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TITLE NEWS

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Volume XXXIII May, 1954 Number 5

AN ABSTRACTERS LIABILITY

JOHN W. WARREN, *Secretary-Treasurer*
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I should first like to state that it is difficult, if not possible, to draw clear and unmistable rules which will apply in each case and determine the question of an abstracter's liability or non-liability. To a certain extent, the particular factual situation will enter in, but I shall try in a general way, to provide you with information about the law of our State (Oklahoma) and the construction given it by our State Supreme Court which has a bearing upon your liability.

In the first place, you who engage in the business of abstracting title to real property require special knowledge and skill and having engaged in such business "impliedly represent that you possess such knowledge and skill." "An abstracter vouches for the correctness of an abstract compiled and certified by him, and he must therefore use the highest degree of skill and diligence in compiling the same" "and for a failure to exercise such care and skill, he is liable in damages." (1 C.J.S. No. 9.)

Though I am sure each of you feels well qualified, and rightly so, to determine what instruments and the like an abstract should contain, I found in preparing this paper, a statement that I felt was so good that it bears repetition to those of you who have heard it and introduction to those of you who have not. It goes like this—"It has been said that an abstract should be 'so full that no reasonable inquiry shall remain unanswered, so brief that the mind of the reader shall not be distracted by irrelevant details, so methodical that counsel may form an opinion on each conveyance as he proceeds in his reading, and so clear that no new arrangement or dissection of the evidence may be required'." (1 C.J.S. No. 4.) If your abstracts fit this pattern, you are indeed to be congratulated!

What to Show

We are all prone to think of our liability as a result of the complete omission of some instrument, rather than from an incomplete report of an instrument actually included in the abstract. But we can have liability from the failure to provide a statement of the "material parts of . . . grants, conveyances, wills or other instruments." An abstract should also contain instruments which are invalid or ineffectual where they are such as to cast a cloud on the title; and doubtful encumbrances or other matters should be shown rather than omitted. "Every part of the documents or records abstracted should be set out which may affect the judgment of an intending purchaser or other interested person, and one relying on the abstract is entitled to consider that no part of them which is not set out has any bearing upon the title." (1 C.J.S. No. 4.) "A failure to

note or show an instrument of record affecting or encumbering the title, or the omission of a material part or provision of an instrument abstracted, has been held to constitute negligence as a matter of law." (1 C.J.S. No. 9.) In this connection, it is probably the better procedure to show that a deed contains restrictions, and list them briefly, than to show a part of such restrictions perhaps fully and omit a part which may later prove a serious impediment on the use of the property. By showing such briefly, you are calling to the examiner's attention that he must view the record to see what the restrictions actually are or must call for a complete copy of the instrument, whereas in the latter instance, you infer that any omitted parts have no bearing on the title, and should they, you could suffer liability. The Oklahoma case of Leeper v. Patton, 91 Okl. 12, points out that it is as much an abstracter's duty to show that property was not on the tax rolls for a given year, as it is to show that taxes are unpaid for any year, or that there has been a tax sale for the taxes for a half year, and failing in his duty, he is liable.

The Contract

Generally speaking an abstracter's liability arises as a result of the breach of his contract with his customer to furnish him with a true and correct abstract and it is therefore generally measured by the nature, extent and terms of his undertaking or employment and he cannot be held liable for failing to do more than his agreement calls for. Even though there may be a negligent performance of the employment, in many jurisdictions the abstracter might still escape liability under the old common law rule that the person damaged did not have privity of contract with the abstracter. In Oklahoma, privity of contract cannot be resorted to for defense, the abstracter's liability being governed by statute. Title 1 Okl. St. Ann. No. 1 provides that the abstracter will properly demean himself in the business of abstracting, and "will pay all damages that may accrue to any person by reason of any incompleteness, imperfections or error in any abstract furnished by him . . ." The effect of such statute is to enlarge the old common law liability of the abstracter, so that it extends to any and every person who may rely upon the abstract to his prejudice, regardless of who ordered or paid for it. Our statute is seemingly inconsistent in that the first part of it states that the abstracter will pay damages that may accrue to "any person," whereas the latter part states that the abstracter shall be liable on his bond to any person or persons "for whom" he should make or furnish an abstract. However, the Oklahoma case of Sackett et al v. Rose, 55 Okl. 398, settled the dispute by holding that the statute was not inconsistent and that the latter provisions is to be read with the former, and the two construed together "without doing violence to either."

