. Glasson, Mr. J. W. Goodloe, Mr. Donald B. Graham, Mr. George C. Rawlings and Mr. Mortimer Smith, Chairman. This Committee has reviewed the subject matter assigned to it and submits this report.

A few years ago, the Board of Governors of The American Title Association adopted and distributed to the Membership, four fundamental rules concerning directory listings. They are the following numbered 1 to 4, inclusive:

1. The present practice of listing all title insurance companies furnishing policies of title insurance on properties in each state and District of Columbia with a key or code number designating agents or representatives of such companies in each state or District of Columbia shall be continued, provided that the only agents or representatives listed must be members of the state title association if there is one; or if there is no state title association, such agents or representatives shall hold direct membership in The American Title Association.
2. In any state wherein there is a state title association any non-resident title insurance company which is a member of the state association shall be entitled to all listing privileges provided by its members. It is the consensus of opinion of the Board of Gov-

ernors that there shall be no listing permitted among the state title association group unless such companies shall hold a membership in the state title association.

3. That with respect to all states or District of Columbia wherein there is a state title association, there shall be no listing of members in that state other than members of the state association and that there shall not be, in connection with such state, any listing of any member whether title insurance company, abstractor, or attorney holding direct membership in The American Title Association.
4. Any title insurance company which qualifies in any state or District of Columbia where there is no state title association shall be entitled to one listing to cover its own main office in that state or District of Columbia. No title insurance company shall be permitted to list the name of any agent not a member of the state title association.

Also, at the time, the Association's National Headquarters at Detroit pursuant to instructions from the Executive Committee, augmented those four fundamental rules by distributing the further following information as to their application:

1. In any state where there is an affiliated state title association a member company is entitled to a listing in the county alphabetical list for each office in such state covering which office it holds a membership in such affiliated state title association.
2. In cases where a title insurance company is not a member of the

state title association but is admitted to do business in that state, its agents or representatives (holding membership in such affiliated state title association and The American Title Association) may indicate by key or symbol they write title insurance for that company. The name and address of the title insurance company is carried at the top of the county alphabetical list in the following phrase, "Furnish policies of title insurance of the ABC Title Insurance Company, New Detroit, Ohio."

3. In any state where there is no affiliated state title association a member title insurance company is entitled to listing in the county alphabetical list for each bona-fide branch office staffed by its employees regularly on the payroll of such title insurance company.
4. In any state where there is an affiliated state title association in which a member title insurance company engaging in regional or national title insurance underwriting does not hold a membership in such state title association, such company is not entitled to a listing in the county alphabetical list. However, any of its agents or representatives who hold membership in such affiliated state title association and The American Title Association may indicate by key or symbol he (it) furnishes title insurance for that company. The name and address of that title insurance company is carried at the top of the county alphabetical list in the phrase specified in number two above.
5. In any state where there is no affiliated state title association any agent or representative of a title insurance company who holds a direct membership in The American Title Association may indicate by key or symbol he (it) furnishes title insurance of that company. The name and address of such title insurance company is carried at the top of the

county alphabetical list in the phrase specified in number two above.

Your committee recommends that the foregoing four fundamental rules together with the information as to their application be combined and that as to the combined statements, after certain supplementations, they be presented as hereinafter set forth and followed as the Rules and Regulations for directory listings.

Rules and Regulations

1. A listing is a designation of a person, corporation, partnership, or firm which is a member in good standing of The American Title Association, which under the Constitution and By-Laws of such Association and under these Rules and Regulations is entitled to such designation in the published Membership Directory of The American Title Association. Subject to all of these Rules and Regulations, a listing entitles the publication of the following information for each listing:

- A. Name of person, corporation, partnership or firm.
- B. Street address, if any, city, county and state.
- C. Statement of whether company makes abstracts, writes or furnishes guarantees or title insurance or all of such forms of title evidence.
- D. Capital, surplus and reserves of title insurance companies.
- E. Names and titles of officers.

2. State as herein used shall include the states and territories of the United States, the District of Columbia and the Commonwealth of Puerto Rico.

3. The Membership Directory shall publish such general information concerning The American Title Association as the Board of Governors of The Association may from time to time prescribe; and shall list the members of the Association under states, with the names of the states alphabetically arranged and with the listings of the members set forth as provided in these Rules and Regulations under an alphabetical county presentation.

4. Immediately following the

name of the state, there shall appear the names of all title insurance companies, members of the Association who are duly authorized to do business in such state and whose policies are furnished either through bonafide branch offices holding membership in each such designated state title association or through duly authorized agents or representatives holding membership in each such designated state title association, together with an identifying code letter-number to which letter-number reference may be made in the county alphabetical listings under the particular state. Immediately following such names of such title insurance companies the membership listings under an alphabetical county presentation for the particular state shall appear.

5. All title insurance company members furnishing policies of title insurance on properties in any state may be listed as provided in Section 4 of these Rules and Regulations with a key or code letter-number designating duly authorized agents or representatives of such companies, provided that the only such agents or representatives listed must be members of the affiliated state title association if there is one; or if there is no affiliated state title association, such agents or representatives shall hold direct membership in The American Title Association.

6. With respect to all states wherein there is a state title association, there shall be no listing of members as doing business in such state excepting such listing as is provided for under Sections 4 and 5 of these Rules and Regulations unless such members are members in good standing in that state title Association; and all members of a state title association which members also are members of The American Title Association, whether resident or non-resident in such state, shall be entitled to all the listing privileges provided by such state title association.

Directory copy as prepared in National Headquarters based upon listings information set by member com-

panies shall be submitted to the affected state title association for approval. In the event any dispute with respect to any such listing shall be presented by such affected state title association, such dispute shall be investigated and settled by the Grievance Committee of The American Title Association after such Committee shall have received the advice and counsel of such affected state title association.

7. No member shall be listed, excepting as provided for in Sections 4 and 5 of these Rules and Regulations, in and under any state list as doing business in such state unless and until such member is a member of that state title association, if a state title association exists, even though that member who is not a member of that state title association holds a direct membership in The American Title Association.

8. No member shall be permitted to list and there shall not be listed the name of any agent or representative in any state unless such agent or representative is a member of The American Title Association and such agency or representation is duly authorized by the member principal.

Directory copy as prepared in National Headquarters based upon listings submitted by member authorized agents or representatives shall be submitted to member principals of such agents or representatives and have the approval of such member principals.

9. Any member which qualifies to do business in any state where there is no state title association shall be entitled to list its bonafide Branch Offices in that state, whether such member be resident or non-resident.

Directory copy as prepared in National Headquarters setting forth the proposed listings under this Section 9 shall be submitted to any member whose Branch Offices are sought to be listed, for the approval of such member.

10. In connection with all of these Rules and Regulations, a bonafide branch office is defined as one owned, operated and controlled by the per-

son, corporation, partnership or firm listed, staffed by his or its employees, of such person, corporation, partnership or firm as listed.

11. In connection with all of these Rules and Regulations, state title association is defined as being a state title association affiliated with The American Title Association.

12. All of these Rules and Regulations shall be subject to the Constitution and By-Laws of The American Title Association and shall be interpreted in accordance with the Code of Ethics of such Association, and the Grievance Committee of The American Title Association shall have the power and responsibility of receiving and investigating complaints of alleged violations of these rules and regulations, after which investigation, such Committee shall report thereon to the Board of Governors of The American Title Association.

Your Committee realizes that the foregoing Rules and Regulations are not perfect. They are, however, workable to the degree that the Members of The American Title Association understand them, abide by them, and co-operate with one another in bringing about their fair interpretation.

Naturally, the preparation of this report has come about only through considerable and considerate examination and study of the Directory, itself. Your Committee feels that again it should stress to all of the Membership that the widest possible distribution of the Directory is of utmost importance. That distribution is now well over fifteen thousand copies a year.

Through and by the Membership of The American Title Association the Directory distribution should be **FIFTY THOUSAND** copies a year!

TITLE INSURANCE AND THE AGENT

Members of Panel:

George V. Russell, Vice President, The Title Insurance Company (Boise); State Mgr., Missoula, Montana.

Paul J. Huchton, Vice President, The Title Insurance Company, El Paso, Texas.

William R. Barnes, President, General Title Insurance Corp., St. Louis, Missouri.

L. B. Cardon, Mgr., Cardon Abstract Co., Salt Lake City, Utah.

Lawrence R. Zerfing, Moderator; President, Land Title Insurance Co., Philadelphia, Pa.

GEORGE V. RUSSELL:

Of the 100 largest corporations in the United States in the year 1890 less than 10 now survive. Why? Some failed because of poor management, some because of faulty financial policies, most of them failed because they ceased serving the public adequately. You and I will succeed in the title business just so long as we adequately serve our public. To so serve we must anticipate the needs of our customer before the customer becomes aware of such needs. I suppose that if the fine old buggy makers of the year 1900 could have foreseen the demand for the Ford automobile of 1915, Henry Ford would not have cornered the automobile industry. The blacksmiths, who early in the 1900s changed their business to car repair, remained successful, while those blacksmiths who thought the automobile would never replace the horse are no longer with us.

Some Have Preference

Some of you may think and say that the abstract is here to stay. You may say that your profession cannot change, that your abstracts are

works of art, accurately searched and compiled and cannot be replaced. If you do so think I advise you to talk with your customers who have been exposed to title insurance and see if they don't prefer title insurance. To those of us who use title insurance and I include the large insurance companies, the Federal Land Banks, the various government agencies and many others, your abstract is no work of art but rather a curious relic. I have read of men inscribing the Lord's prayer on the head of an ordinary pin but I have never read of any great demand for such pins. Of course it is not fair to compare such a pin with an abstract of title. The abstract of title is larger and weighs a great deal more.

Background

Before you determine that I am too long steeped in the title insurance business and unfair to the abstract of title, let me say that my first employment was in an abstract office. I worked as an abstracter in that office for some dozen years and then practiced law for a few years. My practice of law was mainly devoted to real property law and the examina-

tion of abstracts. Both as a member of the title profession and as a practicing attorney I should be very happy to see the abstract entirely give way to the title policy.

A Rapid Change

Mr. Cardon, one of your speakers, and I witnessed the rapid change from abstracts of title to title insurance in Salt Lake City, Utah. A few of the abstracters doing business there became agents and wrote title insurance before the war. These were title-men with foresight, the ones who were aware that their customers' needs were changing. The others were convinced that the title policy would never replace the abstract. Those who ignored the changing times soon regretted it and it only took the few years of the war to accomplish their undoing. Several of the title companies there have gone from the top of the heap, financially-speaking, to the bottom in the space of only a few years, just because they maintained that the abstract was here to stay.

Two Approaches

Generally speaking, there are two fundamentally different approaches to title insurance. The so-called "Midwest" system involves the production of an abstract, the examination of the abstract by an outside attorney and then the issuing of the title policy. Under the so-called "Western" system no abstract of title is prepared. The title-man makes a chain of title from his plant, examines that chain himself, if qualified, or has it examined by counsel, and issues the policy. Proponents of the two methods are sure the other is wrong and there seems to be ample justification for both. We oppose the Midwest system because it keeps the agent in the abstract business and in most areas has not accomplished the desired transition from abstracts to title insurance.

Some Answers

Our underwriting company has been operating in some of the Western States for about six years. The communities serviced by our agents vary from small towns of a few hundred people to cities of 50,000 to 70,000

people. Most of these communities are agricultural centers. A few are becoming industrial centers. Based on that experience I think we are capable of giving you the answer to the following questions:

FIRST, CAN TITLE INSURANCE BE SOLD IN SMALL COMMUNITIES?

SECOND, CAN AN AGENT MAKE MORE MONEY SELLING TITLE INSURANCE THAN ABSTRACTS?

Many of you have stated: "Title Insurance is all right in the big city but in my county the towns are small, everyone knows everyone else, most of the properties already have abstracts of title on them, there is no demand for title insurance, title insurance may be all right in Los Angeles where all those city slickers live but it won't sell in Podunk, and so forth."

Small and Large Counties

I have kept records on the sale of title insurance by our agents in Eastern Idaho for the years 1948, 1949, 1950, 1951 and 1952. The smallest county tabulated has only 918 people and the largest some 42,000 people. In one county having 3000 population the agent determined in 1950 to discontinue abstracting entirely in favor of title insurance. In the last three years not one abstract has been prepared or continued. No great difficulties have been encountered. That is one way of getting the job done.

In another county of 40,000 people it was decided to continue in the abstract business and make the change-over on the basis of salesmanship rather than using such a direct method. In five years this county has advanced from 0% title insurance to 94% of the orders being title insurance orders. No great difficulties have been encountered, in this county, in selling title insurance. That is another way of getting the job done.

Another Consideration

Of course some of the agents have not made as great advances as these two examples. If the agent is sold on title insurance he has no great difficulty in selling others. Consolidating

the reports of all Eastern Idaho we find 0% title insurance sold in 1947 and approximately 58% order volume sold today.

THE facts are before you. TITLE INSURANCE CAN BE SOLD IN SMALL COMMUNITIES.

Now as to the question of whether you can make more money selling title insurance than abstracts. Our agents have reported to us year by year the number of title insurance orders, the number of abstract orders and the income derived from each. Bear in mind that under our system no abstract is prepared in the issuance of the title policy. Looking at the year 1949, the second experience year in title insurance for most of these agents and selecting reports at random, we find the following cases:

One agent in a small county with properties of low valuation: Although 70% of his orders were abstracts and only 30% title insurance, 50% of his gross income was derived from title insurance. His average title insurance order, after payment to the underwriter, paid him 91% more than the average abstract order.

More Income Here

Another agent in a large county with properties of high valuation: Although 61% of his orders were title insurance and 39% abstracts, 80% of his gross income was derived from title insurance. His average title insurance order, after payment to the underwriter, paid him 85% more than the average abstract order.

Another agent in a medium county with properties of medium valuation: Although 58% of his orders were abstracts and only 42% title insurance, 72% of his gross income was derived from title insurance. His average title insurance order, after payment to the underwriter, paid him 181% more than the average abstract order.

Steady Increase

Taking an average of all the reports we find that the average title insurance order, after payment to the underwriter, paid him 181% more 84% more than the average abstract order.

Now after some six years of writ-

ing title insurance we find that in every case the agent has increased both his gross and net income by writing title insurance. On bringing up to date the figures reported by our agents we find a continual climb in the net figure of title insurance over abstracts because of a steady increase in the sale of title insurance.

Fast Service

It is possible for our agents to produce title insurance at much less cost than in production of an abstract. With the additional revenue the agent and his employees are better paid and he is able to make valuable improvements to his plant. The agent is able to give much faster service with title insurance. Most of our agents give 24 hour service on all title insurance. Can you turn out abstracts that fast?

There has been prepared for your further consideration a tabulation of the figures of eight agents selected at random which is attached. Naturally the charge you make for your average abstract order may be higher or lower than the ones shown. The title insurance premium in your locality may be higher. The rates shown, in general, are about average with those throughout the west and mid-west.

Cooperation

Some of our agents are present at this convention and if you question any of our figures they will be happy to tell you of their comparative figures. **THOSE AGENTS WILL ASSURE YOU THAT AN AGENT CAN MAKE MORE MONEY SELLING TITLE INSURANCE.**

We should emphasize that the sale of title insurance and its successful operation takes the combined effort of both the underwriter and the agent. The contract between the underwriter and the agent is drawn with the intention that both parties will unite in a common cause. The usual contract between underwriter and agent provides:

First: that the agent has the exclusive right to represent the underwriter in his County. We do not know, nor do we ever contemplate competing with our agents. As a general

rule we believe the best interests of the public served where the title business is operated as a monopoly, so that the strongest possible companies exist.

Second: it is provided that a certain remittance be made to the underwriting company. In the contracts used in the Western part of the United States this is usually 20% of the premium.

Third: the agent agrees to spend his best efforts in converting his business from abstracts to title insurance. Thus it is provided in one such contract that the agent "will diligently solicit applications for title insurance, at all times seeking to advance the sale and use of title insurance within the said county, as the most modern and desirable form of title covering and protection." If you are contemplating signing an agency agreement just so that you can say to a customer: "Oh yes, I can issue you title insurance, but really an abstract is much better" then we don't want you as an agent.

Fourth: the agent agrees to competently examine or employ competent examiners in the conduct of the business.

Fifth: the agent is usually liable for any loss caused by his error, fault or negligence and the underwriter is usually liable for any loss otherwise, including losses arising from defects not disclosed of record. Thus it is provided in one such contract: "The agent hereby agrees to reimburse the underwriter for any loss the underwriter may sustain under any policy of title insurance issued in pursuance of this agreement by reason of any error, fault or negligence whatsoever on the part of the agent or arising from any cause which the agent might have obviated . . . it being understood that the agent shall not be liable and that the underwriter shall be liable for loss arising from defects in titles not disclosed of record and of which the said agent had no knowledge at the date of issuance of such title insurance."

Sixth: the agent may cancel with specified notice, sometimes 30 days and sometimes 60 days being required.

It may appear to some of you that the underwriter does little but collect its portion of the policy. This is not correct. Aside from paying out losses, the underwriter, at its own expense, furnishes all forms, manuals, booklets, and so forth. Many of the underwriters have prepared or are preparing legal textbooks for the education and help of the agent. The cost of these books has run to many thousands of dollars. We have found that our agents who use our company manual of forms and phraseology, and who are industrious in their study of our "Outline of Titles" are able to answer for themselves nearly all questions which they may encounter.

Company Assistance

The underwriter also employs persons, such as myself, to visit the agents and give them such help as they need. Our company has gone a long way towards advancing the mutual interests of the underwriter and agent in this respect. Our agents are each visited many times a year, obtain numerous legal opinions from our counsel in our home office and are helped in every way possible. The underwriter also coordinates the issuance of title policies insuring lands across county lines and acts as a buffer and coordinator between the agent and large customers such as the large insurance companies, the United States of America and so forth.

Joint Advertising

Not long ago one of our agents was presented a claim of loss and asked the underwriter to investigate. We found that the insured was claiming a loss because the floors in her house were rotten and had caved in. Thus the underwriter often helps explain what title insurance does cover and what it does not cover.

In some instances the underwriter joins with the agent in advertising. Any advertising that the agent wants to do, providing the advertising material is about title insurance or mentions it occasionally, we bear 20% of the cost. We distribute in many cities match-books carrying the advertising of both the underwriter and the agent.

The cost of such is apportioned 20% to the underwriting company and 80% to the agent. We distribute the Perfect Home magazine throughout Idaho and Montana to a select mailing list. The cost is \$50.00 a month for each franchise and 12c a copy. We distribute approximately 1500 a month and the underwriter pays all of the cost. The underwriter at its own expense also furnishes the agent with numerous pamphlets for distribution.

Lawyers Approved

Some of you hesitate to write title insurance because you fear that the lawyers of your community would not approve. After proper indoctrination you will find that the lawyers of your community favor your program. We are presently sponsoring, at the lawyer's request, a radio program. One of the programs was concluded with the following commercial:

"This is the first in a series of programs brought to you each week at this time by the South-eastern Idaho Bar Association and The Title Insurance Company of Idaho as a public service. As tonight's program illustrated, the rules that govern us set a pattern for our every action in daily living. Technicalities in law can change, for example, the validity of your ownership of real property. Actually, when you buy real property of any sort, you are buying only the TITLE to it. If the title is faulty, you've made a bad buy! And there is only ONE positive way in which the title to your property can be guaranteed—and that is through an economical policy of Title Insurance. It protects you in the event your title is challenged and reimburses you for the full amount of the policy if your title should prove faulty. Title Insurance is the modern, economical, **positive** method of protecting your property title. In Bannock County, for instance, over 90% of the people who buy or sell real estate insist on Title Insurance protection.

When you buy or sell any kind of real property, be sure the title is

protected and guaranteed with a policy of Title Insurance."

This commercial was fully approved by the members of the bar before it was presented.

Working Together

We believe the underwriter should do everything possible to promote the use of title insurance and the good name of the agent. We have persuaded most of our agents to belong to their state associations and to the American Title Association. You will find that a much greater percentage of our agents belong to these associations than any other similar group.

We bring to our agents' attention new developments in their business, new equipment, better methods for efficiency, and easier methods of doing business. You will find most of our agents using photographic processes of one type or another, electric type-writers, and so forth.

If you will contemplate what all this means to the agent you will agree that the underwriter is entitled to its share of the premium. The agent cannot do the job by himself and neither can the underwriter. Co-operating together the job of selling title insurance and securing satisfied customers can be easily done. I believe that an abstractor can better serve his customer and himself by issuing title insurance.