Extent of Liability

Realizing that we can and do have liability from time to time, we want to then know how much of a loss we might sustain and what, if anything, are we not responsible. Damages are generally restricted to the following:

First, to those who at the time of taking the action resulting in the loss, actually acted in reliance upon the abstract. The very recent case of Randall v. Paine-Nichols Abstract Co., 205 Okl. 430, invoked this rule in holding that there was no liability on the part of the abstracter who, in compiling the abstract, failed to show a flowage easement which had been acquired through condemnation by the government. Though the purchaser was allowed recovery against the seller upon breach of warranty, nonetheless, since it was shown that the seller had represented that there were no flowage easements across the property even before the abstract was ordered, and the abstract was prepared and delivered to the prospective purchaser without the seller seeing it, the court held that even though the abstract was erroneous, there could be no recovery, for the loss resulted entirely from seller's

own conduct and not from a reliance upon the abstract. The case of Beckovsky v. Burton Abstract & Title Co., 208 Mich., 224, brings out the same rule, but on a partial basis. The abstracter failed to show an encumbrance for $15,000, but it was held that the plaintiff was not entitled to include in his damages an amount in cash which he paid to the seller prior to receiving delivery of the certified abstract as extended, since the payment of that amount had been made wholly uninfluenced by the failure of the defendant to note the encumbrance.

Secondly, damages are restricted to those whose injury is the natural and probably consequence of the negligence. That is to say, if the abstracter's error or omission is the direct or proximate cause of the damage sustained, and there is, of course, a reliance on the abstract, the abstracter is liable for the damage he causes. The case of Washington County Abstract Co. et al v. Harris, 48 Okl. 577, involved the furnishing of an abstract which failed to show a deed which was of record. The land was purchased in reliance on the abstract and the title thereafter failed. Recovery was allowed against the abstracter, for by the showing made in the abstract the purchaser was induced to make payment for the land, and but for that showing he would never have parted with his money.

Proximate Cause

One of the early cases involving this proposition is that of Roberts v. Leon Loan & Abstract Co., 69 Iowa, 673, where recovery was denied when it was shown that the date which was specified in the abstract for an execution sale (giving too late a date) could not have caused the failure to redeem unless the plaintiff could and would have redeemed had the abstract shown the true date, and where in the exercise of reasonable diligence she could not redeem after the error was discovered. "The court also said that there was no evidence tending to show that plaintiff could not with reasonable effort, after the discovery of the error, have redeemed within the time allowed. In short, the direction of the verdict by the jury was upheld upon the ground that there was no evidence tending to show that the error in the abstract was the proximate cause of the loss."

Thirdly, damages are restricted to those who exercise reasonable diligence to avoid or minimize their damages. Though the injured party should be placed as nearly as may be in the situation which he would have occupied had the wrong not been committed, it is incumbent upon him to use all reasonable means to arrest the loss. In the Sackett case mentioned before, a judgment was omitted by the abstracter under which the property was later sold and lost to the plaintiff. However, the court limited the plaintiff's recovery to the amount of the judgment plus interest, since she had ample opportunity to mitigate her damage and prevent the loss of the property in the purchase of the judgment. In speaking of the duty of the injured person, the court said "It is only incumbent on him, however, to use reasonable exertion and incur reasonable expense, and the question in such cases is always whether the act was a reasonable one, having regard to all the circumstances of the particular case."

As a kind of mitigation, the claimant may in some instances be barred recovery where he had the opportunity to dispose of the claim, but for good cause fails to do it (where time prevents his obtaining the money or the like), and where in the exercise of ordinary diligence he could have but failed to inform the abstracter, in order that the latter might have an opportunity to protect himself. (See Roberts v. Leon Loan & Abstract Co., supra.)

Fourthly, damages are restricted to those which are limited or stipulated in the employment contract. Generally, the limitation must be "up and above board" and not by an obscure clause or provision in the certificate appended to the abstract, without specifically calling attention thereto. The recent case of Reinhart & Donovan Co. v. Guaranty Abstract

Co. et al., 205 P. 2d 881, involved an attempted recovery for taxes. The abstracter's final certificate stated in effect that "the county treasurer's records showed the taxes paid." Later the county officials were required to restore original valuations, they having been reduced under what was held a void Act, and to collect the delinquent taxes shown by the corrected records to be due. The result was that the County Treasurer changed the records to show that a part of the taxes against plaintiff's property were delinquent for prior years, and it was over these taxes that the dispute arose. However, the court found that when the abstracter prepared the abstract the County Treasurer's office showed the taxes as paid and that "therefore the certificate of the abstract company correctly disclosed the facts with reference to all information that the certificate pretended to disclose . . . and that the universal custom and practice of abstracters on the date of that certificate was to show the taxes merely as reflected by the records of the County Treasurer."

Time Limit

Lastly, damages are restricted to those who are not barred by some kind of statute of limitations. In many jurisdictions today, just as it was in the early history of the Oklahoma law, most recoveries were governed by the three-year statute of limitations, the contract of employment being usually oral. Where controlled by such law, it is highly important to determine the date which starts the statute in operation. The Oklahoma case of Garland v. Zebold et al, 98 Okl. 6, established the rule that "a cause of action against an abstracter of titles for giving a wrong or false certificate of title, accrues at the date of the delivery of the abstract and certificate, and not at the time the negligence is discovered or consequential damages arise," and held that an action was barred under an oral contract of employment were begun more than three years from the date of the delivery of the abstract.

We enacted a statute in 1937 which changed this rule, and extended the time within which an action for damages could be brought to five years from date of the abstract certificate. This statute, 1 Okl. St. Ann. No. 18, removes the necessity of determining when the cause of action accrues, and simply permits recovery where the action is brought within the prescribed period. However, as I have pointed out, this statute has the effect of extending the time previously applied of three years to five years, so your liability is slightly increased over what it once was.

And now we come to an even more important consideration—if we should have a loss, what is its limitation? The measure of one's damage is generally said to be all damages, and those only, which have directly and proximately resulted from the abstracter's negligence or wrongdoing, or the amount as will compensate the injured person for all the detriment proximately caused thereby, except such damages as might have been avoided by reasonable diligence. To help us come to understand the measure of damage, let us look to some of our Oklahoma cases dealing with this subject.

The case of DeVillers et al v. Pioneer Abstract & Loan Co. et al, 92 Okl. 80, involved the failure on the abstracter's part to show an existing mining lease against certain property purchased in reliance upon the abstract which was to be platted as a townsite. The plaintiffs, to clear title, purchased the lease at a cost of $7,300.00, and sued the abstracter, alleging damage to this extent. The court held that the proper measure of damages would be "the purchase price paid for the lands ($5,002.50), less the value of the land so incumbered by the mining lease."

Damages

In this case, however, the court discusses the measure of damage to be followed in other type cases. It stated that for the failure to show a valid mortgage, judgment or incumbrance which the law requires paid, the damage is the amount which the plaintiff is required to expend in re-

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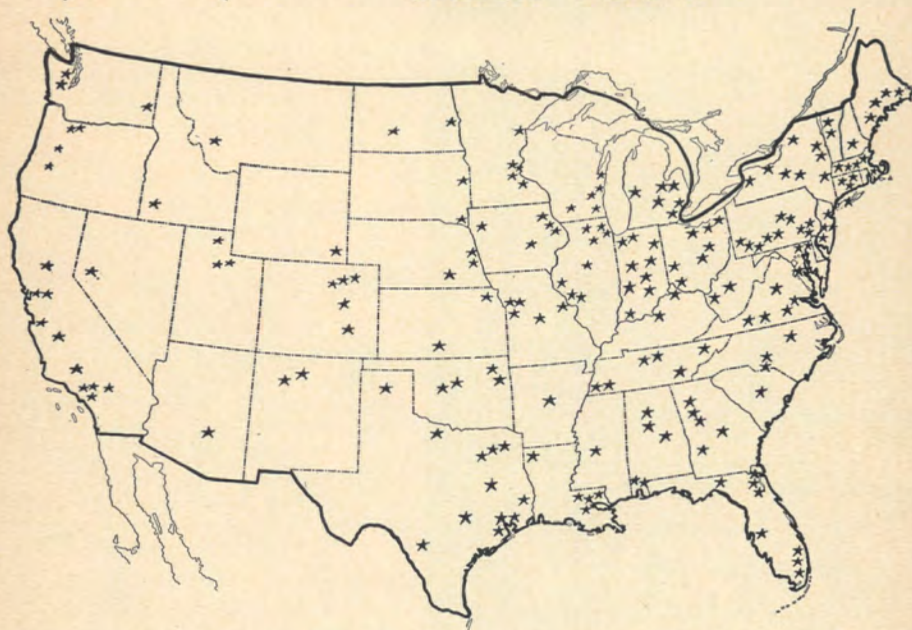