I appreciate the opportunity of talking to you and thank you for your kind attention.

THE TITLE INSURANCE COMPANY IN IDAHO

	Abst. Charge	Title Ins. Gross	Title Ins. Net	Differ- ence
Agent	1949	1949	1949	
A	\$17.82	\$42.81	\$34.25	\$16.43
B	15.50	37.03	29.63	14.13
C	16.41	38.00	30.40	13.99
D	21.34	36.43	29.15	7.81
E	15.65	34.79	27.83	12.18
F	17.77	33.96	27.18	9.41
G	9.92	34.83	27.87	17.95
H	15.22	30.71	24.57	9.35
Avg. 1952	16.20	39.82	28.86	12.66
Avg.	13.53	43.50	34.80	21.27

**AVERAGE DIFFERENCE
TITLE INSURANCE OVER
ABSTRACTS**

1949

	%
A	92
B	91
C	85
D	36
E	79
F	53
G	181
H	61

Average 84%

1952 average of same
eight agents157%

PAUL J. HUCHTON:

We, in our part of the country, have seen a tremendous growth in the use of title insurance during the past twenty years. Several factors have played an important part in this growth. Deserving of no small credit is the fact that most realty transactions can be closed much more expeditiously when title insurance is the evidence of title provided.

A Sound Plan

We have observed that national lenders, particularly when in a lenders market such as we have today, make as a requisite the furnishing of title insurance. This surely, is an irrefutable argument that the title insurance plan of evidencing titles is a sound one. Why not then title insurance on all realty transactions? Should not the purchaser as well as the lender be provided with this modern service? The answer, very definitely, is yes!

For Peace of Mind

I hazard the statement that the majority of claims paid by the underwriters are due to unknown or un-discoverable defects of title. Title insurance and only title insurance protects against loss occasioned by these hazards—surely another argument for the purchase of this protection.

When the owner is the assured in a title policy he has the best protec-

tion yet devised and peace of mind in the knowledge that his realty is a readily-negotiable asset.

Provisions of the Company—Agent Contract (of representation)

Generally speaking, I think we could say that the contract contemplates: (A)—That the Company:

(1) Authorize the Agent to validate policies of the company, written on properties in a specified area, not in excess of \$_____ Dollars when the Agent has complied with Principal's instructions as to insurability of Title.

(2) Will approve as examining Attorneys those recommended by the agent for such service as are entitled to such designation.

(3) Furnish necessary forms such as application blanks, attorneys title-reporting forms, official policies and other supporting forms.

(4) Be liable for all loss sustained by reason of indeterminability of matters giving rise later, to loss, provided such exposure was not resultant to agents' failure to carry out some instruction of the Principal.

(5) May terminate the contract at will, for cause or, without cause, by giving _____ days notice in writing.

(B)—That the Agent:

(1) Owns an abstract plant which will do a good job in the evidencing of all titles preparatory to examination thereof by an approved attorney.

(2) Follow the instructions of Principal in the servicing of the program.

(3) Maintain a financially responsible condition.

(4) Assume liability for losses sustained by principal, occasioned by error, or mistake made by Agent in:

(a) Furnishing title information to examining attorney; (b) Writing a policy in a form not correct in light of attorneys conclusion of title, and agents knowledge of matters attendant.

(5) Collect the premium at issuance of the policy.

(6) Remit to the Company at designated intervals all sums due the Company for business written.

(7) Shall not incur or contract to

pay bills or obligations chargeable to principal.

(8) Safely keep as the property of principal all forms and supplies furnished and not disposed of in operation of the program.

(9) May terminate the contract without cause by giving — days written notice.

Publicizing and Selling Title Insurance Locally

All of our own experience in matters falling within the scope of this sub-title have been confined to several types of promotional activity. So far as determinable, the result of these uses, in the order of importance to us, is:

1. Personal-contact selling to large users of title evidence, such as attorneys, realtors, lenders, home builders and volume acquirers of real estate.

2. Direct mailing to the same list. Best use of this medium requires letters and pamphlets at regular intervals, always informative and always short.

3. Newspapers: Experience has proven that best results can come from a planned, long-range continuous program, using sufficient space to attract, interesting copy to hold the attention of the reader. Newspapers are interested in NEWS. Ordinarily they will print as news, an item concerning an unusual realty transaction such as, one large in Dollars, Acreage, number of ownerships, or, where interesting situations attend, a talk given by a title man, before some civic group will merit the newspapers' interest.

We think distribution of 'novelty' items, so-called, to a selected list of recipients is worthwhile. For best results items should be useful rather than ornamental and should have a real, lasting value. Wall calendars, used consistently, year after year, if attractively and properly distributed have a value, very likely unknown, but real. In our own case we have used this type of calendar, since the inception of the Company. They are provided all our connections at our expense, save only shipping charges

from the factory. Agents' copy is over-imprinted, taking primary billing. We know the agent must sell its service locally; must sell **our** product.

Future Home Owners

While we have not used it, we like very much the idea presented to the convention a few years ago by Mr. Arthur Fetherston, of Murfreesboro, Arkansas. He described a booklet titled 'Their First Home' published by his State Association. Distribution contemplates the sending of a copy to all high-school and college graduates within the area of the Company's operation. Most of these folks will own a home some day, probably very soon. How better can they learn of the pitfalls which attend such an investment than by the land which has experienced all of them.

Procrastination, and that only, has deterred us in the preparation of an informative in-the-language-they-can-understand pamphlet for distribution to these young people.

In a Company—Agency Operation

THE RESPONSIBILITIES OF: THE COMPANY ARE TO:

- (1) Maintain a financially strong position.
- (2) Make available to the agent the benefits gained from experience.
- (3) Obtain approval of the Company by national lenders and large acquirers of real estate; maintain a position which will continue to merit acceptance of policies of the Company by those who do business in the territory of the underwriter.

THE AGENT ARE TO:

- (1) Maintain a standard of operation which is in harmony with the policy of the underwriter.
- (2) Make available to the local public a complete title insurance service and to apprise same thereof, and
- (3) Service the entire program as though **any** loss resulting would be its own.

**THE LIABILITIES OF:
THE COMPANY ARE TO:**

- (1) Set up reserves for policy losses as required by law and as are anticipated in any event, to care for any loss and non-impairment of Capital.
- (2) Defend assureds in causes of action, as contemplated by the policy contract, and
- (3) Pay promptly all just claims.

THE AGENT ARE:

- (1) For losses occasioned by errors or mistakes, made by it in:
 - (a) Furnishing title information to examining attorney, and
 - (b) writing a policy in a form not correct in light of attorney's conclusion of title and agents' knowledge of matters attendant.
- (2) The proper handling of funds and disbursement thereof as accountable.

**THE PRIVILEGES OF:
THE COMPANY ARE:**

- (1) Having an outlet thru agents for increasing its volume of business.
- (2) Increased prestige deriving as a result of most widespread distribution of its product.
- (3) Better use and earning power of its Capital.

THE AGENT ARE TO:

- (1) At nominal cost, provide clients with this type of title evidence without the necessity of tying up a large sum of money in Capital as required of underwriting companies. In many localities there is not sufficient potential business of this kind to warrant this investment and its increased overhead.

**Additional Earnings to Agent
Through Title Insurance**

Let's compare the result of an 'abstract' operation, with the result of a 'title insurance' operation. Suppose we make an abstract on every single, separate ownership property in our county, and the county has reached its growth saturation point. We, as

abstracters are out of business except for continuations or replacing a lost one. Available information indicates that continuation-of-abstract charges, generally, are such as would not be conducive to a worthwhile operation, financially.

Even in a community which does not enjoy a steady growth, sales of and loans on realty are closed every day. 'Title Insurance' carries a rate which contemplates a fee for services performed commensurate with the rehandling of a case theretofore serviced with title insurance. Continuance of the operation can be financially justifiable even though you may have insured every separate title in the county.

My experience in the title field encompasses some twenty-eight years. We have seen our 'abstract' business, which accounted for ninety per cent of our dollar volume drop to a figure less than five per cent. If today, our overhead (operating costs) was in the same proportion (of dollar volume) as was our overhead at the time our 'abstract' volume was ninety per cent, I doubt that we could 'stay alive.'

Additional earnings to agent through 'Title Insurance?' Our experience in both fields, proves for us the very definite answer—YES! And, it's a cleaner, more complete service, and of more value to the client, too.

Final

Working on the material for these words to you has reminded me of several things, which we should have done ere now. Will those of you who are guilty of the same inaction, join me in helping to alleviate this undesirable situation?

RUSSELL R. BARNES:

For the past ten years, my company has been an Issuing Agent for Kansas City Title Insurance Company. Our association with them has been both pleasant and profitable to us and at least profitable, if not pleasant, to them.

The problems of abstracters and

title companies, for many years, have been local and most of us have followed the line of least resistance. In the St. Louis area for instance, we have never sold abstracts, but have issued Certificates of Title, which are actually a limited form of title protection. The call for title policies was so infrequent that very few policies were written and they were even discouraged by those authorized to furnish them. In most instances title policies were ordered only to cure unmarketable or defective record title, almost the opposite of our present insuring practices. However, the requirements of national lenders, approved mortgages for Federal Housing Administration and Veterans Administration loans and others have increased the demand for policies to such an extent, that all St. Louis companies now furnish this form of title evidence and it now represents a substantial part of their income.

The Contract

An issuing agent is authorized by Contractual Agreement to write and sign title policies in behalf of a Title Insurance Company, which become as binding as if issued by the home office of the insurance company. Such an arrangement lends to the Abstractor or title company the dignity and responsibility of a title insurance company, acceptable not only to local users, but to life companies and other national users as well. Instead of being listed categorically as not acceptable, or with limited acceptance, the agent becomes, not only acceptable to national users, but in some instances the policies of the company he represents are required by them. The contract authorizes the Agent to write policies in a specified area with part of the premium retained by the Agent as his commission or compensation.

Principal and Agent

The Principal furnishes the Agent with all necessary supplies, including forms for applications, Attorneys certificates, Commitments to Insure and Policies of Insurance and such other supplies as may be needed. Home office counsel is always available to

the Agent, together with information and recommendations as to improved methods of operation and for increasing the local business. In short, the Principal is ready and willing to help the Agent in any way.

What does the Principal expect of the Agent? . . . Money! . . . in addition to the money he expects the Agent to **solicit title insurance and process the same** in accordance with usual and customary practices and procedures of Title Insurance companies in a **PRUDENT, SAFE, SOUND, and ETHICAL** manner and in accordance with recognized title insurance underwriting principles and according to rules and regulation principles. He expects that each policy of title insurance shall be predicated upon evidence resulting from the search of all public records. "Public records," are deemed to include all recording offices where instruments of conveyance or mortgage or other instruments may be filed or recorded, all Courts, including Probate Courts and United States Courts, where Suits, Bankruptcies or other actions at law or in equity may be filed or Judicial Proceedings had or Judgments rendered or Estates Administered or Wills Probated; all offices where Mechanic's or Materialmen's Liens or other liens or claims may be filed or otherwise evidenced, or where taxes or assessments may be levied or charged or collected, or where Condemnation Proceedings may be had affecting title to property.

Responsibilities

The Agent is responsible for loss or damage caused by his own acts of omission or commission in regard to any abstract of title, Certificate of Title or other record information furnished by Agent in his capacity as searcher, abstractor and examiner of titles. In addition, the Agent is liable for the failure of any Commitments or Binders or Policies issued by him or through his office to contain an appropriate requirement or exception as to any lien, claim, encumbrance, defect or objection disclosed by the Application (if any) the approved attorney's title report or known to the Agent. As near as I can determine,

and I hope that I am right, the Principal assumes all other risks and losses arising therefrom. However, the Agent's liability to the Principal is substantially the same as that which he assumes when he prepares an abstract or **furnishes title evidence for any other customer.**

I would like to suggest some of the advantages to Abstracters and Title Companies from this type of representation. IS IT PROFITABLE? From my own personal experience I can say very definitely that it has been to us and I am sure it can be to you. In addition to your regular abstract or search charge, you participate in the premium charge for title policies, and, if you are an approved attorney, such charges as you might make for examination of the abstract. The advent of title insurance into your office will open other fields to you, such as Escrow Service and Loan Closings, thus providing additional income from these services. After the title is once insured the handling of re-issues is much more profitable than the continuation of an abstract and when an Abstracter prepares an abstract he is selling part of his capital assets, which he does not do when he furnishes a title policy. It is also reasonable to expect that your business will increase because of this added service, the reputation of your Principal and the efforts that they make in your behalf for obtaining **new business.**

Advertising: Most of the National Insuring Companies advertise title insurance in national trade journals and directories. We have had many calls resulting directly from national advertising done by our Principal. They also furnish pamphlets for local distribution and many other forms of advertising media to be distributed by local Agents. Some of the companies have placed men away from the home office for direct contacts with lenders and brokers for the purpose of directing business to their Agents. In some instances, local advertising of title insurance is done with both Principal and Agent participating in its cost.

I feel very confident in recommending to you Abstracters and Title Com-

panies, an Agency arrangement for title insurance, knowing that you could then offer complete title service. It is a proven fact that your business can be increased and your income, too, by selling to your clients the modern and safe method of title evidence. If you don't do it, your competitor will, and if you have no competitor, the best way of getting one is to refuse to recognize this national trend.

Company Regulations

The only objections that I have found in the Agency Agreement is that Principals do have Vice-Presidents, and who should know better than I do, I have McAdams; but Lawyers Agents have Rawlings; Louisville's have Graves, and Minnesota's have Reuder—but you can do business in spite of these necessary evils. My only other objection concerns the Principal's rules and regulations; however, this incident convinces me that some regulations are absolutely necessary:

"Guests in a Los Angeles hotel, hearing a scream in the corridor, discovered a damsel in a negligee being pursued by a gentlemen who was, to put it bluntly, nude. Later it developed that the impetuous Romeo was an Army Major, who was promptly court-martialed. His lawyer won his acquittal, however, by virtue of the following regulation in the army manual: 'It is not compulsory for an officer to wear a uniform at all times—as long as he is suitably garbed for the sport in which he is engaged.'"

L. B. CARDON:

During the past twenty years, since I attended my first A.T.A. convention, the use of title insurance has materially changed. It has always appeared to me that title insurance is a necessary part of every up-to-date abstract office in order that one might give his customers a complete title service and take care of their needs in connection with real estate titles no matter what those needs might be. Those of you who have attended A.T.A. conventions have no doubt noticed that the title insurance sections are becoming increasingly

larger, thus indicating the increased interest in the writing of title insurance.

After a number of unsuccessful attempts to obtain a title insurance agency contract and many discouraging replies from various companies in an effort to bring another company to Utah I was successful in obtaining my present contract in order that I might give to my customers the protection they were requiring, and since obtaining this contract about 12 years ago five other companies have entered our state, so that, with the previously existing company, we have seven companies now in the field. Illustrative of the increased demand for title insurance I now find that approximately 65% of the gross volume of business done in my office is for title insurance, and this percentage is growing each year.

Needed Everywhere

The demand for title insurance exists to some extent in most communities and the need for it exists in every community. We abstracters must be prepared to fulfill that need if we are to remain in the forefront of our business and there are only two ways in which we can supply that need. One is to have sufficient capital to organize our own title companies and the other way is to represent an established insurer as an agent. The former, due to its heavy financial demands, is out of reach of most of us so the latter must be the answer to this requirement.

To my mind the problem the abstractor faces in representing a title insurance company is not so much a question of advertising and promotion as it is one of making the operation profitable, inasmuch as a large need and demand for title insurance already exists. The loan companies who are engaged in selling mortgages to the eastern and western loan markets almost invariably prefer title insurance and many of them require its use. Loan companies who hold most of their own mortgages are not so quick to recognize the value of title insurance, but once they have suffered a title loss they quickly become converted. Selling efforts in the way

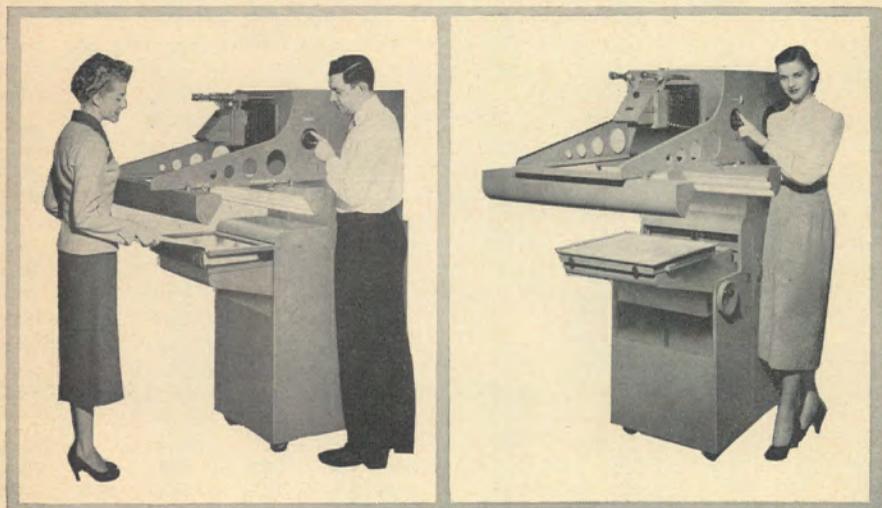
of publicity and advertising directed to them would help the volume from that source. Our biggest selling problem is the real estate broker and the individual property owner. They have been used to the smaller abstract charges and sometimes resist the larger fees necessary for title insurance, but a major problem with them is to overcome the inertia of following the line of least resistance—they have always used abstracts and the use of title insurance is a little strange to them. Effort should be directed to explaining to them the value of the greater speed possible in closing a transfer of title, and the greater safety to all parties concerned by using an insured title.

Words of Caution

There is a word of caution which I wish to extend to those who have not yet entered this field—and this word of advice may go to those already representing insurance companies, including a bit of constructive criticism to myself and others in business in my home town as well as those in other communities. This problem is the reason for much loss of revenue which could easily be avoided. Do not make the mistake, under any circumstances, of selling title insurance as a competitive product to an abstract. Title insurance is not necessarily intended to replace abstracts—it is a service which goes beyond the mere abstract of title and in establishing rates and charges one should consider that fact. Too many local abstracters are obsessed with the idea that if one sells title insurance cheaply enough to compete with abstract charges title insurance will eventually replace entirely the abstract of title and then prices can be raised to a more realistic figure. One should not be fooled by that idea—once you establish a rate schedule or a certain practice it is very difficult to increase the price—you should determine right in the beginning what an adequate rate of return will require the charge to be and set your price accordingly and stick to it. Otherwise you not only will build up trouble for yourself but you are not keeping faith with the public when

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you become a party to that kind of price manipulation.

Three Services

Title insurance is essentially three services—the abstract or search—the examination of the title—and the guaranty of the title based upon the search and the examination. It is not necessarily true that the title insurance will always cost the sum total of the three services but to attempt to make title insurance compete on a price basis with only one of those services, that is the abstract, is a mistake.

There are two methods in general use in setting a title insurance fee. One method preferred by many of the companies is to require the continuation of the abstract at the usual abstracter's fee; add to that the cost of the examination of the title and then to these two charges add the premium for the protection of title insurance. The abstract may or may not actually be compiled and delivered, but in either case the charge is made for the search of the record, for the examination and for the insurance. The other method is that most used in the western states wherein a total all inclusive or over-all charge is made based solely or at least primarily upon the valuation of the property and this includes the search, the examination and the insurance.

This latter method being used in our community I am frequently faced by a prospect with the question, "Which is cheaper, title insurance or an abstract?" I cannot give an honest answer to that question and I never attempt to do so directly. Is the property vacant or improved? Does he intend to build? What loan company is making the loan? Knowing the desires of the lending institution my questions frequently need go no further. In more than half the cases I can simply state that such and such a loan company will probably require title insurance so I can proceed with the application and the quotation of costs. The selling job has already been done in these cases and I can proceed to provide the insurance with an adequate rate base with-

out entering into a discussion as to which is cheaper.