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moving the cloud, not to exceed the amount paid for the property, and the necessary expenses of defending the title. "If the title had failed entirely, the maximum of their recovery would have been the amount paid for the land and the necessary expenses in defending their possession."

The court then laid down the rule that "the liability of an abstracter is not greater than that of one warranting the title." The court then referred to Sec. 2856, Rev. Laws 1910 (Title 23 Okl. St. Ann. No. 25) stating that the measure of damages for breach . . . "of warranty, in a grant of an estate in real property is deemed to be:

1. The price paid to the grantor, or, if the breach is partial only, such proportion of the price as the value of the property affected by the breach bore, at the time of the grant, to the value of the whole property.
2. Interest thereon for the time during which the grantee derived no benefit from the property, not exceeding six years; and,
3. Any expenses properly incurred by the covenantee in defending his possession."

We have another statute, however, dealing with the recovery to be had where there has been a breach of the warranty, that being Title 16 Okl. St. Ann. No. 23, which has the effect of enlarging the recovery to that of the price paid for the conveyance of the land at the time of the warranty, the value of all improvements lost, if any, and all sums necessarily expended, including a reasonable attorney fee, and interest at the rate of 10% per annum on all sums so paid from the time of payment. This statute has been held not in conflict with the one referred to in the DeVillers case—(see McConnell v. Goucher, 188 Okl. 293), and is applicable to cases where the grantee is sued by some third person, and has to defend in some action by reason of the fault of the grantor, whereas it is said the measure of damages in Title 23 Okl. St. Ann. No. 25 applied in actions brought by the grantee against the grantor. This same result might be applied in arriving at an abstracter's liability, allowing plaintiff a greater maximum recovery where he was successfully sued by a third party resulting in a damage, than that which would have been allowed to the plaintiff where he brought the action against the abstracter and no third party was involved.

Limited Recovery

The damage may be limited to the cost of perfecting title as was intimated in the Oklahoma case of Manville et al v. LeFlore-McCasland Abstract & Realty Co. et al, 65 Okl. 12. In that case plaintiff purchased land in reliance upon an abstract which omitted showing a mortgage against the property. After having discovered the mortgage, plaintiff paid mortgagee the amount of it and sought recovery against the abstracter. Court disallowed the recovery on the theory that the mortgage was void and didn't constitute valid lien and that plaintiff paid the mortgagee voluntarily at his peril, with full knowledge of the law, but intimated that the plaintiff might have had a cause of action for sum required to perfect his title.

The Leeper case heretofore mentioned allowed recovery against the abstracter to the extent of taxes which had to be redeemed to prevent loss of property. The court, however, refused to allow exemplary damages recovered in the trial court.

A question frequently raised is that of whether recovery should be allowed for costs and expenses, including attorney fees. It is generally held that where there is a reasonable probability of defeating the action, the plaintiff is entitled to recover amounts paid for attorneys' fees, for he is normally under a duty to use "reasonable means, including necessary and reasonable expenses to defeat, if possible, the cause of action." Such was the holding of the Oklahoma case, Washington County Abstract Co. et al v. Harris, 48 Okl. 577.

Interest on items of damage are recoverable against an abstract, in a proper case, in accordance with the

rules relating to interest on damages generally; but there is no right to interest where there has been no actual pecuniary loss.

How Much?

I think by now you can see that your loss could be tremendous, for it is conceivable that you could have more than one loss with a given title failure. You could be responsible to the purchaser to the extent of his purchase price, attorney fees and costs, including possible improvements where appropriate; you could be liable to a lessee to the extent of bonuses paid in the obtaining of a lease upon the premises; and assuming that an oil company had obtained production upon the property and sold their oil rights, you could be liable to that purchaser to the extent of the price paid. Thus, it is almost impossible to ascertain precisely what might be your liability. I think you should give serious thought to methods of providing yourself with protection. I suggest the following:

First, the procurement of abstracter's liability insurance. In the report made to the Annual Convention of the American Title Association last September, Mr. A. F. Soucheray, Chairman of the Committee on Abstracters' Liability Insurance and Bond Coverage, reported that abstracter's liability insurance is written by the St. Paul Mercury Indemnity Co. & Lloyds of London. Policies are eligible for a three-year rate and cover losses by reason of defective abstracts, and such other certificates usually issued to abstracters. Regardless of when the error was made, if you have an abstracter's liability policy in effect at the time a claim is made, you are covered. It does not, however, cover errors of abstracters in issuing title guaranty policies.

Secondly, I would recommend the creation of reserves out of your regular profit with which to meet losses. When these reserves have become substantial enough, you may wish to increase the deductible loss which is not included in the policy of abstracter's liability insurance, or you may wish to discontinue it entirely.

Thirdly, I would recommend that study be given to the provision of a limitation in the final abstract certificate, limiting recovery on a single loss or losses to a fixed amount. I should think that abstracting charges should bear some relationship to the risk involved or the value of the property abstracted, with some sort of prescribed minimum abstracting charge to cover the cost of actual abstracting. Thus, where you are assuming greater likelihood of title loss, and it does have some bearing to value, for the less valuable isn't many times worthy of contest, you would receive greater compensation. I recognize there are disadvantages, but I submit that the advantages outweigh the disadvantages to such a system.

Fourthly, I would urge the exercise of the utmost care in abstract preparation, with close personnel supervision, and someone checking the completed work before it is delivered. I think the maintenance of an independent set of indexes is very helpful in this connection and does as much as any single thing to remove the possibility of error by providing two checks.

Fifthly, you should proceed with dispatch to correct your errors, once they are brought to light. This will pay dividends not only in satisfied customers, but may lessen the total amount of damage you might sustain from a given error.

THE OPEN-END MORTGAGE

(A PANEL DISCUSSION)

MEMBERS OF PANEL:

Lawrence R. Zerfing, *President,* Land Title Insurance Company, Philadelphia, Pa.; *Vice-President,* American Ttitle Association.

Charles M. Swezey, *Assistant General Counsel,* New York Life Insurance Company, New York, N.Y. (now retired).

Lyle W. Maley, *Vice-President,* Chicago Title & Trust Company, Chicago, Illinois.

(Following is the discussion of the open-end mortgage which took place at the 1954 Mid-Winter Meeting of the American Title Association, Feb. 18-19-20, in New Orleans, Louisiana. Since this material was taken from a tape recording, much had to be deleted due to the presence of background disturbance which usually accompanies a recording of this kind where a large crowd is gathered in a large meeting room. We feel, however, that it is of sufficient interest to merit publication at this time. Ed.)

LAWRENCE R. ZERFING

The President said that we had no manuscripts; I have never been able to prepare one in fifteen minutes anyway. So I'll just try to ramble on and give you the history and background as I understand it. If you will pardon the references I will of necessity have to refer to what took place in Philadelphia, because that is the area with which I am most familiar and we also have been handling the open-end mortgage situation for just about 20 years. So I think we may have a fair background—some may have gone back a little further but I suppose very few of them.