A Selling Job

In cases where the abstract is acceptable to the loan company or for some reason may be preferred, then you have a selling job to do and unless I can sell the individual the idea of title insurance based on its merits rather than its cheapness I had better go ahead with the abstract. To try to sell title insurance on the idea that it is cheaper than an abstract is to mislead the customer and will build trouble for the agent. Of course in some extreme cases this might be true and as time goes on added efficiency in the office and the continuing renewals of the policy will help to reduce the cost of turning out the policy and those savings may be passed on to the property owner, but even in those cases it is a mistake to sell title insurance based upon the statement that it is cheaper than an abstract of title—your selling talk should be based upon speed of transfer, convenience, protection, etc. and not solely upon price. On a dollar and cents basis you cannot, in most cases, search the record, examine the title and sell the protection under the cost of turning out an abstract of title. It is true you don't have as much typing to do but your search will be identical or perhaps more exacting; in addition you must have an examination of the title and then provide the insurance protection provided by your remittance to the insurance company. In the case of a subdivision a portion of this expense can be spread over a larger number of lots and thus reduce the cost per policy but adequate subdivision schedules should be worked out to take this into consideration and there is no need of doing this phase of the work at such a low figure that you cannot make at least a small profit out of each transaction. I do not like the reasoning that you should convert people to title insurance even if you do so at a loss and hope to make profit on the renewals. As far as is possible each transaction should show some profit, even though in some instances it might be small.

Must be Profitable

I am very much afraid that the psychology that prompts an abstractor to sit down with a building contractor and figure which is going to be cheaper, title insurance or abstract, will lead the abstractor into a trap where he may actually be giving the title insurance protection at less than cost and in addition he will establish a bad precedent for future business. Besides that you don't always get all the renewals, so why do work for less than cost and let some other abstractor reap the profit on the renewal?

There is no reason for an individual to be in the title insurance business either as an insurer or as an agent unless the operation is mutually profitable. Both must make an adequate return on their investment of capital and labor or they will eventually withdraw from the field. This brings me to a point at which I think the title insurance company as principal might be in a position to help the local agent increase his profits.

Shortly after the turn of the century as a school boy I went to work part time in a real estate office. My first job was to help out in the insurance department where we represented 10 or 12 different companies about half of whom were "Board" companies and about half were "Non-Board." We had separate filing cabinets with policy forms and dozens of various forms of endorsements—different sets for each company. Rates varied as much as forms and we were instructed to get the business—no matter what our competitor offered. Some years later the better companies and agents established the Standard Forms Bureau and finally all companies were required to become "Board" companies with the use of the same forms for all companies and a standard rate schedule and for the first time this company made money on fire insurance.

Standardization

I think that in the matter of price schedules and rates the writing of title insurance is in the same posi-

tion fire insurance companies were in many years ago. A good beginning has been made in the establishment of the A.T.A. policy and further progress is being made in the adoption of standard exceptions for the A.T.A. policy and I trust that this will be completed very soon. But I think the association could go further and provide standard forms for owners policies and exceptions and move towards a standardization of agency contracts.

Suggested Safeguards

It would seem to me that a necessary part of the contract between the insurance company and the agent would be that an adequate price schedule for the entire operation be maintained and this would probably have to be handled on a statewide basis. If a company fails to so control an agency that it has no control of the price for title insurance charged by that agent, there is imminent danger that the writing of title insurance itself will break down in that community and other agents in the field and the companies themselves will, in the long run, be the losers. There are in general two types of contracts between the insurance company and the agent—these types have been commented on by other speakers on this panel. The one type follows the "national rate" principal whereby the insurance company sets the rate for the insurance alone and leaves it up to the agent to collect what seems proper for him to collect for the search of the record and the examination of the title. The other type of contract is one used mostly in the western states where the over-all rate is charged, based principally upon the valuation of the property, and the agents remit a certain percentage of that rate to the insurance company for the cost of carrying the insurance. It is not my privilege or right to argue the merits of either form of contract nor am I in a sufficiently informed position to know all the answers as to why the two systems exist but it is not too important which type of contract is used as long as the proper safe-guards

are taken as to the price schedule for the complete transaction.

Some Control

In my opinion it would be desirable if the insurance company could take a hand in setting a schedule and the contract could be written so as to require adherence to this schedule and possibly a report to the company of the entire fee collected—splitting the same into its component parts as far as practicable. I have discussed this matter with two or three representatives of title insurance companies and I must report that they are unanimously opposed to this idea and have serious objections which might prove difficult to overcome but in spite of these objections I think that the title insurance company must have some sort of control over the rates charged by the local agent for several reasons among which are to maintain stability and quality of title insurance, profitable operation by the agent, consequent profit by the insurance company, and certainly most important the protection of the public's interest.

For Greater Harmony

Greater harmony and uniformity of prices and product is to be desired. One of our best sales arguments for title insurance to a loan company is the uniformity and general acceptability of the A.T.A. policy by the national financial institutions. But to try to explain to that same loan company why the cost of that policy varies from agency to agency and from state to state is rather a difficult thing.

Perhaps other communities do not have the same problem that we have and perhaps I am injecting too much of a local problem into a national convention and I have been told that this is so but the principal exists in the very nature of the different types of contract and it would appear to me that an effort to standardize the agency contract as far as can be done under existing laws should be undertaken and an effort made to arrive at a more nearly uniform price schedule would be advantageous. Of course

I realize that there are territorial problems with respect to titles—the titles in the west are much shorter and simpler than those in the east and we could not expect a record search and a policy to be written as creepily in those areas as it can be done in the west. But it would seem to me that rate making should not be left entirely in the hands of the local agent and that whichever type of contract is used by the insurance company should contain some provision for the insurance company to have at least a strong voice in the establishment and maintenance of an adequate price schedule.

Bothersome Problems

In promoting the sales of title insurance there have been two things which have always appeared to me to be just a little unusual. Perhaps my training in the selling of fire and automobile insurance has had something to do with this. I cannot quite get used to having the attorney for the lending institutions tell me what exceptions we should put in a policy or how it should be worded or what exceptions should be left out. I am hopeful that the present movement for standard exception forms will cure this feature. The other thing that has always bothered me is this practice of the local agent being put in the position of establishing prices. This practice of course has grown out of the varying charges for the search and examination and certainly the local agent should have some voice in the establishment of that portion of the charge but where the entire matter is left up to the local agent, whichever type of contract he might have, there is a temptation for someone to "sharpen his pencil" and when that becomes prevalent both the insurance company and the agent will suffer.

The problems which I have presented here may have been discussed previously and the problems may have been largely solved in some areas but not in all. It may take considerable further discussion and study and even in some states additional legislation to arrive at an ideal solution

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to them but this being a living and growing organization I feel certain that the co-operation of the principal and agent will eventually bring about a proper solution.

Necessary in Every Office

I am sold on title insurance—I would like to sell every client on its added merits and worth—I feel that a title insurance agency is as necessary to an abstract office as a typewriter or a pencil—it is a growing business and in not too far a distant future it will be as much a part of

every real estate transaction as is fire insurance and I trust that what I have said here will not discourage any abstractor in his desire to provide title insurance for his customer. What I have said is an attempt to help that abstractor make his operation more profitable and to point out ways and means whereby the insurance company can, I hope in the not too distant future, meet the problems I have presented and thus more firmly cement the bonds now existing between the title insurance company and the agent.



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Arthur E. Wade, Vice-President, Land Title Guarantee and Trust Company, Cleveland, Ohio.

"Arbitrariness"

George B. Myren, Vice-President-Manager, California Pacific Title Insurance Company, San Jose, Calif.

"Modernizing Title Plants"

Miss Jeanette M. Epeneter, Secretary-Treasurer, The Title Insurance Company, Boise, Idaho.

"Geographic Filing vs. Tract Book Posting"

Claire Gibson, Secretary-Treasurer, Title Bond and Mortgage Company, Kalamazoo, Michigan.

"New Applications of Soundex—Extending the Use of Multilith to Title Plant—Report of Chairman of Committee."

C. Perry Liverton, Assistant Title Officer, Commonwealth Title Company of Philadelphia, Philadelphia, Pa.

ARTHUR E. WADE:

In recent years the Plant Committee has had a place on the National Convention programs. I have heard or read all of the talks and consider them to have been most enlightening discussions of various Plant operations. Nearly all them were, of necessity, reflections of the personal experiences of the speakers and were therefore of a specialized and localized nature. Many of the papers have stressed the **savings** made by changing methods, the heroes frequently being various types of photography. Savings are **relative**—they represent a cost reduction from some amount to a lesser amount.

A Warning Implied

None of the papers contained a warning that I wish to imply by the question "Can **you** afford a Title Plant?" A dyed-in-the-wool plant man might phrase it—"Can you afford to be **without** a Plant?" I am neither married to a Plant nor divorced from

one. My Plant experience has all been with Land Title, operating throughout the state of Ohio. I have worked closely with two of the finest large volume plants in the country, six modest sized partial plant operations and about 70 small, virtually no-plant, set ups. Land Title is very partial to the plant method, where practical, as evidenced by our doing 75% of our work with complete plants, 20% with partial plants and only 5% without plants. A few of you are from states requiring the maintenance of some sort of title plant, but the majority of us do not have to meet such statutory requirements.

An Operating Tool

The comparative losses and embarrassment over faulty work **do favor** the complete plant method but **not** to the extent that I can see any halos developing over plants, per se, so as to exclude all other considerations. I believe sincerely that a title plant's value should be judged **primarily** on its **efficiency as an operating tool**. At

strategic times and in the right places I have used all of the arguments for a plant's advertising value, its safety from loss value, and its value to the community in case of destruction of the public records. However, I can say to **you folks** that we must not lose sight of the plant's cost of maintenance.

Must Be Warranted

As a member of this committee for 6 years I have become increasingly uneasy over the possibility that we may have unwittingly encouraged some ATA members to build, expand or even buy title plants for operations that did not warrant them. My basic theory concerning the question "to have or not to have" a plant has almost nothing to do with the population, the age of the community or the volume of daily recordings. It has primarily to do with the proportion of the total title or abstract business in the county enjoyed by the company in question—in other words, the company's percentage of the total title business.

Based on Need

It seems perfectly evident that a company having a near monopoly cannot afford to be without the finest, most complete plant facilities obtainable as a working tool. Probably a fine plant is a necessity for companies handling 50% or more of the total work in the community. Below 50%, however, I am sure the cost of a complete plant becomes debatable. At the other end of the spectrum, it is evident that no one could afford a complete plant who handles less than 10% of the available business. It appears to be economically unsound, in most communities, to maintain one for less than 20% of the business. Just where the break-even point comes between my suggested 20% and 50% limits depends principally upon a number of local conditions. The most important ones have to do with the type and quality of the public indexes, the public maps and records, and the availability of working space in the Court House and other public buildings.

Paying Its Way

Many companies share the daily take-off and some do court work together. A few share all of their plant facilities with one or more competitors. **Sharing** naturally reduces the point of diminishing returns so as to show economic feasibility for each company on a lower percentage of the total work. If a full plant cannot come close to paying for itself solely as a tool, then I believe it is too elaborate and should be cut back to only the essential items that definitely save labor. A modest cost, or operational deficit, for a plant's many desirable features should pass any business management test.

Different Approaches

Some of you will bristle when I say that there are many fine, legitimate title operations in this country that do not have complete plant facilities. Many of them have partial plants—certain items only; always old searches; many times complete plat records and sometimes certain court indexes. I know of counties where the first consideration is given to a probate court index because the public indexes are so cumbersome that the best searchers are virtually lost. Some companies have excellent deed records only—leaving all other items to "thumb searching."

Accurate Service

I am sure that none of you are getting the impression that I am an advocate of title work done on a casual basis. That idea is farthest from my thoughts. The few operators who have only a glib tongue and possibly an abstractor's liability policy do not belong in the ATA league. All of our customers are entitled to accurate title evidences—not mere indemnification if someone has guessed wrong.

For Peaceful Enjoyment

A home owner desires peaceful enjoyment of his property—not dollars. Mortgage lenders do not want their borrowers upset by attacks on the title, however minor. Our customers

must be properly served. To us they are the most important people in the world.

I trust that I have made my basic point clear. It is simply this—complete title plants, with or without the latest labor saving devices, are proper investments for some, but for others, could easily be the difference between profit or loss, or “the straw that broke the camel’s back.”

MISS JEANETTE M. EPEENTER:

Ladies and Gentlemen: Last year I had the temerity to talk to you on the “General Index.” This year, Mr. Liverton, asked that I report to you on a subject of much wider scope—Modernizing your title plant.

Frankly, I don’t know where to begin—so much depends on what you now have and on many other factors. In years past, and today from the members of this panel, you’ve all heard of many ways, perhaps all the ways, to modernize your plants and because there aren’t many new innovations in any one year, I’d like to approach the subject from another angle.

Motion and Time Study

First, evaluate your particular plant and production as it exists through a motion and time study. Motion and time study is the analysis of the methods, of the materials and of the tools and equipment used, or to be used, in the performance of a piece of work—an analysis carried on with the purpose of (1) finding the most economical way of doing this work, (2) standardizing the methods, materials, tools and equipment. (3) accurately determining the time required by a qualified person working at a normal pace to do the task, and (4) assisting in training the worker in the new more efficient method.

Proper Sequence

The performance in proper sequence of the fewest fundamental motions is the best way of doing work—in reality the basis of motion study.

The application of this principle of motion study to a title business

may seem far-fetched—you may think it applies only to large factories with their production and assembly lines, but the principles are universal and may be equally effective wherever manual work is performed.

Simplifies Work

Great strides have been made in simplifying work after a study of motion and time has been made and I’d like to point out where and how you might find some waste motion in a title plant and where it might be improved upon through study and use of more modern equipment and methods.

The analysis and improvement of motions or steps in a process results in “finding the one best way, all factors considered.” That means the economy in dollars and cents be considered as well as the economy in motions, materials, tools and equipment. For example, a magazine-fed, motor-driven pencil sharpener might be the best device for sharpening pencils, but for the small office the hand-operated one is most economical. Therefore, what may be the best way for one may not be the best way for another. Finding the best way of doing a specific task is determined by a systematic study of your present methods, tools and equipment.

One of the best ways to approach the problem of methods improvement is to question everything about the job—the way it is being done now, the materials that are being used, the tools and equipment, the working conditions, etc. Assume that nothing about the job is perfect.

Begin your study with preparing a process chart or flow diagram as your production exists, and as this is being made, every item that is put down on the chart should be questioned. Begin by asking the questions, What? Why? Who? Where? When? How? How is it done? What is the purpose of the operation? Why is the work done? Is every part of the job necessary? Who does the work? Who could do it better? Where is the work done? Could it be done somewhere else more economically? When is the work done? Would it be better to do it at some other time? How is the work

done? This suggests a careful analysis and the application of the principles of motion economy.

For Improvement

After all phases of the work have been subjected to the above questions, consider the following possibilities for improvement:

1. Eliminate all unnecessary work. Can the whole operation be eliminated? It is obvious that if the job in question can be eliminated that particular problem is solved. We all know of many commonplace illustrations of unnecessary operations, such as the use of the window envelope makes it unnecessary to address the envelope.

2. Combine operations or elements. Sometimes the division of labor and breakdown of work has been carried too far. It is possible to subdivide a process into too many operations, causing excessive handling of an order. Thus it is sometimes possible to make the work easier by simply combining two or more operations or by making some changes in method permitting operations to be combined.

3. Change the Sequence of Operations. Study the work flow. Is it the same as when your production was smaller? Possibly the process chart and flow diagrams would serve a useful purpose in pointing out the desirability of changing the sequence of operations to eliminate backtracking, to reduce handling and to effect a smooth flow of work through the plant.

4. Simplify the Necessary Operations. After the process has been studied and after all improvements that seem worthwhile have been made, the next step is to analyze each operation in the process and to try to simplify it. In other words, the overall picture is studied first and major changes are made, then the smaller details are studied.

The Take-Off

Having outlined the scope of motion and time study and having indicated the several techniques that may be employed, the next step is to determine where and to what extent these procedures may be used to best ad-

vantage. In analyzing the various phases of your particular title plant operation, consider first the TAKE-OFF. what method are you using to get the necessary information from the Courthouse and other offices into your plant?

1. Do you use the Typewritten Takeoff? If so, is it typed in complete abstract form? Or a short form, that is enough of the description to post only? Or do you use a Shorthand-typewritten takeoff form?

2. Do you photostat your takeoff?

3. Do you use microfilm, and if so, do you use it in strip form or in individualized cards?

How much time and money is your takeoff taking and costing—do you know?

Make Cost Analysis

The various types of Takeoff and breakdown of costs have been discussed many times at other conventions and publications of Title News. How do they compare with the system you are using today? Make a cost analysis of your own. Do it. Don't be complacent or guess. Unless you've considered the question recently, it's a long odds bet there's a better way to do it!

The Copyflex Machine

We know of no brand new method of doing the Takeoff other than those outlined, or some variation thereof, except one that seems applicable to the companies still engaged in abstracting on a rather large scale—that is, the use of the COPYFLEX 14 Bruning machine for copying. (I believe this machine is on display here at the convention.) With this machine the Takeoff could be typed directly onto the translucent paper in the regular abstracting form. From this original, as many copies can be made as needed on sensitized paper. These copies can be used for an abstract and as many copies as are required can be made. You place your original on a sheet of sensitized Copyflex paper and insert them together into the Copyflex machine. The original will be quickly returned to you by the machine for filing and a few seconds

later, the sensitized paper—now showing an exact facsimile of the original—will emerge from the machine flat, dry and ready for immediate use. The entire operation is quickly completed—in a matter of seconds. The actual speed depends on the translucency of the original and the quality depends on the sharpness and opacity of the lines on the original.

Now as to your procedures in posting or getting the takeoff information in segregated form.

Consider Change

Do you post into the regular lot books or tract books or do you sort your takeoff geographically? (I believe a comparison of these two types is to be discussed by Mr. Claire Gibson on this panel). With either, the handiest tool of production is the use of Arbitrary maps, which you have just heard discussed by Mr. George Myren. Whatever you do, it could probably be improved to save time and money! All I'm urging is consideration of change.

The General Index

The necessity of a General Index I discussed last year, but again I wish to urge you to install some type of G.I. in your plant if you have none. Examine the system you are using and study it from the standpoint of motions it's taking and the time it consumes. If you do not have a complete G.I. in your plant, the waste motion in duplicity of searching of names is tremendous. Do you have **all** your miscellaneous information in one book or set of books, or do you use separate indexes for judgments, another for powers of attorney, another for liens, another for miscellaneous, etc.? It stands to reason that a lot of time can be saved by having to search only one record for a name rather than 3 or 4 or a dozen. If you think you save time by separating them—examine your concept! Make sure you save—in our own experience we've proven that these indices should be consolidated.

Modern Equipment

In your selection of office equipment, get only the most modern—

each can save time and money if production is designed toward the advantages of the machines.

Typewriters—do you use Electric typewriters? In a check of the production per station in our office, we found their installation increased output one-third.

The Auto-Typist. We have used an Auto-typist for a year in Boise and find it a tremendous timesaver from the standpoint of labor cost and speed and accuracy. Actually, in our experience, the one machine replaced one girl.

Photo Copy Method

Photo-copy method? Do you use any type of photocopy-method? We purchased a Verifax machine — the method Mr. Liverton described to you last year — and have found many varied uses for it that are time and labor saving.

We use our Multigraph machine rather extensively for many of our office forms and give-aways. We find it a great time-saver to multigraph the various abstract copies that have to be attached to title policies and to reports.

Step by Step

Your Plant Layout. Plant layout is a technique for achieving an economical working arrangement — to achieve the greatest possible output of highest quality at the lowest possible cost. Determine the best location for stationary objects. The use of motion study in plant layout should eliminate unnecessary movement. Movements should incorporate the principles of continuity. Work shall be so arranged that in the actual performance the steps naturally follow one another. A splendid study of this problem appears in a recent bulletin of the California Land Title Association.

Plant Design

Another important phase is the selection, organization and arrangement of the physical property needed. The design of the production floor—the design of a building must be predicated on the particular requirements.

The Aesthetic aspects of building

are deservedly receiving increasing attention. Since a greater portion of our total waking hours are spent at our work, or so the management thinks it should be, it is only logical that conditions should be pleasant as possible in order to foster friendly, cheerful and vigorous morale. This is determined by many of the services discussed and lighting, air conditioning, employee facilities, etc., which are primarily and directly designed to make the working atmosphere as pleasant as possible and which can add much to working efficiency.

Employee Morale

Another thing to consider is morale and work attitudes. Morale is the spirit which utilizes an organization's structure and is composed of confidence, loyalty and cooperation. Morale has 2 aspects (1), the presence of good will among employees as demonstrated through participation in the work of an organization, and (2) good will on the part of the public. Both are the results of internal organization attitudes. They succeed or fail together, for the impression of the public is favorable or unfavorable as a result of relationships with those who are close to the organization—those who work for it. Employee contact with the public may be likened to the splash of a stone in a pool. The rippling circles on the surface spread outward. So does good will or ill will spread out from an organization. In dealing with customers, employees are managements' representatives and it is on the basis of these relationships that customers formulate their opinions about the organization and its policies.

Praise is Effective

The attitudes of workers are in part a reflection of the ideas, manners, and impressions they observe in their work situations. When those with genial natures dominate a situation, a friendly, cooperative attitude is likely to be fostered; similarly, disagreeable and irritable people create unpleasant working relationships.

Praise is one of the most effective methods for building morale. Where credit is duly given, the desire for recognition is satisfied and further ambition is stimulated. Workers who are discontented in their jobs will make the most of excuses not to attend work regularly and they will take time off on the least provocation.

Attention to aesthetic surroundings as well as development of proper attitudes toward the job can be helpful in developing morale to reduce the amount of absence.

Modern Plant

I cannot stress too highly the need for making your plant as fast and workable as possible for two-fold reasons: to give the best service possible and to protect yourself against competition. The best plant is the cheapest to produce from and if yours is old—a plant, because of the modernized methods can be built for a lot less money today than a few years ago. And remember, that no matter how well you are now doing it, a competitor with a new and better and more modern approach can possibly do it for less money.

Decrease Costs

In most communities, at least with us in an inland state, we can't anticipate a great increase in our volume of orders. At best, we can hope for stabilization of our business volume at its present rate and if we are to make more money and increase our ratio of net to gross our only solution is to decrease our cost of production. Labor costs more and more. If a machine or a new system which takes no vacation, is never absent and doesn't go out for coffee, can replace one employee, give every consideration to its purchase. Both the machine and the employee it replaces may cost more tomorrow.

Study Suggests Improvement

A careful study of every step in a process through your plant is almost certain to suggest improvements. It is frequently found that certain operations can be eliminated entirely, or that a part of an operation can be eliminated, that one oper-

ation can be combined with another, that better routing can be found, more economical machines used, delays between positions eliminated and other improvements made, all of which go to produce a better product at a lower cost.

There are no more unfortunate than those who are content to accept life as it comes, making no attempt to have a more venturesome or a more profitable existence except as necessity may require. A business can't stand still! It's always moving—either to increased efficiency or toward oblivion. Thank you.

CLAIRE GIBSON:

Because of a brief statement in answer to one of the questions in the questionnaire relative to Title Plant operation, sent out by Perry Liver-ton's committee, we have been asked to explain it further; but it is our belief that unless there are numerous other offices with records in such form as prompted that remark, this article couldn't be of sufficient interest Association-wide to merit the space in Title News it would use up.

Posting Problem

Our Company purchased our abstract set from the estate of its former owner, who by the way was one of the original members of this American Title Association. He had purchased it many years previously, in the section, quarter section, plat and block, bound book form so familiar to all of us, from the sets prepared in the latter part of the 19th century. And he kept it posted in excellent condition, until around 1900, because of the growing difficulty of posting the split-up metes and bounds descriptions in a rapidly growing county, and thriving city, to those old books, he devised the scheme of dividing his county into a great number of tracts, running from number 1 through 800 for the City and Township of Kalamazoo itself, through higher numbers of the adjoining 15 townships of our county up into the 1700 numbers which we still continue. When one of those "tracts," as he termed them, became further split up, he added

letters to that tract number, and when the alphabet had been used once, began again with ab, ac, ad, etc. and on through aba, abb, abd, etc., so that his original numbering stands today for the same tracts into which originally subdivided.

He began then to "take off" from the original instruments recorded the day before, on 3x5" slips, white for conveyance, yellow for encumbrances, and once each week he or his chief abstractor, would go over to the Court House and carefully compare each slip with the original recording.

He purchased books, ruled expressly to take the posting of those slips, which were then to be filed in files numbered to correspond with his geographical tract numbers, on each slip having given it its proper number for the "tracts" it covered. If the instrument affected more than one tract, other slips were made for each such, and filed accordingly.

Constant Worry

However, business became so heavy this his office force was unable to get any of those slips posted and by 1920 when our Company purchased the set from his estate, that accumulation of twenty years, the most active our County had ever seen up to that time, were there in his files, not taken care of as he intended to do, and as he well KNEW should be done. For neither he, nor we who acquired them, be sure that sometime through those twenty years, one or a dozen or more of those slips might not have, unobserved, blown off into a handy waste basket, or out an open window, and there was no possible way to check whether those slips might not have represented a \$10,000 mortgage, or other dangerous item for him, or us, to omit from the abstract we were preparing, and which it would affect. There was therefore constant worry lest some serious loss might be visited upon one of our customers, and from him to us.

We visited several offices in our State, in order to find what seemed to us the most feasible method to take care of this increasing danger, so long as the files continued to grow, and remain unposted, and finally decided

upon the system used in Wayne County, where each section was abstracted, each present description given an arbitrary number, and when that section had been thoroughly completed, and checked, we posted those arbitraries into a loose leaf book, with typewriter, continuing to use the same tract numbers. Mr. Taylor had originally set up, and ascribing to each slip all the arbitraries that slip covered. When posted, and compared, it was filed in Liber and Page order; and whenever such filing disclosed a missing page or when in compiling the arbitraries we found a seeming missing item needed to carry the chain through properly, that fact usually brought to light one of the slips we felt might have been lost. Subsequent subdivisions of any such arbitrary were given new numbers in that tract, the new number thereafter to represent the sold off parcel, and the former number continuing to represent the portion still remaining undivided.

An Improvement

From that time, as these books were completed as to each tract, all the abstracter had to do to prepare an abstract for a parcel in that tract, instead of having to sort over hundreds of slips, to select therefrom such items as affected the parcel being abstracted, he merely followed down each page of posed tract, the particular numbers representing his parcel, (these having been posted in chronological order of course) jotted down on work sheet the Libers and Pages those posting called for, had them pulled from our files, arranged them in form which seemed most helpful for the examiner who ever thereafter had to examine it for any client, and handed them to the typist to write.

Those slips having been taken off in abstract form, all the typist then had to do was copy exactly in same form shown on the slip to her abstract, and she merely had to be a good copyist, and nothing more.

In 1938, having found time to visit our Conventions, and learning better ways to "take-off" we began to use Photostatic take-offs; and each days photostats were promptly, when dry

for use, allocated to the tracts they embraced, posted thereto, and filed after checking that posting in Liber and Page order again. Thus our posting was geographic, our filing Liber and Page. But, even though some items became misfiled, or destroyed in some way, there was no danger missing it in compilation of our abstract, for the miss was at once apparent, was easily photostatted again, for use.

Cost Cut in Half

We found, as have all who have changed from the old typewriter take off, to photography, that our cost of take-off was at once cut in half, from the former (1920) cost of 25c per item to less than 12½c posted and filed, ready for subsequent use. These costs have, of course, been doubled and more, in the last 15 years, because of natural increased cost of photo materials, and of labor of operator, posters and all labor connected with our operation. The preparation and filing, therefore, of the items subsequently to be used in our work, as well as the cost of "running the chain" from the posted items was thus greatly reduced; the chance of error, or of missing some important item out of the hundreds thus formerly filed in those unposted geographic files, made much less likely, and we could go at our work without the worry those unposted files caused.

However, this should be said. We found at once that after the abstracter handed the photostats to the typist for writing (up to then everything made easier and less expensive) from then on to completion, our costs increased, of necessity. For it required more than a mere copyist, a girl who had to know only enough to copy correctly, to write our abstract. She had to have the ability to choose from each photostat, from old writing of those early years, good and bad, faded and often illegible, all the necessary parts of each instrument which the abstracter should have shown, to know enough to miss no important qualifying sentence; and that when she had finished her writing, it required more than a person who could compare mere words from a slip to

see if properly rewritten on the abstract, and that instead of sending over such a person to take off the original slip and make the slip correct to begin with, we had to use that person to make the final check from our typed abstract; and that the finished abstract had taken much longer to type, and to compare, than theretofore.

Better All Around

Nevertheless, our examiners came to place more reliance upon our finished work, knowing we were writing them direct from the records as photostatted, and as costs increased and our own charges necessarily had to rise correspondingly, we found that there were no more complaints, in fact there were fewer, because of our \$1.25 per entry, than the former 40 cents per entry; nor against our certificate charge, ranging from \$5.00 to \$11.00, based on time elapsed since former certificate, which had cost then \$2.00; and such eyebrow lifting and shoulder shrugging as does occasionally come, is always from an uninformed person who hasn't the slightest idea of the cost to us of the painstaking work done in obtaining

the items required on his abstract, filed ready and waiting for him when he comes in years later to order his abstract made up.

Our own experience then (and we hope there are not many offices in the same unposted condition we were) makes us wary of mere geographical filing alone without those same items posted somewhere to take care of an easily misfiled, or mislaid item. Later developments in photography, and making of cards and card files, might have caused us to choose a different and perhaps better method than we did. But remember that was in the twenties, and these developments had not yet been born. We will be glad to answer any questions of any member, which this may prompt you to make to us, if our own experience can thus be of value to any other member.

We regret this issue does not contain Mr. Myren's paper and accompanying exhibits. These have been lost in transmittal from Los Angeles to Detroit. The article, with exhibits, will be carried in an early issue of "Title News."—Ed.

COMMITTEE ON TITLE PLANTS, REPORT OF CHAIRMAN

C. PERRY LIVERTON

*Assistant Title Officer, Commonwealth Title Company of Philadelphia,
Philadelphia, Pennsylvania*

Since the birth of this committee, five years ago, several factors have become increasingly apparent in our industry.

We have, all of us, marvelled in recent years, at the progress and advancement medical science has made in its many fields of endeavor, but it has, from your committee's observation, not been alone for in our field, all the evidence points to the fact that we have certainly moved forward in many ways during these past five years.

Companies, large and small, are continually endeavoring to find quicker and more efficient means of producing Title Policies and Abstracts and by so doing, further produce the only commodity which we have to sell, SERVICE.

From the letters received by your chairman, two factors would seem to have hastened this modernization, in various Title Plants. One that would seem to be predominant was set out in a letter received by your chairman in the past few months, and I quote: "We are contemplating a change in the method of securing the Daily Take-off instruments filed in the Registrar's office in our county. At the present time, we are using typists for this work, and since we are having a recording of approximately 5,000 instruments per month, we have been compelled to increase our personnel to a degree where the cost of getting this work into our office is almost prohibitive." The above quotation is typical of the situation that many companies have found themselves

faced with in recent years, along with the rising cost of labor, the turnover in personnel, which latter certainly increases the possibility of errors in the typed take-off. Another factor causing companies with Title Plants, increasing concern, is the rising cost of maintenance and production. Where mechanical equipment can be utilized in any phase of our operations, and by so doing, reduce the size of our personnel, and the accompanying overhead, it is of prime importance.

Colored Cards

I would like to suggest, for your consideration, an improvement that I feel can be made in the operations which involve a card file. The file could be a G.I. index, name index, soundex, or any other type of active file which must be maintained in your plant operations. From observation, I have found that many companies use cards all of one type and usually white. Have you ever considered, where we must index and place in the same file, different items, there is a distinct advantage to be derived in time and operations, by using various colored cards. In Philadelphia County, in our Soundex System, we file Common Pleas Judgments which must be revived every five years to continue the priority of claim, and U.S. Tax Liens, which must be kept in the file for ten years. We also have housed in the same file, under the same coding, Bankruptcies which go back to 1898, lunacy cards which designate a person as incompetent, and Miscellaneous cards which would designate the record of any instrument without

a legal description, therefore cannot be located in our Locality Department by property, such as Release of Legacy, etc., all of which in addition to the regular Common Pleas Court Judgments must be maintained in the file, for at least five years. Many of us, when making a search through our card index, are interested in possibly only one of the items mentioned. What is the quickest and most accurate way to obtain this information? In a system with cards, predominately white, we must examine each card and pick out the certain action or entry that we are interested in. In addition to the problem of searching through the file, as just referred to, as each five years expires in Pennsylvania, and a judgment is revived, it becomes necessary to remove the judgment cards over five years old, otherwise in a very short span of time, the space required for filing cabinets as well as the cost, would be prohibitive. Under the conditions just outlined, this pulling out requires a great deal of time and labor on the part of the personnel in the Name Search Department.

Soundex System

Realizing this, the Commonwealth Title Company of Philadelphia, several years ago, installed the Soundex System, endeavoring to minimize some of the problems just enumerated. It was accomplished in the following manner. The U.S. District Court Tax Liens were typed on salmon colored cards, Bankruptcies were typed on blue cards, Incompetency or Lunacy proceedings were typed on yellow cards, Miscellaneous items, such as Release of Legacy, etc., were typed on buff colored cards and Common Pleas Judgments on white cards. In as much as judgments are a lien for five years, we have gone further in designating the white cards.

Each Year Differs

The first year we use a plain white card, the second year, a white card with a very fine printed band across the top, which would be visible immediately on looking into the file, the third year, another slight border of a different design, and so on through

the fourth and fifth years. This has definitely minimized the effort and labor required at the end of the fifth year, to remove the cards over five years old. Under the present system, it is not necessary to look for the file date typed on the card. The sixth year, plain white cards were all removed from the file, for they were the cards that were then five years old. The seventh year, the cards with the band of a definite design would all be removed from the file and so on, through the fifth year. This system can be repeated indefinitely, also the varying colored cards mentioned heretofore. This makes it very easy. For example, if you were only interested in U.S. District Court Tax Liens against a certain individual, you need to examine only the salmon colored cards under that particular code in the file, as they are the only cards which will contain U.S. District Court Tax Liens, and so on with the other various colored cards. It is a great deal faster to be able to pick out the specific items you are interested in, by extracting the colored cards designating the subject, rather than examining a large number of cards with various types of actions thereon. Attached to this report are samples of the cards mentioned herein.

"Conve-Filler"

In conjunction with any type of active files, we must provide adequate housing. I would like to acquaint any companies that might be interested in setting up a new file or purchasing additional housing for cards, or replacing worn out or obsolete files, with an entirely new type of mechanized equipment known as Conve-Filler, manufactured by Remington Rand. There are several advantages to be derived through the use of this new equipment. The operator's hands are free at all times for phoning, note taking or preparation of material. The filing trays move to the right or left beneath the operator's hands, traveling down the side and back under a platform, and returning up the opposite side, the foot control giving smooth stopping and starting, the instant it is touched. Complete safety for the operator, as well as the mech-

anism, is afforded at the edge of the filing area. Where the cards disappear into the unit, a flexible rubber cover masks a circuit breaker. Should the operator put her hand against this rubber cover, drop a pencil or pen, should a card stand up from its place in the file, or a guide protrude too far, striking the circuit breaker, the machine automatically stops, restarting only when the obstacle is removed and the switch reset. Jamming is prevented by a ball bearing stabilizing device operating within the unit. Physical movement is reduced to a minimum, as ninety-seven percent of the cards can be reached easily with either hand without bodily movement. When positioned by the foot control, the other three percent are within easy reach when the body is turned slightly. Reference and posting require a minimum of physical effort since the work is at desk height, no squatting, stooping, or bending. It is not necessary to pull out card loaded drawers and constantly work back and forth between the files and the work tables. The cards are all brought to the operator electrically and by a slight pressure on the foot pedal, light the files, where the lower drawers are sometimes not as highly visible. When equipped with 5x3 cards, Conve-Filer holds about ninety-five thousand cards with guides. The dimensions of the unit are approximately 86" long, 31" deep, and 38" high overall. A standard posture chair with a slightly higher than normal base, can be provided. A working platform can be built to accommodate a regular chair in cases where you may desire to arrange units in batteries. In either case, this provides about a 30" desk high posting level for the operator. The posting front panel of the unit gives space for supplies or the operator's personal effects. The operator's hands are always free for reference or posting information to the forms and in situations where it may be desirable to arrange three of these units in batteries, forming a U, the operator can very easily be turning and changing her position on her posture chair, operating any one of the units as desired. The fact that all posting and

references can be handled while seated at the unit, saves floor space due to the fact that no additional desks are needed for posting cards, as they are used in conjunction with the filer. From the facts outlined above, it may be desirable to look into this new type housing for files.

For Multiple Copies

Approximately two months ago, Commonwealth Title Company of Philadelphia embarked in a new operation entailing the application of Multilith-Xerography to the preparation of Title Reports. Naturally, it is too early for us to give to you an accurate estimate of the saving in personnel in our typing division, but I can report it is definitely going to be substantial, plus the savings which will naturally accrue to us, due to the fact that we will be able to print at least eighty percent of our present office forms under the Multilith operation. It has been so successful that I would like to outline for you, how we have applied it to our Title Reports. In Philadelphia and surrounding areas it has been the practice, for many years, to send the applicant four copies of the Title Report, and to maintain one copy, known as the Office Copy in the company's file. Attached to the Title Reports are numerous building restrictions, set out in full, right of way agreements and many other types of recorded instruments which would have a bearing on the title. Prior to this new application, a study was made to ascertain how many 8½ x 14 single spaced sheets of these restrictions, covenants, etc., could be accurately copied by one girl, in a seven hour working day. This study revealed the average number of sheets typed, to be nine. The various forms of Title Report, furnished by a commercial printer, necessitated separate run-offs by him, such as Office Copy, Original, and Duplicates. It was therefore, necessary in our typing division, when preparing to type a complete Title Report, the typist would have to assemble an Office Copy, one original, three duplicates, insert carbon, and place in the machine. It was surprising, the time required for this oper-

ation, plus the fact that any errors, no matter how slight, necessitated the erasing, not only on the Original, but also on the carbon copies. Another factor brought to light, through the study, was on our printed forms there was a great deal of wasted space, due to the fact that certain reports were short and the space required on the printed form was naturally designed to take care of the maximum number of encumbrances, liens, objections, etc.

The Multilith

With the recent advent of our new operation, all of the foregoing has been successfully eliminated. To place in operation our new system of producing Title Reports we purchased two Multilith machines, number (1250), and a quantity of short-run paper masters. These masters vary in price, according to the quantity purchased for example, \$5.55 per hundred, \$5.00 per hundred for from 10,000 to 24,900 and \$4.55 per hundred for 100,000 or over. This type of short-run master, can be preserved and used at various times up to three hundred copies. In preparation of our Title Report, we had a quantity of the duplimats preprinted. (1) The objection duplimat, for the standard printed objections, which appear on all Title Reports and also including the name of the company. (2) Description duplimat, a blank duplimat, with a preprinted small block, large enough to take our order or application number. We also had preprinted, a quantity of duplimats entirely plain, except for a solid black line two inches to the right of the left margin. This last mat is used in cases where the objections are unusually long, therefore must be continued on a second page and finally we use a plain duplimat for restrictions, agreements, rights of way, etc. The charge for the above preprinting is as follows: \$3.00 for the setup charge, \$.01 apiece for the first thousand and one-half cent thereafter. At the present time as the applications or orders for Title Insurance are received in our order department, a full legal description is immediately typed on a description master. The printed block referred to above has placed therein a gummed sticker with the

present application number or order number typed therein. This is then verified for completeness and accuracy from the last deed and immediately upon completion by the verifier, is sent to the Multilith Department. There, the Tax and Water rent search, Plant search, Inspection, Mechanics and Municipal Lien search and the Preliminary Title Report are immediately run off through the use of this description master and channeled to the various departments for processing. This description duplimat is retained in the Multilith Department and placed in a very inexpensive envelope with the order number placed on the outside and filed in chronological number order, until the objection duplimat reaches the Multilith Department. After the various searches have been processed through each department, and the Title Examiner has examined the Title and completed the Preliminary Title Report, showing the various objections, restrictions, agreements, etc., affecting the particular application or order number, the report is forwarded to the typing division where the objection duplimat is typed and forwarded to the Multilith Department. From the application or order number appearing on the objection duplimat, the description duplimat which was previously placed in chronological order in a file contained in the Multilith Department, is immediately extracted. The objection duplimat is then placed on the Multilith Machine and five copies are run off.

Following this operation, the objection duplimat is removed and the description duplimat for the corresponding number is placed on the roller. The same five copies are immediately fed through the machine on the reverse blank side upon which the description was reproduced. At the conclusion of this operation, both the objection duplimat and the description duplimat are treated for permanency and reinserted in the envelope which originally held the description duplimat and sent to a permanent file to be filed upright in chronological order. If in the course of our service, we are requested to

furnish additional copies of the Title Report, the envelope housing the objection duplimat and the description duplimat can be procured and the desired number of copies reproduced at a moment's notice. This envelope, with its contents, is maintained in the file until such time when a new order or application covering the same parcel of real property, would be received by the company. On arrival of such an order, we would immediately request the prior order number from the file, destroy the objection duplimat and remove from the description duplimat, the gummed sticker with the prior order number typed thereon and put in place of it a new sticker with the present order or application number typed thereon, and follow through with the procedure as outlined above, changing the number on the envelope to the new order number. This operation completely eliminates the need of retyping the description. In conjunction with the typing of the objection duplimats, there are many matters in which building restrictions, right of way agreements, easements, etc., must be set out in full on an attached sheet accompanying the Title Report.