The purpose of discussing the open-end mortgages are not to discuss in any way the philosophy in back of the open-end mortgage. If a lender wants to make a mortgage for one year or a hundred years, that is his problem and not ours. Our problem is what kind of title evidence shall be furnished to cover the open-end mortgage. How can we best protect the lender and not let him get into a trap or a feeling that he is covered when we might know, or do know as a matter of fact, that in some areas he is not covered. It started as far as we are concerned, in 1933. The purpose back of it was to take care of the little home owner who had a mortgage on his property. He was pretty well tied up at the time because of economic conditions, and he needed some more money to put on a new roof, let's say, heater, or any improvements of that type. He has one source generally, and that was to go out and refinance entirely, this admittedly was difficult at that time, or he would get into the hands of the money sharks and be obliged to pay exorbitant rates of interest. As I see it the agitation started with the Federal Savings and Loan Association. Their idea was "let's get the money into the property," and they would make an additional loan to him so that he could improve his property, of course thereby improving their own security and that was good all-around. There is no question about that. We went along with that at very moderate

rates, furnishing that type of title evidence so that they could make that additional advance. I am afraid that we have gotten away from that theory and the result now is that it is not only for property improvements but actually loans are being made for any and every purpose—many of which are foreign to the purpose as it was originally intended. Again I do not know whether that is any of our business. As far as the forms, methods and so on are concerned we can look at it in an overall general way. Nevertheless, the methods in each state must undoubtedly be governed by state law. A survey was made on that some time ago, and many of you might have seen it, by Horace Russell, setting out the requirements in the different states. I am not sure how complete the survey was but nevertheless it took a position that in some states you can make advances on the original mortgage without additional searches, others are doubtful, in some others you definitely cannot make those advances. As far as coverage is concerned it has been suggested from some areas that this ought to be handled on a casualty basis. The agitation is fairly loud. I don't know how voluminous it is to tell you the truth. Again, I don't see how title companies can furnish that type of evidence on a casualty basis. Either a mortgage has a good lien or it doesn't have a good lien. And, again, I say you must go back to your state laws to determine how you are going to handle that situation and properly protect your parties. When agitation arose concerning casualty insurance a magazine was going to run an article really pushing the idea of furnishing that evidence on a casualty basis. I shouldn't call it evidence either—it is not evidence, it is a tentative guaranty or security, but it is not title evidence. A study was made at that time to try and determine what states furnished or felt they had to furnish that kind of evidence and how they furnished it. We can say this, that in no place in which a survey was made did any company say that they are furnishing that kind of a coverage without making a search of the title records.

Demand for the open-end is increasing. I think it is here to stay, but at least if we are going to furnish a title evidence we want to be sure that it is furnished to these security holders in a way in which they will be completely covered and which they will get the full benefit of the security. And if it needs legislation to get the method simplified, I don't know, that is not up to the American Title Association or to any officer to suggest that. I think that becomes very much a state problem. Our idea here is merely to point out, as far as we can, the requests that have been made, the conditions which exist and then, I believe, leave it up to the states themselves, our state legislatures, who work out the methods under which this can be done.

It's a growing proposition. I honestly believe it is here to stay whether we fancy it or not for one reason or another.

LYLE W. MALEY

I didn't know that I was going to talk on this subject, but I did bring some things along that might be brought up in some casual conversation in a small group. So I did not have it prepared. However, I will say this — that several years ago the Federal Savings and Loan in our county brought this question to our attention. Over a period of some time we gave it a good deal of thought. In Illinois you cannot make an additional advance and rely solely on the lien created at the time of the recording of the original mortgage. If you wish to make an advance, with one exception, it is necessary to search the records and see what the condition of the record is at the time of the advance. The exception is this; if the mortgagee obligated itself at the time of the making of the original loan to make some further disbursement of his money to his mortgagor and that is obligatory, then the lien securing that additional amount will date back to the lien of the original mortgage itself.

Our decisions are rather clear. We have a number in the article of the

United States Savings and Loan League bulletin, prepared by Horace Russell and his assistant, and it states in general the Illinois situation. We have furnished to the Savings and Loan people means of protection in making those advances. We did it by a supplemental policy which we call Form S. It is a very simple thing —one page—it does not cover taxes nor special assessments because normally the lender has an arrangement with his borrower whereby one-twelfth of the taxes, etc. is deposited each month, and usually the lender knows what the tax situation is. So this is a rather simple supplemental policy. It is issued on a particular form of application, in which certain representations are made by the lender and by the borrower. With those representations and a rather quick and partial search of the records—we then issue the supplemental policy. We do it at a very low rate.