Two Methods

These agreements and restrictions are handled in two ways. (1) Cases where the restriction or agreement has just been created and we do not have a copy under our previous insurance in our file, the typist at the time of typing the objection duplimat, also types in full, restrictions or agreements on one of the plain duplimats. (2) In cases where restrictions and agreements, etc., must be set forth and we have certified under an insurance of a larger tract or an adjoining insurance or a previous insurance on the said property, the restrictions or agreements affecting the present report, we can through the application of Xerox, transfer from the old copy in the bundle, the said restrictions or agreements, to a Multilith master and reproduce from this master, the facts for our present Title Report. In either case, all copies of the masters so produced, are

treated for permanency, filed in a separate file by recorders book and page order. Agreements and restrictions in book and page order will continue to build up with the masters in such a manner that it will expedite the reproduction of many of these restrictions that have to be certified in Title Reports, in the future. All that is needed is a record of the book and page wherein the restrictions or agreements are recorded. Then, refer to the file, remove the duplimat containing the restrictions, and make the necessary copies for any subsequent Title Reports..

A Summation

The extent and full advantage that will accrue in the future, cannot be measured at the present time, for as mentioned before, the operation has only been in effect for, approximately, two months, but certain definite improvements and advantages have already been accomplished. (1) The reduction in the number of typists required to expedite our Title Reports. (2) The typing of the legal description once only, instead of duplication, with the possibility of typing errors, as heretofore. (3) The elimination of typing a description in the future, where we reinsure the same property. (4) The personnel in the typing department like to type on the duplimats. Carbons are no longer necessary and this along with the fact that corrections can be very easily made by using a special eraser and are accomplished with no resulting evidence of said corrections appearing on the finished Title Report. (5) Our ability to give better SERVICE, due to the increased speed in which the final Title Report can be expedited.

As the chairman of this committee, it has indeed been a pleasure to have served the officers of the American Title Association and I shall always be sincerely indebted to the ladies and gentlemen who have served on our committee with me. Their cooperation has been of the highest caliber and I can only repeat, it has been my privilege to have been a small part of their efforts.

COMMITTEE ON STATE ASSOCIATION MANAGEMENT, ACTIVITIES AND EXPANSION, REPORT OF CHAIRMAN

MARVIN W. WALLACE, *Chairman*
President, Cragun Abstract Co., Kingman, Kansas

You heard the story of the boy who said to his Pop, "Do you know what the man said when he saw the steam roller run over his pet cat?" The willing father replied, "Nope, I don't. What did he say?" "He didn't say nothing," said the boy, "he just stood there with a long puss."

Complete Report Coming

I am sure that was my expression when I accidentally found the announcement of my report in the program while enroute to the convention.

Our Executive Vice-President, Jim Sheridan, knew that our Committee was not able to complete our task before the convention this year, consequently, I guess that I just presumed in such a case that we would not report until we had finished the job that was assigned to us and that wouldn't be until next year or at least until after this convention.

Work is Praised

Of course, I should have realized that after the many kind words and the tremendous build up regarding our job and our committee that was expressed in the membership circular that was mailed recently from the Detroit Office of this Association that a report from this Committee would be the least that we could do.

A Second Ben Hibbs

From the very kind words of our genial Executive Vice-President you might be inclined to have reason to

feel that yours truly was a second Ben Hibbs in the re-editing of our booklet on "State Association Management, Activities and Expansion" but what Jim doesn't know is that Ben Hibbs and I have a great deal in common. We were both born in the same neighborhood, went to the same High School, attended the same University. The only difference being that he majored in journalism and my journalism didn't exceed three to five hours of credit and lastly and of small consequence Ben Hibbs is now editor of the Saturday Evening Post. Naturally I am not going any further particularly as to what I became.

Thanks to Committee

I do want to thank the members of our committee for their very great help and assistance, particularly Colonel Palmer W. Everts, Secretary of the New York Title Association, Mrs. Hazel Parker, Secretary of the California Land Title Association, Marshall Cox of Ohio and Wharton T. Funk of Washington.

First Half Done

We have completed about the first half of the new edition of our booklet and we hope that we may have it in print to you before another convention time rolls around.

If any of you know of any member of this association that would enjoy helping us to publish a better booklet and would like to take a swing at this sort of thing, kindly let us know.

COMMITTEE ON ADVERTISING AND PUBLICITY, REPORT OF CHAIRMAN

ROBERT H. SOMMERS, *Chairman*

Vice-President, Security Title Insurance Co., Los Angeles, California

At the commencement of this year, your Advertising and Publicity Committee felt that the best way we could serve our Association was to make a study and comprehensive survey of the advertising and publicity needs of the Association, both as a national group, and also on the basis of the needs of individual members.

At the beginning of our program, all media, including magazines, television, and direct mail, were considered, as to their value in relation to their cost. Findings of this preliminary survey were then circulated among the members of my committee, with the request that they exchange opinions and constructive suggestions. My committee responded promptly, and with enthusiasm, and their suggestions were incorporated into the overall plan.

With the facts gathered together, a six-point plan of action was drawn up, presented to the Board of Governors of the Association, and is now under consideration by them.

It is felt that these proposals represent some of the best professional advice that it is possible to obtain, and that they give a cross-section of thinking within our own industry, as well. No doubt you will hear the results of the survey later, when the governing body has had an opportunity to consider this report fully, and take appropriate action.

Thanks to Committee

Again, I would like to take this opportunity to express my appreciation to my committee for their energetic and enthusiastic help. Furthermore, I would like to say thanks to the exhibitors in our advertising and publicity display. The quality of the material displayed, and its effective presentation, has done a great deal to make our show this year a success. We hope that you have enjoyed seeing the

exhibits as much as we have enjoyed bringing these collected ideas on advertising and publicity to you.

It is our hope that you will leave here with an added appreciation of the value of advertising, when it is slanted in the direction that will serve to educate the public to the need for protection through the services of members of our industry.

Presentation of Awards

It has been a pleasure to serve the American Title Association during the past year as Chairman of its Advertising and Publicity Committee.

Staging the advertising and publicity exhibit is usually the wind-up of the chairman's term in office, and I was especially delighted with the quality of the material submitted for the exhibit this year. Each year it becomes increasingly evident that title and abstract people are recognizing the need to get across to the public, and to their clients, the importance of their function and their value to the community. A number of the entries this year showed considerable effort to present this message effectively to the public.

Judges Worked Hard

In order to select the winners in the various categories, we had a group of 4 impartial judges, none of whom had an entry in the contest. I would like to take this opportunity to thank them personally for their efforts, and to thank them for lending their know-how to the judges' panel. They are: Mr. Leo A. Reuder, First Vice-President-Secretary of Title Insurance Company of Minnesota; Mr. A. B. Wetherington, President of Title & Trust Company of Florida; Mr. William Wilson, President, Elgin-Davis Studio here in Los Angeles; and Mr. Jack Nadel, President, Nadel and Company, Beverly Hills.

The Prize Winners

The job of judging is always difficult when there is such a wealth of fine material to select from, as we had in this advertising contest. However, in order to eliminate any guesswork, or any possible hit or miss method of judging, we decided upon a point system prior to the judging. Each entry in each category was judged on five elements: (1) message content, as it applied to appeal, readability, and interest; (2) originality; (3) attractiveness; (4) cost in proportion to the coverage received; and (5), overall advertising value.

As always, we would like to be able to give prizes to all, because they are all worthy of prizes. BUT, here are the judges' decisions:

The gold plaque, representing the annual capital prize for media advertising, to the abstract company producing the best single ad, series of ads, publicity story, or series of publicity stories during the year, goes to **DANE COUNTY TITLE COMPANY, MADISON, WISCONSIN.**

The gold plaque, representing the annual capital prize for media advertising, for the title or title insurance company — whose combined capital and surplus is less than \$1,000,000.00 and which does not employ professional advertising counsel—producing the best single ad, series of ads, publicity story, or series of publicity stories, during the year, goes to **LAND TITLE INSURANCE CO. OF ST. LOUIS.**

The next gold plaque to be awarded is the annual capital prize for media advertising, for the title or title insurance company—whose combined capital and surplus exceeds \$1,000,000.00 or which employs outside professional advertising counsel — producing the best single ad, series of ads, publicity story, or series of publicity stories, during the year. The 1953 winner is **SECURITY TITLE INSURANCE COMPANY, LOS ANGELES.**

NOW THE SWEEPSTAKES WINNER . . . The announcement you've all been waiting for. This is the winner of the grand prize for the most effective advertising program of the

year carried on by any abstract, title, or title insurance company in the Association. This trophy will be a perpetual trophy and will be held by the winning company through the following year. The company will also receive a gold plaque, which it may retain permanently. The winner is **TITLE INSURANCE AND TRUST COMPANY, LOS ANGELES.**

Certificate Awards

- A. Newspaper and magazine advertising.
 - 1. Dane County Title Company, Madison, Wisconsin
 - 2. None
- B. Booklets, pamphlets, financial statements, etc.
 - 1. Clark County Abstract and Title Company, Vancouver
- C. Direct mail campaigns, letters, etc.
 - 1. The Abstract Corporation, DeLand, Florida
 - 2. Henrietta Abstract Company, Wellington, Kansas
- D. Radio and TV advertising
 - 1. Bremerton Title Company, Bremerton, Washington

Title Insurance Companies, Whose Combined Assets are in Excess of \$1,000,000 or Who Employ Outside Advertising Counsel

- A. Newspaper and magazine advertising:
 - 1. Washington Title Insurance Company, Seattle
 - 2. Title Guaranty & Trust Company, New York
 - 3. Security Title Insurance Company, Los Angeles
 - 4. Commonwealth Title Company of Philadelphia
- B. Booklets, pamphlets, financial statements, etc:
 - 1. Phoenix Title & Trust Company, Phoenix
 - 2. Title Insurance and Trust Company, Los Angeles
 - 3. Security Title Insurance Company, Los Angeles

- C. Direct mail campaigns, including letters, blotters, and series of printed messages:
 1. Security Title Insurance Company, Los Angeles
 2. Phoenix Title and Trust Company, Phoenix
 3. Land Title Insurance Company, Philadelphia
 - D. Miscellaneous advertising, including novelties, gifts, calendars, etc.
 1. Security Title Insurance Company, Los Angeles
 2. Title Insurance and Trust Company, Los Angeles
 3. Lawyers Title Insurance Company, Richmond
 - E. Business and office forms which carry advertising
 1. Security Title Insurance Company, Los Angeles
 2. Title Insurance and Trust Company, Los Angeles
 3. Lawyers Title Insurance Company, Richmond
 - F. Publicity Releases
 1. Title Insurance and Trust Company, Los Angeles
 2. Security Title Insurance Company, Los Angeles
 3. Home Title Guaranty Company, New York
 - G. Radio and television advertising
 1. Security Title Insurance Company, Los Angeles
 2. Chicago Title and Trust Company, Chicago
 3. None
 - H. House organ or company publication
 1. Union Title Insurance and Trust Company, San Diego
 2. Security Title Insurance Company, Los Angeles
 3. Title Insurance and Trust Company, Los Angeles
 - I. Posters, billboards, display cards, and exhibits
 1. Commonwealth Title Co. of Philadelphia
 2. Title Insurance and Trust Company, Los Angeles
 3. Lawyers Title Insurance Company, Richmond
- Title or Title Insurance Companies With Less Than \$1,000,000 Capital and Surplus and Which Do Not Employ Outside Advertising Counsel**
- A. Newspaper and magazine advertising
 1. Land Title Insurance Company of St. Louis
 - B. Booklets, pamphlets, financial statements, etc.
 1. Land Title Insurance Company of St. Louis
 - C. Direct mail campaign, including letters, blotters, and series of printed messages
 1. Reliance Title Company, Santa Ana
 2. Land Title Insurance Company of St. Louis
 3. City Title Insurance Company, New York
 - D. Miscellaneous advertising, including novelties, gifts, etc.
 1. Land Title Insurance Company of St. Louis

REPORT OF PLANNING COMMITTEE

WILLIAM GILL, SR., *Chairman*

President, American-First Title & Trust Company, Oklahoma City, Oklahoma

The Planning Committee was created in 1945 and its first report written April 17, 1946. During its existence a total of eight reports and supplemental reports have been made.

The Executive Committee, at a called meeting held in Chicago, April 25th and 26th, 1952, requested the Planning Committee to revise, condense, rewrite and where advisable reconsider all previous reports and recommendations.

I desire to publicly express my appreciation to all members of every Planning Committee and especially to Messrs. Earl C. Glasson, Paul W. Goodrich, George E. Harbert, Morton McDonald, George C. Rawlings, J. E. Sheridan, Edward T. Dwyer and Lawrence R. Zerfing for the fine cooperation and valuable assistance so cheerfully given, and I am especially grateful also for the fine services rendered by Joseph T. Meredith in his work on the Committee. These fellows never let you down. (Incidentally, and this is off the record and not a part of this 1953 revised, rewritten, reconsidered and recondensed report—"don't accept any committee assignment unless you are willing to do some work.")

This report is divided into three parts: "First, Standing or Continuing Recommendations Requiring Constant Attention; Second, Recommendations Needing Action; Third, Recommendations Already in Effect.

STANDING OR CONTINUING RECOMMENDATIONS REQUIRING CONSTANT ATTENTION

1. Proper Contacts with Related Groups by the National and State Associations.

The National Office should maintain a complete mailing list of the officers of related groups, letting our members know when and where their annual district and regional conven-

tions will be held, etc. The National Office should maintain close contact and when new officers are elected, see that congratulatory letters are sent, etc. Some representatives of the American Title Association should personally contact, from time to time, the National Headquarters of such related groups.

Where possible, a representative of the American Title Association should endeavor to appear upon the convention programs, briefly explaining the activities and services offered by our members, this subject to other travel commitments and expense involved.

State associations should be urged to carry out the same public relations program with state associations of such related groups.

They should be urged to not discuss controversial matters with such related groups without first obtaining the counsel and advice of the national association. The fact that a state controversy could affect other states and even the national picture should be constantly stressed.

With additions to come from time to time, the following are considered to be related groups:

- The Mortgage Bankers Association
- National Association of Real Estate Boards
- United States Savings and Loan Association
- American Bankers Association
- American Bar Association
- National Association of Home Builders
- Institute of Life Insurance
- American Life Convention
- Lumbermen Dealers Association
- Association of Landmen, Oil Lease and Realty Dealers
- Chain Store Groups.

There are doubtless other groups, and their names should be added to the list.

2. **Contacts by American Title Association with Washington Agencies and Contacts by State Associations with Regional, District and State Headquarters of such agencies.**

This has been done in an excellent manner by our Executive Vice-President, Mr. Sheridan, insofar as Washington agencies are concerned. Far too little of it has been done by State Associations. As time and conveniences permit, the National Office should prepare and maintain a current list of the various Regional, District and State Officers of all Government agencies having business relations with our members, for use of title association officers; and a representative of the national association pay regional and district offices a friendly visit in an effort to determine to what extent our services are satisfactory, etc.

It is recommended to our state title associations that their officers, and, at their convenience other members of the state organization, establish and maintain contacts with the regional and state officers of Federal agencies located within the lines of their respective states.

It is recommended our Public Relations Committee be charged with the duty of procuring, perhaps through questionnaires issued quarterly or semi-annually, progress reports on contacts as described in the paragraphs next above; and particularly to secure information on complaints about services rendered by member companies.

State Association officers should be urged to not enter into any controversy with Government agencies, nor to seek rulings as to wages, etc., without first seeking the advice and counsel of the National Association. An adverse ruling or decision could well affect our entire membership.

3. **Statistical Service for our Members.**

A great deal of information has been assembled by the National office. It should be carefully catalogued and

a list of the subjects covered furnished our members.

The subjects which your Committee believes our National Office should obtain complete information are:

- Taxation of Title Plants
- Valuation of Title Plants
- Title Courses
- Publications issued by Affiliated State and Regional Title Associations
- Use of space in Public Offices by Abstract and Title Companies
- Legislation (State) regulating abstracters
- Legislation (State) regulating Title Insurance/Title Guaranty Companies
- Preservation and Rebuilding Title Plant Records
- Public Registration System
- Operating Expenses
- Schedule of Premium Charges of Title Insurance/Title Guaranty Companies
- Schedule of Charges on Abstracting, including **Time and Valuation Charges**
- Standardization of Showings in Abstracts
- Retirement, Group Insurance and Bonus Plans
- Collateral Subjects—Practice of member companies in the matter of Employer-Employee Relations, including pamphlets, talks and articles treating on these subjects
- Liability of Title Insurance/Title Guaranty Companies
- Liability of Abstracters
- Pamphlets, briefs and articles dealing with various legal problems on Title Matters
- Advertising—Newspaper, house organs, direct-by-mail, billboard, pamphlets, radio, etc.
- Publicity—Talks and articles by informed Titlemen.
- Educational campaigns conducted by members in their respective localities
- Losses under Title Insurance/Title Guaranty Policies
- Losses by Abstracters
- Bonding of Abstracters
- Abstracters License Law
- Pamphlets and lectures on ways and means of improving cooperation

with the Bar Association and its members on common problems.

It is the belief of the Committee that our own Association should assemble information regarding all phases of abstract and title company operations obtainable by members on reasonable short notice when desired.

Members should be solicited from time to time for additional topics on which they desire information gathered and catalogued in National Headquarters.

Our members should be furnished on a regular basis, possibly at least annually, statistical information as to operating costs including salaries, etc., broken down by regions, a group of states or areas of a comparable nature.

National Headquarters should keep all files containing statistical data as nearly current as possible.

4. Report of Current Court Decisions.

The Committee believes this information should be furnished our members monthly and should include information as to the cause of title insurance and abstract losses, usual as well as unusual types. The Chairman of the Title Insurance Section, Mr. Lawrence R. Zerfing, assumed this job and with the help of a few members of his Section, a good start has been made. This type of information could be substantially improved if our members, who are supposed to do so, would take more seriously their respective assignments. Officers of State Associations could likewise assist the Title Insurance Section in gathering this data.

5. Publication of Talks by Our Members.

This is an excellent service, but only a fair amount of it is being done. Our members make many good talks before various groups, including our own Association, which are "buried under the basket" because members and State Association officers fail to furnish copy to the National Office. We should continually urge more cooperation in this respect. Some of these papers might well be reproduced in pamphlet form for distribut-

tion to our members. (More prodding by our National Headquarters might or might not get results.)

6. Increased Membership.

This is largely a matter for State Associations, but it is somebody's job to "prod" State Association officers. The National Association Membership Committee, with the assistance of the National Office, should obtain information as to the number of available non-members in each state having an association.

A quota or goal for State Associations would doubtless be an inducement. To tell a State Association we are trying to increase membership is not as effective as requesting such Association to meet a goal based on the potential members in such state.

State Associations having a publication should be asked to forever encourage present members to secure new members.

The Abstracters' 14 Point Program, adopted by many states, makes membership in the American Title Association compulsory for State Associations. Some states which have adopted the program are not complying with this recommendation.

7. Abstracters Section 14 Point Program.

This program, if carried out, would be most effective. Like other reports and recommendations, it could soon become "forgotten," so to speak. There should be no letdown in promoting and encouraging State Associations to keep this program constantly in mind and "do something about it." The Committee believes this important matter is not being sufficiently watched and presented.

8. Program of Activities for State Associations.

The American Title Association has always held out a helping hand to officers of State Associations, but few avail themselves of it. The National Association should continue to urge, perhaps more forcibly, State Association officers to formulate constructive "all the year round" program of activities; and a construc-

tive program should be prepared by the National Association for use and guidance of newly elected state officers and committees, and published in pamphlet form. During the past two or three years, a great deal of hard work has been devoted to this matter, and considerable progress made.

A committee has prepared a suggested program for "State Association Management, Activity and Expansion." (Is it being used?)

States not having a monthly publication are urged to issue one, even though it be a dog-eared one sheet production. There is no better way to cement the membership.

Regional Meetings within state lines should be held at least once each year.

9. Committee on Photography.

Many good papers have been written and published. The original committee and successive committees have done an excellent job. This information should be reviewed, condensed and put out in pamphlet form for use and study by members and kept as current as possible as new equipment and ideas are developed.