The first year that it was in operation we had issued something over 200 of those supplemental policies. We issued a great many policies that year, only a couple of hundred of them were of this supplemental form. The following year the number jumped up to about 400. This last year was the third year we issued them. The increase was something like 40 over the preceding year. So around 450 was the number we issued in 1953. This does not indicate any great demand for this kind of protection. That may be partly due to the manner in which some of those institutions operate. I had the feeling without knowledge that some of them make those advances without any search of the record, relying solely on their knowledge of the borrower. From a business standpoint that may be sound, I hope it is, but there is the matter of law to consider. You know and I know of bankers, when Joe Bloke came in and wanted a thousand dollars, they knew Joe Bloke, knew his past history, they knew what he was doing, they had some idea of his assets, some idea of his income and they'd say "why, of course, Joe, here's a note, just sign that and get the money." But Bill Smith then wants a thousand dollars and maybe he has to leave his shirt and his socks and everything else in order to get it. So personal knowledge of the borrower has in all such transactions a very important. part. I am quite sure that many of these institutions in Cook County are making these advances without getting a supplemental policy from us and perhaps without making any investigation of the record whatever. We hope that they do not suffer loss for that reason, but I would not wish to endorse that kind of practice. As a lawyer I certainly would not—not in Illinois. There may be states, as indicated in Horace Russell's article, where that is a safe and sound practice, I do not know—I only speak with reference to the Illinois situation.

Some agitation has been to have lenders adopt this practice of making additional advances. There has been some suggestion that the mortgage, when made, should provide for additional advances and that the title company should in its policy, originally issued at the time of making the original loan, should cover and protect the lender against the additional advances which might be made in the future. In Illinois, unless those additional advances were obligatory so that the mortgagee is obliged to make them and could be forced to make them if he resisted, that unless that situation develops and exists I do not see how a title company could, in issuing its original policy, give any protection whatever as to the liens securing these additional notes. I would hesitate to recommend that we attempt any such thing.

I am not speaking about the rest of the states but in Illinois it would be a most dangerous practice.

The lender who is located at a distance from the (well, we won't say the scene of the crime) but at least from the location of the property which is security for the loan, it would seem is at a disadvantage in making future advances. The local Savings & Loan or Building & Loan has a knowledge of his "Bob." He knows whether he works, he knows how he keeps his property, he knows

the need for that particular amount. He can judge whether he wishes to extend his situation by making a further advance. He can judge that pretty well. The lender at a distance is certainly at a disadvantage in those areas. However, as our friend Mr. Zerfing indicated, that is a problem for the lender and not for the title company. If the lender wishes to make the loan, or to increase the amount of his investment in the property, certainly it is for him to determine that, and for us, as a title company, to try to the best of our ability in the light of the laws of our own particular state to give that lender the kind of protection he needs. We try to do that in Chicago. I am sure you all try to do that in your own location. Thank you.

Questions

SENATOR GOLDING, Colorado: This is a very simple question. It didn't necessitate my coming here. I just wanted to ask Mr. Maley what our situation is if we insure in regular form the mortgage, issue a mortgage policy, and the mortgage does contain a provision authorizing additional advances. Is it necessary for a title insurance company to make some exception as to that provision, otherwise if in fact the advances are made, and the matter is disputed possibly in court, do they come back on the title insurance company? In other words are we insuring the validity of the mortgage as it is written?