10. Display of Mechanical Devices at Conventions.

At conventions in the past, we have had excellent exhibits. There is no better way to acquaint our members with modern methods. Lack of proper hotel space has resulted in a few exhibits of indifferent quality. Every effort should be made to continue this interesting convention feature.

11. Advertising for Our Members.

There has been a marked increase of interest in advertising methods of members; and advertising committees are commended for their efforts. The Committee suggests members furnish the National Office with pamphlets, etc., which they believe to be above the ordinary, explaining quantity, price, how used, etc. Several attempts have been made to interest the abstracters in some kind of a "mat" or "canned" advertising program. This has not been well received by members. We should

continue our efforts to develop such a program.

12. Title News.

Title News should be published monthly, in its present size and form, and should contain more items of interest. Many members are interested in the condition of the real estate and mortgage market, prospects for home building, income tax matters, etc.

As previously stated, larger companies obtain this information, but a major portion of our members reside in rural communities and do not receive related trade association publications and bulletins.

Every issue of Title News should contain a "short plug or reminder" of some recommendation of the Planning Committee such as the availability of statistical information; conventions of related groups; request for copies of talks made by members; urging solicitation of new members; activities of State Associations mentioned in the "Abstracters Section 14 Point Program"; suggestions and ideas for improving State Association Conventions and what other title associations are doing, etc.

Title News has greatly improved during the past few years, but we should constantly strive for still further improvement.

13. Special Bulletins.

The purpose of sending bulletins is to keep members informed on special matters. This service should be used only in cases where the National Office believes we should receive the information before the next monthly issue of Title News. Special bulletins also some times carry information of a more or less confidential nature which obviously would not appear in Title News.

14. The National Association Office.

It is recommended our National Office be promptly and properly staffed with additional competent help. The present personnel is totally inadequate to furnish services desired. Heretofore, by necessity, the office has been more or less of a "one man" office. No matter how capable and efficient one person may be, it is physically impossible for him to do

more than a limited amount of work. If suggestions contained in this report are put into effect, a great amount of statistical, research and clerical work will be required. Additional equipment and supplies may be needed. A big business cannot be operated with inadequate personnel; and the title industry is a big business. We again urge the Executive Committee to give this item first consideration.

15. Reserve Fund.

It is recommended that ten percent (10%) of the gross receipts from dues be set aside for contingencies; said fund to be administered by a board of three trustees preferably consisting of three members of the Council of Past Presidents, and not members of the Board of Governors selecting same; and that such fund shall only be used upon approval by a two-thirds (2/3rds) vote of the full Board of Governors.

16. Annual Audit.

It is recommended that the practice of having an annual audit of National Association's books and records pertaining to income and expense be continued, including observance of approved general accounting practices.

17. Annual Regional or District Meetings.

It is recommended that the holding of Annual Regional or District Meetings of Executives of Title Insurance and Title Guaranty Companies be continued.

18. Membership Requirement.

We recommend that State Title Associations be urged to make membership in the National Association compulsory as a requirement for State Association membership. It would lessen the work of "over-worked State Associations secretaries and treasurers" if National Association dues were collected by National Headquarters and give more expediency and uniformity.

RECOMMENDATIONS NEEDING ACTION

1. Publish a report of convention proceedings in one volume. No ac-

tion recommended by Planning Committee by reason of extra expense involved.

2. Publish the National Membership Directory not later than January 15th, annually, and continue our efforts to induce our members to increase the number of directories purchased for customer distribution and advertising purposes.

3. Set aside ten percent (10%) of our gross dues income as mentioned in paragraph 15 of Standing Recommendations.

4. Authorize National Headquarters to start without delay putting into effect all the Standing Recommendations previously approved by the Executive Committee and the Board of Governors.

Request the Executive Committee and the Finance Committee to review and re-study salaries, annual budget and rent being paid by National Headquarters and the question of an understaffed National Headquarters. If properly staffed, ascertain cause for delay in making effective previously approved items.

5. Proceed with caution before sponsoring Regional Meetings of abstracters and discontinue financial support of future Regional Meetings of abstracters unless approved by a majority vote of the Board of Governors.

6. Encourage the use of the American Title Association insignia cut and decal.

7. Study the possible advantages of listings in the Directory being arranged alphabetically by cities and towns rather than by counties.

8. Much to be desired is the presence of a representative of The American Title Association on the business programs of our State and Regional conventions.

It is the recommendation of this Committee we continue to follow the practice of the past several years that no more than one National Officer should attend any one State convention; and he only upon approval by the National President; further that attendance by more than one National Officer should be only

when exceptional circumstances exist; that attendance by more than one be only upon authorization by the National President in these extraordinary circumstances.

The Planning Committee contemplates that state and regional organizations will be reasonable in their requests in order that no undue burdens be borne by the national organizational treasury.

9. It is recommended that the Board of Governors consider ways and means of organizing more State or Regional Associations in unorganized states or areas.

10. A member of the Planning Committee suggests "that our National Office prepare advance copy to be released to local newspapers and, if possible, UP or AP wires of our National Conventions and in addition furnish the press with appropriate pictures that might be published."

He also believes that it would be possible to have our President or other top officials speak at civic club meetings in the convention city.

11. The Committee recommends the adoption of the proposed Code of Ethics and a strict adherence thereto by our members.

Likewise, we recommend the adoption of the proposed amendments to our Constitution creating a Grievance Committee for a more rigid policing of our members.

We strongly condemn any practice "detrimental to the public interest or to the continuing stability of the title profession."

RECOMMENDATIONS ALREADY IN EFFECT

1. Contacts with some of our related groups by our Executive Vice-President, Jim Sheridan, is fairly satisfactory but should be expanded.

2. An excellent job of contacting various Federal agencies doing business with our members has been going on for a long number of years. This work will be continued by Mr. Sheridan.

3. A greatly improved advertising exhibit by our members.

4. A greatly improved display of

mechanical devices and equipment by manufacturers and distributors.

5. There is a vast amount of statistical matter and material in our National Office pertaining to the title profession. This is slowly but surely increasing.

6. Some additional help has been added to our understaffed National Office.

7. Our National Directory, starting with the 1954 issue, will be published annually.

8. Ten percent (10%) of our gross receipts from dues is being placed in a contingency fund with proper restrictions for safeguarding same.

9. Our National Office now maintains an approved system of accounting and its records are audited annually.

10. Title company executives hold Regional Meetings annually in three different areas.

11. A representative of the American Title Association has attended state title or regional meetings when requested by such groups, at the expense of the National Association.

12. Our Constitution was amended changing the method of electing and the term of office of members of the Board of Governors.

13. An Executive Committee consisting of the President, Vice-President, Treasurer and Chairman of the Finance Committee has been created.

14. Our members are now receiving a few brief digests of important court cases affecting our business.

15. Title News has been greatly improved and issued with more regularity, the size being 6 x 9.

16. Special committees were created as follows:

A. To prepare an outline of activities for State Associations.

B. To consider a program for the holding of schools, classes or clinics for trainees.

C. To prepare and keep current a record or history of the American Title Association, commencing with its organization in 1907-08.

17. A council of Past Presidents has been authorized, organized and "now publicized."

GENERAL:

This report now supersedes and replaces all previous reports.

It will be noted the report contains very few, if any, new items. There appears to be plenty of "unfinished business" without presenting any additional matters for consideration.

It is recommended that a Planning Committee be appointed annually for the purpose of seeing that the Executive Committee and the Board of

Governors do not become absorbed with current Association problems and neglect the building of a stronger and more serviceable National Association. To use a slang illustrative expression, "a junked program of association activities must be kept unjunked to be effective."

The Committee should continue to study ways and means for further Association improvement and submit its recommendations from time to time to the Board of Governors.

REPORT OF CHAIRMAN, COMMITTEE ON STANDARD FORMS

BENJ. J. HENLEY, *Chairman*

President of California Pacific Title Insurance Company, San Francisco, California

The only activity of the committee during the past year has been the consideration of a loan policy form for the insurance of the lien or charge of a mortgage or deed of trust upon a leasehold.

The insuring clauses of the form under discussion contain in addition to those of the A.T.A. Loan Policy, appropriate language insuring the title to the leasehold and the priority of the charge of the mortgage or deed of trust thereon, as well as any loss which might result from unmarketability of the title of the lessor to the land to which the leasehold is subject and from encumbrances upon

the land which might be prior to the leasehold.

The conditions and stipulations of this leasehold loan policy are identical to those of the A.T.A. loan form with such changes in language as are necessary to adapt the form to the leasehold, and with possible changes in paragraph 9 and 10 having to do with governmental regulations affecting property and the definition of the term "land."

The policy has not yet received the final approval of the committee or the Board of Governors of the Association, and will not become an A.T.A. Form until such approval has been given.

COMMITTEE ON FIRE AND HAZARD INSURANCE, REPORT OF CHAIRMAN

JAMES R. FORD,

Director, Security Title Insurance Co., Los Angeles, California

Your Committee on Fire and Hazard Insurance was appointed by your president shortly after a disastrous fire visited one of our members in December, 1952. Many of you were present at the Mid-Winter Conference held in St. Louis last February and heard Mr. Fred Place, president of the Ohio Title Corporation of Columbus, Ohio, give a very dramatic account of the damage wrought by the fire. You heard him tell of the coverage carried, which he like the other members of our association thought was adequate only to find by experience, the hard way if you please, that there was other coverage available that he did not happen to carry, but which would have mitigated his loss if he had obtained the protection available.

Are We Adequately Covered

Such disasters give us all cause to seriously consider whether we are carrying proper fire and other hazard insurance to protect us in the event that we too may find our assets being damaged or destroyed by fire and the various elements ever threatening such as water, earthquake, wind, tornadoes and the like.

It was with the above incident in mind that prompted President Ed Dwyer to appoint the committee above named, commissioned to undertake the study of adequate coverage for a title company's assets against the hazards of fire, water damage and other forms of disaster which might be occasioned by any one or all of the elements which can prove so disastrous. In other words, to determine if possible if we might not improve our foresight based on experiences of our hind sight.

Questioner

Your committee held a meeting in St. Louis and decided that it would be helpful to circulate a question-

naire among the members, in which certain pertinent questions would be put for two main purposes. First, to ascertain coverage carried by the member companies and, second, by the questions asked to prompt the members on the variety of protection available in the hope that some might discover some form of protection that would be valuable if not essential to properly protect their assets.

Fine Cooperation

I am pleased to report that some 250 questionnaires were returned. Quite a number indicated a very serious study had been given to the subject and at least a practical coverage carried. There were many who seemed to be carrying minimum coverage, but were nevertheless anxious to learn more on forms and protection available, stating that they would wait with interest to hear the report of the committee. That puts us on the spot and it is our sincere desire not to fail them. We were hoping to obtain some concrete information on any formula that might have been followed in different states on methods followed in evaluating plant records and cost of replacement. I am now of the opinion that such was only wishful thinking on our part and after all too much to expect.

Replacement Cost

I do not have time to go into further details on results of the questionnaire, further than to say, we think it served a very useful purpose as indications are that many have been prompted to re-examine their insurance portfolio and make such changes and additions as their needs might dictate.

At the risk of a later duplication in this report, I would like to say generally, that in those cases, taken

from the replies, where members are carrying greatly excess insurance over their own estimated costs of replacement, that in the event of a loss occasioned by any of the elements involved, adjustment will be made on the basis of actual replacement costs within the amount carried. Let it be understood that the limit of recovery will be the actual cost of replacement, in any event, provided the amount of insurance in force is sufficient for that purpose.

A Common Problem

It occurs to your committee that the one common problem facing every member is how to determine replacement costs of our records. We are at the same time familiar with the fact that this item varies greatly throughout the several states. Some by reason of the county records, carrying indices in their own office, merely as a convenience, not as a necessity for the very simple reason that anyone can use the county records as a plant and operate directly from them if necessary. It is in those states where separate indices must be maintained to operate both efficiently and economically that we are most concerned. Supposing for sake of illustration that one or two of our indices or lot books should be completely destroyed. In order to replace such records might involve an expense equal to the cost of an entire new plant. You can readily see the problem as records contained in the destroyed books would be spread throughout the county records and no shortcut available. It therefore becomes necessary to invent a method to eliminate such a hazard.

Use of Microfilm

This leads me to a brief discussion of the development and use of microfilm in our business as both a convenience in conducting our daily business and as the greatest factor in protecting against the high cost of replacement in the event of some disaster occasioned by the elements. I was interested to note the number of our members as indicated by the questionnaire who are turning to the

use of microfilm in their daily operations and as a safety measure in the event of being called upon to duplicate all or any part of their plant facilities. Many are filming every segment of their records including general index, maps, abstracts, account receivables, daily ledgers and cancelled checks. In our business it is an expense item, deductible and the cost is not great. Its use also has a very definite bearing on the reduction of your insurance requirements and at the same time is the greatest value in being able to quite definitely properly appraise your replacement costs. In addition I was pleased to note that the use of inter competitor agreements as a reciprocal measure of protection, through granting the right to a competitor to the use of plant facilities for duplicating lost records and to carry on business without interruption in the event one's records were destroyed or damaged by any of the elements.

Among Competitors

I was distressed to note in a few instances such agreements were frowned upon as not being unwilling to succor a competitor damaged or suffering a total loss. Others thought it a splendid idea and expressed willingness to enter into such an arrangement if it could be arranged. Further there were a few who expressed the belief that regardless of agreements co-operation on the part of their competitor would be forthcoming in the event of some disaster, stating that they stood ready to offer assistance if their competitor were to suffer some such loss or damage.

"Package Policy"

Your committee decided to contact some of the larger underwriters for the purpose of ascertaining the possibility of obtaining a "package policy" in which any possible risk might be enumerated and coverage furnished at the best rates obtainable. It was our desire to obtain from the underwriters a policy permitting us to use the 100% co-insurance rate based upon a valuation of insurance which would cover the cost of replacement of our plants by photostat and other

mechanical means. In California at least, our boards of underwriters have always wanted the original cost of the plant used as a basis for insurance. A few years ago we advanced the theory to our California boards the right we enjoyed to use our competitor plants in a given county for copying and replacement information. Speaking of my own company we proposed to the board of fire underwriters that they allow us to use the lower rate based on co-insurance and to let us use the amount of insurance which it was reasonably felt would take care of the cost of replacing a title plant from the records of competitor companies. This request was refused. In our particular case we turned to the Indemnity Insurance Company of North America and obtained from them a "Valuable Paper Policy" which covers "all loss or destruction or damage to valuable records." This policy covers fire, earthquake, water damage, or any catastrophe which might happen to the records of a title plant. We were permitted to estimate our own cost of replacement, based upon the arrangements before mentioned and no co-insurance was involved. Without the advantages through competitor agreements, it occurred to us that in order to be properly covered a title company would have to first purchase a fire insurance policy with extended coverage in an amount sufficient in order to obtain the best co-insurance rate available under a given condition. It would then be necessary to buy earthquake, flood, riot and civil commotion, sprinkler leakage, tornado and cyclone, and any other coverage which the locality of the plant might indicate the need. Then too, all this could be done and still some loss never anticipated might occur.

Two Rates

In California at least, the underwriters always publishes at least two rates on a given building; one for the building and the other for the contents. Depending upon the construction of the building credits are allowed for 70, 80, 90 and 100 per cent co-insurance. They use the 100%

co-insurance rate for the contents of the building in starting to rate a valuable records policy. To this they add 50% to cover all other of the above hazards and from that rate a credit is deducted depending upon the experience of the particular title plant and housing conditions for the records.

Multiple Coverage

It was mindful of the foregoing that we submitted our questionnaires to the St. Paul Group and the Phoenix Group. The St. Paul Group acting through Mr. J. A. Parish, Secretary and through the very valuable assistance of Mr. Earl Glasson of Waterloo, Iowa, a member of this committee and Mr. A. F. Soucheray, Jr., President of St. Paul Abstract and Title Guarantee Co. The net results of the efforts of the gentlemen named I am able to submit to the members of the A.T.A. a so-called "package deal," beautifully done with complete index to contents as a real guide to coverage available. I am going to leave a copy with the A.T.A. office where anyone interested may obtain a copy. However, I am sure it can be obtained from any agent of the St. Paul Group in any locality where interested parties wherever located may contact. It is designated by the St. Paul Group as a Multiple Coverage Contract.

Broad Scope Protection

In a covering letter to Mr. Glasson enclosing a "Multiple Coverage" contract, Mr. Parish had this to say:

"We were most appreciative of the opportunity to discuss the insurance problems of the American Title Association with you, and we hope this letter will serve to confirm some of the observations and comments which were made during our discussion.

"We have designed what we have called a Multiple Coverage contract, containing a set of general conditions and to which may be added selected coverages in the form of insuring agreements. Care has been exercised in the drafting of these insuring agreements in order that they may be readily understandable as well as broad in scope of protection.

Business Requirements

"In addition to Errors and Omissions protection which we have been providing to the abstracters who are members of the American Title Association, we believe that the abstracter is often without important corollary coverages, and a few of them we are suggesting as worthy of serious consideration and which may be found within the covers of the Multiple Coverage or "Package" Policy.

"First, there is Comprehensive Bodily Injury and Property Damage Liability Insurance which is principally protection against damage suits arising out of accidents occurring on or about business premises and which, in addition, extends protection elsewhere as the conduct of the business may require.

Premium Make-Up

"Premiums are predicated for the most part on the size of one's premises though, of course, other miscellaneous exposures to claim, and which will be shown in the company's questionnaire, would form a part of the premium make-up.

"Then we suggested the Valuable Papers coverage which provides protection for tract indices and other important documents, all of which are important aids in maintaining the continuity of service in the abstracter's office. We believe you have the rates, which are among the notes which you took while in St. Paul.

"Your Automobile Liability Insurance as well as Non-Ownership or Hired Car is available with Medical Payments coverage and the usual Physical Damage protection customarily purchased on your car.

"Fidelity coverage is offered on employees as well as a broad Money and Securities insuring agreement which you may need, depending upon the daily business operation of your office.

Valuable Papers

"Returning for a moment to the Valuable Papers coverage, we can summarize as follows:

"Title and abstract companies have a unique problem in the replacement of certain types of records in the

event of loss or destruction. If contracts, abstracts, deeds, or miscellaneous other papers natural to their business are lost, these can probably be reproduced with various degrees of difficulty. The task of reproducing may mean only the copying or photostating from a copy available elsewhere or it may mean that duplication can only be obtained through probate court; however, the reproduction of these papers is not the first concern. The first concern would arise from the loss or destruction of any of various book entries. If a book were destroyed, in order to have this book reproduced in its entirety, all of the records of the County Abstract Department of the court house would have to be searched and the entries re-established through the process of elimination. If a single item is missing, the reproduction of this particular item would necessitate tracing the records backwards until the last entry of the lost item was located. It is possible that all records would have to be searched, this being necessary if there were no entries between the first entry and the last entry. In other words, the re-establishment of an entire book would entail endless research, and the reproduction of a single item might cause little or great difficulties. Because of this problem, it is difficult to arrive at an accurate amount of insurance to be carried. It is felt that a policy issued in an amount large enough to cover the reproduction of all records would be prohibitive in cost. Two suggestions were advanced, both of which would meet with sound business procedure. One is to carry insurance in an amount sufficient to attend to normal partial loss. The other is to set the insurance at the approximate selling valuation of the business precluding the value of furniture, fixtures, equipment, building or goodwill.

All-In-One

"Microfilming would reduce the need for excessive amounts of insurance to some degree, depending largely upon the date of the last microfilming as opposed to the date of the loss.

You, as well as others, have been

interested in Fire and Extended Coverage protection, and this has become a part of our all-in-one contract. Closely related to the Fire coverages are Rental Insurance, Fire Legal Liability (for those who are tenants and may be held legally liable for the damage by fire to property they rent), Leaseholders Interest Insurance, and the common Use and Occupancy protection. All of these and many others you will note are included in the index of coverages and are readily available under our specially designed Abstracter's Multiple Coverage Policy.

Many Advantages

"While there are many advantages to this form designed for abstracters, the following should be of principal importance to you and the others in the consideration of this policy.

"(1) The inclusion of all essential general insurance coverages within a single leather bound durable contract designed especially for the abstracter.

"(2) All of the coverages are indexed as to the amount of protection provided and the respective premiums are chargeable to each coverage whether these premiums are paid for on an interim basis or otherwise.

"(3) Except for one or two states, the contract contains no expiration date (except for Fire) which assures the abstracter of continuous protection.

"(4) Abstracters who request their insurance on a term basis will have their premiums computed at a saving in rate.

"(5) Of particular interest was the inquiry concerning payment of premiums on an interim basis where the selected coverages accumulated a substantial premium. The company is in a position to take the aggregate premium developed by all of the coverages and convert this premium to a composite rate applicable to payroll, receipts, or some other unit of measure which will reasonably reflect the hazards involved. The premium may then be paid without penalty on an interim basis, preferably quarterly or semi-annually. Naturally the Fire premiums must be paid in accordance with statutory requirements, but

when a deferred premium basis is selected, a deposit premium could be established which would adequately cover the first year Fire premium plus an additional 10% to 25% to cover the initial handling of the policy.

Annual Survey

"While we have explained that the policy (except for Fire which can be written for one, three, or five years) is continuously in force, an application or survey may be annually requested if necessary.

"This letter contains underwriting details which we touched upon during our conversations.

We hope we have drawn an insurance document with sufficient advantages which will be of real interest and importance to your profession."

Another Reaction

This is the reaction of Mr. Glasson to the form submitted and which to me there are a few points of major importance in the proposal. These are: (1) with respect to tract index coverage under the Valuable Papers policy, we are to have the privilege of naming our own figure of insurance; it is agreed that the destruction of one book or portion thereof will be considered as being potentially the destruction of the whole set; thereby we will in effect be taking credit for micro-filming of our indices or inter-competitor contracts for the replacement of destroyed indices as we may have; the rate will be the lowest published contents rate, plus 50%, and less 5% for 90% co-insurance or 10% for 80% co-insurance, and less 5% for protection in 1-hour label safes, 12½% for 2-hour safes and 25% for 4-hour safes. This is, I think, about the same rate you have been quoted. (2) The offer of financing can put our insurance expense on the same basis as our payrolls or any other stated expense we have. (3) The obvious advantage of having all our insurance under one cover. And (4) the value of the index as suggesting coverages which we might never think of until we learn the hard way that we have needed them.

Schedule of Property

Next I desire to state a similar "package deal" was submitted by Mr. Will H. Harrison, Jr., Marine Superintendent of the Phoenix-Connecticut Group. A copy of the policy submitted in this case will likewise be deposited with the A.T.A. office for inspection, but any member interested will be able to obtain a copy from any of the Phoenix Group agents in any locality of the country.

However, I think for the purpose of the record it is important to state that it is their regular form policy, with this innovation, under item number 1, to-wit: Property covered; on the following described property of the assured (hereinafter called Records) there is added a schedule of various items as follows:

CLASS OF PROPERTY

- (A) ON..... LOT BOOKS at an agreed value of \$..... each.
Limit of Liability, \$.....
- (B) ON..... ARBITRARY MAPS at an agreed value of \$..... each.
Limit of Liability, \$.....
- (C) ON..... TAKE OFFS at an agreed value of \$..... each.
Limit of Liability, \$.....
- (D) ON..... SUBDIVISION MAPS at an agreed value of \$..... each.
Limit of Liability, \$.....
- (E) ON..... WALL AND WING MAPS at an agreed value of \$..... each. Limit of Liability, \$.....
- (F) ON..... GENERAL INDEX (Cards) (Books) (S h e e t s). (Strike out terms not applicable) at an agreed value of \$..... each. Limit of Liability, \$.....
- (G) ON..... STARTERS at an agreed value of \$..... each. Limit of Liability, \$.....
- (H) ON..... at an agreed value of \$..... each. Limit of Liability, \$.....
- (I) ON..... at an agreed value of \$..... each. Limit of Liability, \$.....
- (J) ON MISCELLANEOUS RECORDS (including Classes (A) through (G) when not scheduled above), the property of the Assured, or property (RECORDS) of others in the custody or con-

trol of the Assured. In event of loss, the Company's liability under this Item (J) shall not exceed the actual cost of labor, expenses and materials necessary to reproduce or replace the lost or damaged RECORDS. Limit of Liability, \$.....

The policy contains a provision, "In consideration of the reduced rate at which the policy is written, it is understood and agreed the insurance under the policy shall apply only while the insured Records are contained in the premises, and further, shall be kept in following described receptacles at all times when such premises are not open for business except while such Records are actually being worked upon. However, both policies submitted extend coverage, when because of imminent danger, records have to be moved from the premises.

"All Risk"

In a covering letter from Mr. Harrison inclosing the Phoenix Group policy form he had this to say:

On July 15th, 1953 it was our pleasure to submit for your consideration a special form which we designed and prepared for the use of your Association Membership and under which "All Risk" insurance protection was afforded on the major types of records usual to Title or Abstract Companies as well as coverage on Miscellaneous Records. This insurance form also made provision for covering the Accounts Receivables due Title or Abstract Companies from their customers for title services performed and Extra Expense insurance which would cover Extra Expense incurred in continuing business operations during the time required to repair or replace the lost or damaged records. At that time we also equipped you with our specimen policy to which these forms would be attached. The Accounts Receivable and Extra Expense are optional coverages.

As pointed out during our most recent conference, the two types of Insurance Companies writing "All Risk" coverage on records and Valuable Papers, Fire Insurance Companies and Casualty Insurance Com-

panies, have held and are holding a series of conferences on the subject of "All Risk" insurance on Valuable Papers. The goal of these joint meetings is to establish uniform rules, rates and forms on a nationwide basis, similar to the uniformity which your outstanding organization has achieved in the field of Title Insurance policies. These negotiations are in their final stages but will have to clear through the machinery of two different bureaus and subsequently be accepted by the Insurance Departments of the various States.

Some Changes

At this time it would appear the only change in the basic policy form which I submitted to you July 15th would be addition of an infidelity exclusion, and exclusion of irreplaceable property unless specifically declared with agreed valuation such as under Items A through I on the form which I submitted to you.

Concerning the special form which I submitted to you, it is possible the new rules will require that either the Accounts Receivable insurance or Extra Expense insurance be provided under a separate policy rather than being included in the same policy covering the actual records. These new nationwide rules and forms will quite likely be ready for filing with the various Insurance Departments on or about December 15th.

Various Provisions

Until such time as this desirable uniformity becomes a reality, we would recommend that your Members compare records insurance coverage offered to them to see that it parallels the broad "All Risk" coverage afforded by the basic policy form and special A.T.A. rider which we have submitted to you.

In preparing the A.T.A. form we have endeavored to list the major categories of records usual to Title or Abstract Companies, and in addition have left two blank spaces to take care of any other types which any Member might desire to specifically insure. We have also made provision in the form for insuring Miscellaneous Records including Customers' Property on a "Blanket" basis. In

case of a comparative small Title or Abstract Company, insuring all of their records under the "Blanket" item might prove more convenient rather than insuring the records specifically under the various listed categories.

"Agreed Amount"

However, the rating formula is much more advantageous under the "Agreed Amount" method of insuring than under the "Blanket" method. In general, the property damage rate will approximate the fire contents rate on contents of the building where the records are kept when the records are insured on an "Agreed Amount" basis and will be approximately 50% higher when written on a "Blanket" basis.

Business Interruption

The Extra Expense rate will be a multiple of the property damage rate depending upon the length of interruption the Assured elects to insure. In other words, an Assured electing to cover for a possible interruption of six months will enjoy a lower rate per \$100.00 of Extra Expense insurance than the Assured who elects to insure only a three months' interruption. The rate on Accounts Receivable insurance will be approximately 40% of the property damage rate.

If the records when not in actual use, are kept in approved fire-resistive safes or vaults with doors bearing the label of Underwriters Laboratories or Safe Manufacturers National Association, special credits are allowed in the rate and range from 2½% to 40% depending upon the classification of label.

Determine Costs

In arriving at the amount of insurance to carry on the various records, the Assured should determine as accurately as possible the cost of labor and material in duplicating existing records. Mutual aid agreements with other local Title or Abstract Companies as well as microfilming of the Assured's records will serve to lessen the amount of coverage needed on the records, and it would seem prudent for an Assured to explore these two sources of duplicate records in order

to not only reduce the amount of insurance needed on records but also to lessen the time in re-establishing lost or damaged records.

Due consideration should also be given to the advisability of housing at least the most important records in labeled fire-resistive containers.

Compliment Committee

Your request for Extra Expense Insurance on a similar "All Risk" basis, is the first time we have encountered a request for "All Risk" consequential coverage on records. You and your Committee are to be complimented for your resourcefulness in seeking this same broad coverage for consequential loss as has been available to cover direct property damage loss on records. The Extra Expense Insurance form which we have submitted to you is, in great part borrowed from the fire insurance form presently available but which principally covers fire and windstorm losses only.

Time for Restoration

In accepting this challenge, we have submitted a form which, similar to the fire insurance form, makes provision for providing this very desirable consequential loss coverage on an "All Risk" basis. While the form we submitted July 15th only made provision for covering a period of restoration of from three to six months, we can extend this form to cover longer periods in the case of major Title Plants which would require more than six months' time to restore their records in the event of their total destruction.

Complete Coverage

Realizing that some Members will not have even fire insurance covering the cost of duplicating their records, many will not have "All Risk" protection, and that few of your Members insure against the additional expense involved in duplicating their lost or destroyed records (including rent of temporary premises and equipment, labor overtime charges, extra advertising expense, etc.) such as would be covered under the Extra Expense Insurance form, and that an even lesser percentage of your Mem-

bership are insuring financial loss sustained due to inability to reconstruct Accounts Receivable records, we have designed our form to provide all three of these types of records insurance coverage on an "All Risk" basis.

A Guide for Protection

Any of these three coverages are available individually or collectively through our local insurance agents, agents residing in your Members' home towns—agents who are equipped to assist your Members in setting up the coverage and whose local services would be of material benefit should loss occur.

Sincerely yours,

WILL H. HARRISON, JR.
Marine Superintendent.

At this point I want to thank Mr. Parish and Mr. Harrison for the real interest they have taken in our insurance problems. I think you will agree that the form of policies they have submitted, coupled with schedules of specific coverages, should guide the members of our industry in obtaining the maximum of protection to their assets of whatever kind.

Conclusions

I also want to thank Mr. Irwin Carey, an insurance broker of Los Angeles for his very kind and helpful assistance to our committee. Through his good offices I have been quite well indoctrinated in the vernacular of the fire underwriters.

In conclusion it is my belief that if a Title Company buys an adequate amount of insurance under the valuable paper form, I believe that they have no further worries regarding a loss to their records, but in some cases a title company might need additional protection to take care of additional expenses because of being burned out, and all title companies, I believe, might suffer a business interruption loss which could vary between companies in a large amount because some title companies have agreements with each other to use the opposing title companies records in case of a loss, and others do not have this agreement.

Just a little explanation of the difference between an extra expense insurance policy and a business interruption policy. If a title company should be burned out, they would undoubtedly have to make arrangements for new office space which might be at a greater cost than they have been favored with before the fire and other charges that the business had been favored with at the burned-out location.

An extra expense policy reads as follows: "Such fixed charges and expenses as might necessarily continue during a total or partial interruption of the business, plus such extra expenses as may be incurred for the purpose of maintaining and/or conducting the business of the insured, less the full sum of costs and expenses which would have been incurred in the normal conduct of the business had no fire occurred." You can see that this definitely takes care of extra expenses caused by trying to operate the business after a fire, under more expensive conditions.

A business interruption policy is written to take care of the loss of

profit and to pay for expenses such as salaries of indispensable employees, interest, taxes, and other fixed charges which a title company might be faced with whether operating or not. If a title company should be burned out and had no operating agreement with an opposing plant, it is conceivable that they might be out of business for a considerable period of time with a resulting loss of income until their records could be replaced and title insurance policies again issued. During this period profits would certainly decline and the organization of indispensable employees would be a continuing large outlay, which only a business interruption policy would take care of.

I am conscious of the fact that there may be many different and better approaches which might have been made in the presentation of this report. However, I did not want to presume to expert the experts and for that reason I have given you the results of our survey, largely in their own words.

I hope that our labors may prove to have been helpful and beneficial to the member of the A.T.A.

COMMITTEE ON PUBLIC RELATIONS, REPORT OF CHAIRMAN

By EDWARD J. SAUTER

President, Illinois Title Company, Waukegon, Illinois

First, I would like to take this opportunity to express my thanks for the fine cooperation of the members of our Public Relations Committee. It was a great pleasure to work with them and they did a splendid job.

At the midwinter conference in St. Louis, a meeting was held of the members of our Committee that attended the convention. We discussed many phases of public relations. It was decided by those present that a communication be sent to each member of our Committee requesting that

he write the chairman expressing what he considered to be most important in the subject. It is from this meeting and the letters received that we have prepared this report.

Publicize Activities

Our Committee suggests a continued effort by our national office to publicize the various activities of our association, particularly the annual convention and midwinter conference. Also to accept every available opportunity to educate the public with

and encourage the use of title insurance and title evidencing as issued by the members of our association.

It is the opinion of our Committee that good sound employee relations are most important in forming a good public relations program. We, as individual companies, should make every effort possible to cause all of our employees to be public relations minded and proud of the fact that they work with our organization. In the words of one of our committee members, "This is a wonderful disease and if properly nourished, how contagious it becomes." The public today is prone to judge a company by the behavior of its individual employees. For example, we meet John Jones, whether it be socially or in business, we learn that he is with a certain company, unconsciously we form an opinion of that company by the actions of that individual. This should be a consideration when screening applicants for employment, for as employees they shall reflect upon the reputations of our respective organizations.

Customer Relations

We also consider good customer relations to be very essential in building good public relations. In this regard, we suggest the following:

That we have ample telephone facilities and trunk lines into our offices, and most important that our switchboard operators are well qualified, patient and considerate.

That we have capable, well trained

employees at our order counters and at positions where we meet the public. They should not only be capable, but personable, diplomatic and ever conscious of our customers problems.

And finally, that we render good, fast title service with special attention to emergencies and deserving cases.

Civic Activities

Our Committee believes that we should encourage our employees to take an active interest in worthwhile social, as well as local civic organizations. And that certain members of our staff should participate and have membership in our local Bar Associations, Real Estate Boards, Chamber of Commerce and Civic Clubs and to take part in what we consider to be worthy fund raising campaigns.

Advertising Program

We recommend that consideration be given to a well rounded advertising program. Also that we maintain good relations with our local newspapers, so that we will receive proper recognition for our press releases.

Literally volumes could be reported on Public Relations, we have touched briefly on a few points. We heartily encourage you all to plan good programs for your companies. Our Committee has not only thought Public Relations during the year, but we have done our best to practice its principles and by so doing, become better title men.

FEDERAL LEGISLATIVE COMMITTEE REPORT OF CHAIRMAN

By JAMES G. SCHMIDT

Vice President, Commonwealth Title Co. of Philadelphia

During the session of Congress which ended August 3rd, 1953, the following legislation affecting real property was enacted:

Submerged Lands Act

Public Law 31 (H. R. 4198), commonly known as the Tidelands Act, gives coastal states full title to submerged lands out to their historic boundaries. The United States releases and relinquishes all of its right, title and interest in and to said lands, improvements and natural resources unto said states and the respective grantees, lessees or successors in interest thereof.

Public Law 212 (H. R. 5134), provides for federal control of minerals development on the continental shelf seaward of the historic boundaries of coastal states.

Forest Tracts

Public Law 285 (H. R. 5603), authorizes national banking associations to make loans on forest tracts.

Housing and Rent Act of 1953

Public Law 23 (H. R. 4507), terminated general federal rent controls at the close of July 31, 1953, but continued them as to areas which have been certified as critical defense housing areas until the close of April 30, 1954.

Mining Claims

Public Law 250 (S. 1397), clarifies the status of mining claims made between July 31, 1939, and December 31, 1952, on public lands on which oil and gas leases already had been let.

Public Housing

Public Law 176 (H. R. 4663), authorizes 20,000 low-rent public housing starts in this fiscal year.

Down Payments on FHA Insured Houses

Public Law 94 (S. 2103), authorizes

lower down payment (5% minimum) requirements on FHA insured houses with mortgages of \$12,000.00 or less. FHA is given an additional \$1.5 billion in mortgage insurance authority. Higher interest rates (4½%) are authorized on FHA insured mortgages for cooperative, military and defense rental housing; Federal National Mortgage Association is authorized, until September 1, 1953, to make advance purchase commitments for cooperative housing up to \$17.5 million. Federal aid is continued until June 30, 1954, for private home builders in military areas. A Veterans Administration order banning discounts on GI home loan mortgages was rescinded.

VA Home Loans

Public Law 101 (S. 1993), continues, until June 30, 1954, authority of the Veterans Administration to make direct home loans where private financing is not available. An additional \$100 million was provided for such loans and a 4½% interest rate authorized.

Loan Function of RFC

Public Law 163 (H. R. 5141), establishes for two years Small Business Administration which absorbs functions of the Small Defense Plants Administration and, effective September 30th, will take over loan functions of the Reconstruction Finance Corporation. \$275 million revolving fund is authorized for SBA.

Freezing Controls

On June 27, 1953, Attorney General Herbert Brownell, Jr., announced the removal of all remaining World War II freezing controls applicable to property in the United States of Austria, Belgium, Denmark, France, Greece, Italy, Luxembourg, The Netherlands, Norway, Sweden, Switz-

erland and Liechtenstein, and Japan and Western Germany. The Attorney General said that as a result the only countries which will continue to be subject to the blocking controls un-

der Executive Order No. 8389, as amended, are Bulgaria, Hungary, Rumania, Czechoslovakia, Poland, Estonia, Latvia and Lithuania as well as Eastern Germany.

COMMITTEE ON EMPLOYEE SEMINAR REPORT OF CHAIRMAN

ROY C. JOHNSON, *Chairman*

President, Albrigt Title and Trust Co., Newkirk, Oklahoma

As a matter of explanation to some of you who might not be informed of the functions of this committee, it was originated some two years ago by our former president, Joe Meredith. It was his idea that a Committee should devote time and thought to the preparation of a program for the training of employees, believing that in the average office of approximately 25 or less employees it was exceedingly difficult for management to train new employees on the job because of a lack of a definite plan and the lack of time on the management's part.

Previous Report

As a result, a new committee was formed two years ago called Committee on Employee Seminar. The committee was headed by John P. Turner, Vice-President, Kansas City Title Insurance Company. The other members were:

Stewart J. Robertson
A. J. Yates
Melvin B. Ogden
Robert J. Jay
John B. Bell
Thomas J. Lloyd
E. M. Waldron

A very comprehensive report was made at the national convention one year ago and a copy of that report was published in the November, 1952 edition of Title News. The '52 committee did an outstanding job and is to be thoroughly complimented for

their splendid report and activities.

Last fall I was notified by Herbert Altstadt, acting in the absence of Ed Dwyer, that I would serve as Chairman of this committee for this year, with the other members as follows:

John P. Turner of Kansas City
J. C. Brand of Los Angeles
Thomas J. Lloyd of Pueblo
Stewart J. Robertson of Oklahoma City

George B. Garber of Seattle

At this point I should like to thank them for their efforts in assisting with the activities of this committee during the past year.

Conclusions of Committee

Your Committee on Employee Seminar has reached certain conclusions and make recommendations as follows:

1. In view of the very splendid Title Course previously published by the American Title Association and widely circulated, the same having been prepared by William Gill of Oklahoma City, and of the very splendid report prepared by last year's committee, headed by John Turner, it is the belief of this committee that no further development along this line is needed at the present.
2. If there is a demand for a book or publication on the subject of selling abstracts and/or title insurance and advertising

the same, that the Association could well afford to employ a professional to prepare such an article or booklet.

3. The Committee recommends that in view of the splendid financial condition of the association, that we could well afford to employ a top notch speaker to appear at each annual convention, whose subject matter would be along the line of the following suggested topics:

- A. Developing the ability of salesmanship in the employee of abstract or title insurance companies.

- B. Furthering customer relations of Title companies.

- C. Plans for improvement of employee relations.

Recommendations

In conclusion, it is the thought of this Committee that sufficient research and work has been done along the line of "Employee Seminar" and it is therefore recommended to the incoming officers, or Planning Committee, that it no longer is necessary to continue with the activities of this committee. It is further recommended that the above suggestions be referred to the Planning Committee for their consideration.

JUDICIARY COMMITTEE, REPORT OF CHAIRMAN

RALPH H. FOSTER, *Chairman*

President, Washington Title Insurance Co., Seattle, Washington

In recent years the Planning Committee has urged more frequent reports by the Judiciary Committee for publication in Title News. During the year prior to the last convention at Washington, D.C., some progress in direction was made and during the year just prior to this convention further progress was made with the result that Judiciary Committee reports were published in seven issues of Title News. The results have, however, been far from satisfactory.

The committee, as presently constituted, consists of 57 members, including the chairman and 11 vice-chairmen appointed from the eleven United States Circuits. It was intended that the vice chairmen would assist the chairman by encouraging committee members from the states in the various circuits to report to the chairman, cases in their jurisdictions deemed of interest to title men generally.

Repeated Appeals

Despite repeated appeals by the chairman and a few of the vice-chair-

men for case reports, not more than twenty members of the committee responded to the appeals, including those who had nothing to report.

The material furnished by the few active members of the committee leads inevitably to the conclusion that similar activity on the part of all members of the committee would enable the committee to render a real service to the entire membership of the association by reporting in all issues of Title News summaries of cases decided by the appellate courts of the country deemed likely to prove of interest to title men generally.

Brevity Observed

In reporting cases the committee has aimed at brevity and has headed each case reported with the subject matter of each decision.

Since the last report of the committee, reports of cases by two members of the committee were received by the chairman too late to be embodied in a further report by the chairman. These reports will be for-

warded to the next chairman of the committee.

Appreciation

I desire to express to the active members of the committee my appreciation for their contributions to the

work of the committee and to urge all of the members of the association who accept appointment to the next Judiciary Committee to do all in their power to assist the new chairman in making the work of the committee more effective.

REPORT OF EXECUTIVE VICE-PRESIDENT

JAMES E. SHERIDAN

Executive Vice President, American Title Association

In dogmatic theology, Faith is defined as the first virtue whereby we firmly accept, on the authority of God, the things He has revealed. Faith is a union of belief and trust.

Confidence is synonymous with Faith. Confidence is defined as "Trust in or reliance upon another."

I shall restrict my remarks about Faith and Confidence to the temporal application—their daily presence or failure to be present in our dealings with our fellow man. I shall bring to your attention observations based upon nearly a quarter century as your Executive officer.

Orders

In those years, I have been charged by our Governors to learn of complaints against member companies, notably the complaints, if any, of large users such as the life companies and Governmental instrumentalities; to endeavor to bring about settlement of the misunderstanding; to do it quickly while it is still a pin prick and before it shall have become a cancerous running wound. I have been instructed by our Governors to treat these as confidential matters between the parties involved. That order of treating these as confidential matters I have obeyed because I have divulged no names of companies involved; and I shall divulge no names in this report.

I shall restrict myself to observations on the application of temporal

Faith and Confidence in all the word denotes—and including, if you please, collateral effects.

Sequence

Building it in graph style, let's consider it in some semblance of order, of sequence. For down the line it goes.

There is the stockholder who has faith in management, who has invested his capital in full faith and confidence that management is good and sound; and that his investment is to be guarded by careful executive control over the years.

Management must first have faith and confidence in stockholders, in their fairness, their ability to recognize rights and privileges of management.

Management must have faith and confidence in its employees. Nothing could be more disastrous than management which distrusted its own people.

Labor must have faith and confidence in management, faith in its ability to supervise, in its interpretations of the complex problems of the day, in its intent to be fair and just and impartial.

Now let's travel into the highways and by-ways. Why?

To learn the degree of esteem in which our institution is held. Put another way, our trip is to procure facts upon which further we build

our graph; or, stated still another way, the trip is to ascertain whether our fellow citizens have Faith and Confidence in our institution, to learn the degree of respect it enjoys, to learn what, if anything, has impaired the faith of the community in our institution, why it happened, and what we can do to remedy the situation—what we can do to restore faith on the part of the public in our institution.

Trends

This is not the faith of the child for his parent, nor the supernatural faith which only comes as a gift from All-High—the Faith described by Emerson as “All I have seen teaches me to trust the Creator for all I have not seen.”

Rather it is the determination of the extent of faith, by reason of our performances, our institution is entitled to receive.

If we translate this graph of a single institution, of any one member of our organization to all members, what do we find? What are the trends? To what rigidity do members of our guild adhere to sound principles, principles tested over the years? To what extent has the moral code broken down and carried with it our own code? Let's check and put more symbols on our graph.

We view with satisfaction the company located, let's say, in oil country, close mouthed in guarding and protecting its clients, the firm which consistently declines to divulge trends as reflected by its tract books to unprincipled speculators—the type of firm whose officers, through acceptance of the moral code and actuated by the highest of motives, decline to speculate and thus bring profit to themselves because of factual information in their possession.

As an organized guild, we bestow an approving eye upon that firm which handles a huge real estate development, preserving at all times the security of the deal and the confidential character which should obtain between counsel and client.

We revere and respect management when its relations with com-

petition are fair and above board.

Many times we have all used the expression “His word is as good as his bond.” To what extent may we apply it through?

Self Discipline

Yes, we pay tribute and express our thanks to leaders and thinkers and doers who, over the years, have contributed their intelligence, their financial means, their time and their energies, their sacred honor, to the betterment of our profession.

Faith is a living thing. It must be alive. The faith of those stalwart leaders of our fraternity encompasses all those performances which necessarily follow possession of faith—full recognition of their responsibilities to the public—ready acceptance of their liabilities and a determination none shall ever be injured by their acts—an absorption in the religious and the social and the economic life of the community for the good of all (frequently with little heed paid to material gain)—and always with a gallant and gentle spirit.

Truly they applied to themselves the doctrine of Caesar's wife.

To what degree do we emulate their pattern of life?

In every barrel of apples, there are many kinds of apples, and not always all sound apples, nor good and pure.

Confidence

In 1929 and subsequent years, some title companies were carried into receivership through engaging in lines other than the insurance of titles. In those years, Mr. Ed Clark was Associate Counsel of the Prudential. I remember his statement: “It's correct we hold policies of title insurance on which I can recover little or nothing in case it is necessary to file a claim. But I still have the best reading of title that money could buy.”

That, ladies and gentlemen, is Faith—faith on the part of Mr. Clark and his firm in the capacity of those title companies to make an intelligent, comprehensive reading of titles, and at all times an honest reading; and on that word on title he would de-

pend in Full Faith and Confidence that the interests of the Prudential were protected.

Against that, we had, in about the same period, the situation of a title company, officers and directors of which saw fit to raid the mortgage portfolio of its excellently chosen mortgages, and to substitute some ill begotten, ill chosen and virtually worthless apartment house mortgage bonds. They then expressed an intention to withdraw the company deposit from the state, without reinsurance of its old title risks, this on the theory that a policy holder was only a general creditor and subject to statutory limitations.

We Intervene

The American Title Association, through counsel, intervened amicus curiae, and was able not only to keep the case in the Courts for many months but also likes to believe, in part at least, counsel persuaded the Vice Chancellor to rule against the attempted raid on assets mentioned.

But harm was done to the entire institution of title insurance, and to the Abstracters Section as well. There was no member not affected adversely by these departures from the straight and narrow, from adherence to the moral code, from adherence to sound principles.

Charles Evans Hughes became Governor of his state, later a distinguished Chief Justice of the Supreme Court, and almost the President of the United States, because the eye of the country was drawn to observe his work in connection with another branch of the institution of insurance. That work involved one company. But all companies of that line of insurance were adversely affected.

There was repetition of this type of situation in the 30's when it became necessary for other and stronger companies to step in and reinsure a company which had become insolvent. It was, in some respects, a reluctant performance. But those stronger companies preserved the faith and confidence of the public in the institution of life insurance.

In the 30's, we had two unfortunate

situations of padding of bills on abstracts in connection with governmental activities. There was no difficulty in our procuring refunds. That was easy.

But the one blemished apple in our barrel of apples harmed every abstracter in the United States, harmed the good with the bad, harmed him who conducts his affairs with honor as well as the parties directly involved.

I regret to report to my people the practice of padding of abstracts (contents) has not stopped altogether. From time to time, important users of our products, including the Department of Justice, have told us, and have shown us, of that which they describe as unnecessary showings of contents of abstracts.

Examples

To illustrate: In some limited areas, some abstracters will show in full an expired oil and gas lease, or agricultural lease, which has been released of record. Leaders of our profession in the Abstracters side of our family have condemned this as padding of abstracts.

We find the case, in some jurisdictions, of showing, let us say, of instrument of conveyance and court proceedings containing more than one legal description, where the order in hand is for but one description. Would we not be more deserving of the faith and confidence of the public if, in those instances, we carried the legal description of the land in the instant case, followed by a parenthetical phrase "Other lands not herein abstracted" or "other lands not covered by this abstract?"

I recall the instance of a title insurance company which had written an owner's policy based upon a deed given in lieu of foreclosure. There had been the normal factors. The conveyance was a straight deed without any recitations of any option back. The acknowledgment of the wife was taken separately. The order was placed by the mortgagor, shortly to become the grantor. The mortgagee, a life insurance company, had two independent appraisals made.

They reflected the value, as of the date, to be less than the accumulation of debt plus interest plus unpaid taxes.

Three years later oil was discovered in that area. The property, as vacant land, became worth more than its improved situation had formerly been. The grantor sued to set aside his conveyance. He probably could have recovered the title had he made a simple letter request. But his counsel based suit upon fraud, and the life company resisted.

The life company asked the title company to defend. The latter declined, stating the life company had not yet "suffered money damage." The life company defended at its own expense—and I might add won on appeal.

The net result? For one thing that title company is on the black list, probably for all time, of that life company. Additionally, counsel of that life company has seen fit to acquaint counsel of other life companies of his lack of enthusiastic willingness to accept policies of that title company. That company was the loser. It was a big loser for its failure to have even a child's conception of good public relations, to say nothing about its position as regards the faith of the public in its soundness of operation.

Effects

The entire institution of title insurance suffered from that performance. I know. I have heard the gory details from counsel of life companies and other large lenders.

Thus are all affected by the performance of one. Thus is faith in all impaired by an ill considered act of omission or commission by one. Thus our entire barrel of apples, to a greater or less extent, can be brought into disrepute with consequent lessening of faith in all.

Contrast that with the position of faith held by some companies. I am acquainted with the policy of one life insurance company with reference to its title claims, be they the responsibility of the title insurer or not. It has, in numerous cases, asked officers of the title insurance to settle

these as in their judgment seems proper, this by reason of their familiarity with and knowledge of local conditions; and to bill the life company for expenses plus fees in cases where the title company, under the terms of its policy, is not liable.

There is an illustration of faith and confidence in the capacity and integrity of the title company.

Defective Title

Posting to the other side of our graph, I cite the instance of a title company which received an order for a mortgage policy in large amount. It arranged for the making of the abstracts. These were locally examined. As regards certain questions, they were re-examined in the home office. Binders were prepared and delivered.

Some weeks later, the company, not having been notified concerning closing or recording, made inquiry. It learned another company had written a policy after recordation of the mortgage. Further inquiry developed the second company had not purchased abstracts, nor, as far as could be determined, had not made or caused to be made a legal examination based even upon a finger search of the public records.

Did the second company base its policy upon an unauthorized, yes, even an unethical, use of the binders of the first?

I cite to you the instance of the abstracter who phrases his certificate with trick language, and by artificial means, has limited or circumscribed his liability without a clear defining of the restriction in said certificate.

A matter far more serious is that of an abstracter who has accepted and adopted the Uniform Abstracters Certificate approved by his state title association. He so labels his certificate. Notwithstanding that label, he makes changes in the certificate, usually to meet some local requirement—and he continues to have it carry the inscription of the Uniform Abstracters Certificate.

Uniform Certificate

The Uniform Certificate, as I un-

derstand it, is uniform, not in its major points, but down to the last word and even punctuation marks.

I cite to you the failure of some—a few only, thank goodness, who fail correctly to set forth the true condition of the taxes on the property being abstracted. This is the instance of one who seizes upon a loophole as regards his liability to his client. A specific example is the abstracter who certifies that “All taxes assessed have been paid.” If the property had not been assessed at the time he certifies, there is no tax due. Yet that abstracter knows full well the property is liable for taxes; and that where the error is caught in the tax office it will be put on the tax rolls.

Does he who engages in these practices serve his own best interests? Does he lower the prestige of which 99% of the abstracters of our organized body are justly proud? Are not the offenders in the few instances I have cited the finest proponents of a Torrens system that could be imagined?

Manifestations

Yes, ladies and gentlemen of the American Title Association, we are the barrel of very excellent apples, but perfection has not been obtained. We have, in and out of the organization, those of our profession who are willing to cut corners. It manifests itself in various ways.

There is the insurer who by whatsoever means determines to add to his gross premium income. It approves titles which warrant no such performance; or, under the best of circumstances, contain objections to title which could be waived (as regards the instant transaction) only after a stipulation there be a suit to quiet title prosecuted—or curative obtained.

That type of company is all too liberal in its interpretations of title. It yields to public pressure. And in the yielding its has destroyed or affected the faith even of him who sought the waiver.

Let the record show clearly this is not intended to be critical of the insurer who courageously waives an

objection to title, one not of minor character. Let the record clearly show it is not intended to apply to those who intelligently consider the subject matter and determine that in these changing times the courts will uphold their position should the title be litigated.

But it should also be kept in mind, in connection with the statement I have just made that the beneficiary should be put on notice of the objection to title, not minor in character, coupled with word that the title insurance company is willing to waive said major objection to title. Stated another way, never should our insurers be placed in position with our clients that the company is one which will waive, right and left, willy nilly, serious objections to title.

Risks Assumed

Examples of courage coupled with intelligent, prudent application of brains and a knowledge of the Law of Real Property are many. One such is the assumption, in certain jurisdictions, of risks arising from the presence of reverters where, according to the record, there is no existing entity to enforce rights of re-entry.

Another such took place in the 30's when many insurers wrote owners policies based upon deed given in lieu of foreclosure, this despite the conviction of men learned in the law that, under the Constitution itself in some states, one could not waive or give away his right to redeem.

Other instances may be found in the decision of the insurer that he may rely, with reasonable safety, upon certain statutes—as for instance idem sonans, or the doctrine of latches, and who thus risks possible future title litigation by waiving objections.

Still others are cases where the Soldiers and Sailors Civil Relief Act may be involved, or where there is possibility, remote though it may be, of heavy restriction on alienation by reason of the Alien Property Act.

No, I do not refer to cases of this character, ladies and gentlemen.

Rather I think we should view approvingly that brave willingness of our title institutions to risk assets of the company in future litigations and claims.

But definitely I do not feel it is sound practice that an insurer should waive an outstanding interest in the fee title, an interest clearly shown by the record to be outstanding, and not ancient in years, and to waive it solely because of the premium involved and presumably without record to the statutes or the decisions of the Courts.

Such practices definitely do not earn for that insurer the continuing respect of the public, not even of him who procures the policy. And such practices, if continued, solely for the purpose of adding more and always more to the gross earnings can only result in loss of Faith and Confidence in that insurer.

Knowledge of Defects

Is it sound practice that a company shall waive an objection to title when it has knowledge another company has declined to pass that objection? I refer not to disagreement between those learned in the law; that disagreement doubtless will always obtain. Rather I refer to that instance where one company was notified by another of a fatal defect in title and notwithstanding the notice insured. I presume this might be described as a case where the sole reason was to take a file away from a competitor, no matter the facts.

The progress of the second institution mentioned is something I have observed with more than passing interest. Will it continue to retain the faith and confidence of the public in its mad ambitions to pile up more and always more gross earnings? Or will it acquire—in fact has it already acquired—a reputation which presently might be described as just a little off-white, but which will grow more gray with the passing of the years? When will observing counsel of the life fraternity and other large lenders pick up knowledge of the willingness of this firm to pass any and all objections to title apparently for the sole purpose of collecting pre-

miums? When will counsel back away from further acceptance of the policies of that insurer?

What will be the effects over-all on our membership of these performances?

Still another point I present for your earnest consideration.

Litigation

Today and for the past ten years men have wanted the land to the point they accept the title, in some cases with knowledge of defects. Some will recall the 30's when men tried to escape commitments to buy land—when suits to set aside were filed, practically all based upon title questions, many of frivolous character.

With the return of a less active realty market, what will be the position of insurers as regards claims in hand and litigation to defend titles? Or to prosecute suits for performance of contract? What will be the effects upon their financial position? What will be the cumulative effects of the loss of faith of the public which those suits will, or may, engender?

Of far greater importance are the effects, the cumulative effects, of those practices upon the institution of title insurance.

It makes no great difference the amount of assets a firm may possess. The title insurer possessed of many millions of dollars but which has lost the faith and confidence and credit of the public will be akin to him who has lost his soul. Of what avail be those dollars if, in gaining them, he has destroyed the faith of his neighbors in his prudence, in his intelligent consideration of all facts before making decisions?

From top to bottom, from the great to the small, our membership will suffer the pain which distrust by the public would bring.

Clean Hands

It must be obvious to all that all must operate with clean hands.

And what further may be the results if we fail to merit the continued

trust and faith and confidence of the public?

As surely as one day follows another, the heavy hand of Government will be lain upon us, upon all of us. Vexatious and burdensome regulations may be imposed by the state; and the creation of those harsh regulatory measures may be the handiwork of those who are suspicious of our motives, distrustful of our procedures and performances, fearful of our tenets. Thus may come to all distasteful results because of the practices of the few.

Time does not permit recitation of other off-color practices. But I did feel keenly on the subject long before I started to prepare this manuscript. I felt it keenly as I worked on it, and my deep concern has not lessened. Whither are we drifting?

If unsound practices continue, it is my conviction we are drifting more than we realize toward the shoals of trouble, toward the rocks of greater governmental control, control far more stringent than might be necessary in the circumstances.

The solution? There is no one solution. There is no panacea in this situation of ours just as there is no one cure-all which will solve the problems that beset the world.

Policing

I rejoice that our organized body has seen fit, through action taken to amend our Constitution, to set up machinery by which it shall be possible for us to police ourselves. That is a great forward step. The very creation of this machinery, this anchor to retard our drifting toward the shoals, will accomplish much. It will serve as notice to those few of the determination of the many to keep our house in order, be they abstracters, be they title insurers. I am convinced to the very depths of my being that a resolution of censure by this Association—or worse expulsion from membership—will become a road block impossible of passage to him who engages in shady practices.

The actions we have taken in creat-

ing this machinery to protect the decedent will become known in the offices of those whose favor and good will we seek. And I predict it will become increasingly difficult for the off-color operator to persuade these large investors to continue to accept his policy and his services.

With all my heart, I hope it will never become necessary that the Grievance Committee shall function. But if and when the occasion does arise, I hope and pray there will be a display of courage by those asked to serve, an acceptance of responsibility; and, because of this, they will set in motion our self-policing procedures.

It has already been determined these hearings will be no ex parte action. The accused will be given all opportunity in the world to present his defense. Most carefully have all necessary steps been taken to assure his interests are to be protected. That is as it should be in this democracy of ours. And I am convinced that punitive measures will be taken only after it has been clearly and unmistakably proven that the offender deserves such desserts.

Few Sinners

In writing this manuscript, I have drawn an indictment, I have painted a picture which might create an impression that ours is a group of sinners; and that everybody in the Association is actuated by greed. Certainly, such is not the case. I have chosen deliberately to depict to my people that which I deem serious and of peril to us in the years to come—particularly if there should be a spread, an increase, of unsound practices.

Our barrel of apples is essentially a barrel of sound apples. Ninety-nine percent of the contents of the barrel of apples that makes up the membership of the American Title Association are without blemish and they are good and wholesome. They possess, because they have earned, the faith and confidence of the public.

That fact is evidenced in many ways. I shall cite but one to prove my case. That was the delivery in the war

effort by members of our Association of over 80% of the 350,000 evidences of title on lands taken in World War II—all without one word of improper service to our Government, without one case of irregularly of misconduct by our people, all without one single charge of chicanery or wrongdoing.

I shall be everlastingly proud of this record. I boast about it at any given opportunity, and if I am not given the chance, I boast about it anyway.

Proudly

And I throw out my chest when I call upon Federal agencies and the life companies. Proudly I speak for them. I bask in the sunshine of your honorable performances. No man in his work could be happier and more

justifiably proud of his people than am I.

Shakespeare must be the favorite author of our membership; and there must be enshrined in the hearts and minds of our people that famous passage when Pollonius charged Laertes:

"This above all—to thine own self be true. And it must follow as the night the day thou canst not then be false to any man."

And again Shakespeare wrote:

"Mine honor is my life—both grow in one—take one from me, take honor from me, and my life is done."

Ours is a profession of honor. Ours is a necessity in the economic life of the nation. Ours is the task to assure preservation of our place in the Society of Men, Ladies and gentlemen of the American Title Association, hold high your flag. Let none despoil it!