MR. MALEY: Mr. Golding, I think that is an excellent question. I do not know that I have a definite answer to it, but in my opinion the title company is not assuming any liability under its policy. With reference to those monies which may be disbursed in advance by the lender subsequent to the disbursement of the original loan, I want to try to make it clear that suppose a mortgage is $10,000—I'm not talking about some part of that original $10,000 that may be paid by the mortgagee to the borrower subsequent to the recording of the mortgage—I'm not talking about that at all. Nor suppose that the first disbursement of the house was pretty near done so they let him have $8,000 out of the $10,000 and say "gentleman, you can have $2,000 after this house is done." I'm not talking about that—that's part of the original loan, but we are talking about the original mortgage of $10,000 bought and disbursed by the borrower, some time elapsed, he comes then under this provision in the mortgage and says "I've paid down now, my loan is now $8,000. I need $1,500 or $2,000 for some purpose." And so the mortgagee lets him have it. Now that is an additional advance and I do not believe that it is covered and creates any liability on the part of the title company whatever as to that additional amount. It may be that in some cases, and it may be quite true in some states, that some notation should be contained in the policy, some understanding be had by the title company with its customers before the trouble arises so in order to make it clear that it is not a liability that is assumed. We had that situation over a period of years where building and loans would have a mortgage out, we'll say for $10,000, in those old days they often were less than that, and they just kept it as sort of a revolving policy. They loaned that money, and the fellow made payments each month, and then he comes in and says I'll need to put a new furnace in, so they just said all right, here is just so much, and they considered that all part of the same loan. I do not recall that we ever had any active trouble over that situation. I mean disputes with customers, which can be trouble too—I know, you know—but nevertheless the seeds of trouble existed and it was partly to avoid such discussions we did decide to issue these supplemental policies. Does that cover any part of your question? Because I know nothing about Colorado law. You might have some other course of action to cover your law.

MR. TURNER, Missouri: A further point—that is the liability to the title company which necessarily does not call attention to the fact that a prior

encumbrance has this open-end provision. In other words, suppose that you issue a policy in favor of a second mortgagee excepting a prior mortgage, do you call attention to the fact that that prior mortgage has a provision of that kind?

MR. MALEY: I would say that we do not.

MR. TURNER: That's because your law protects you.

MR. MALEY: That is right. In some states it might be necessary for the title company to mention the fact that some prior mortgage already a lien contained a provision for advances. Certainly, if those advances are going to be automatically secured by the original lien, dating from the record of the original mortgage the title company should mention it. But in our state I do not think it would be necessary.

MR. ADAMS, Louisiana: Would not the mere accepting of the outstanding mortgage containing the authorization of future advances be a sufficient exception without calling attention to the contents of that mortgage?

MR. MALEY: I think it would be sufficient in Illinois.

SPEAKER: I think the question Lionel Adams asked was this. If you are lending on a second mortgage, are you bound when you receive a policy showing it is subject to a mortgage of, let us say $10,000, payable $50 a month, which has been running for four years and you probably call up the Building & Loan and say, what's the balance due on that mortgage, and he says $6,000, and you haven't shown the Building & Loan could make future advances under that mortgage, are you giving the kind of title service to your customer that he is entitled to have regardless of legal liability?

MR. MALEY: I think that in showing in that mortgage that it contains provision for making additional advances that the abstracter in his sphere and the title company in issuing policies, should mention that the mortgage contains provisions for additional advances with such information as may be necessary by that particular instance—that is, if there is a limit on the amount of the additional advance, I think that should be shown—whether it is a limit on the total amount advanced or a limit that permits an advance only to the extent that the original amount had been reduced. Those things I think should be shown. Then of course the second mortgage lender, having notice of that prior mortgage, should ascertain the amount presently due either as the original amount of debt or by reason of additional advances.

CHARLES M. SWEZEY

Good morning, ladies and gentlemen. As I sat there I was reminded this morning of a meeting, I think it was a meeting of the Association that took place a generation ago in New York City. Fred Condit of the Title Guarantee & Trust Company was the presiding officer, and I was particularly impressed by something that Mr. Marcel March, who was then General Counsel of the Equitable said. He was called upon to make a speech by our good friend Fred Condit and when he arose he said this: "I did not come here, gentlemen, to make a speech, I did not come to offer any remarks, I came here to ask a lot of questions." That is somewhat of my category this morning.

I must confess to you that in 1947 when our company first started to examine the possibility of open-end mortgages that I was somewhat cynical, possibly I was like the fly on the chariot wheel that you will all recall. You will remember that in the old Roman days that this large and heavy chariot was rolling down the highway raising a great cloud of dust from the road. The fly was spinning along the edge of the wheel of the chariot, he happened to look back, saw this enormous cloud of dust and said "Hell's bells, what a cloud of dust I'm raising."

I probably sound pretty cynical, but I think we've come a long way from that. I think possibly the open-end mortgage has some substance from the standpoint of the lender. I want to ask your help on one thing

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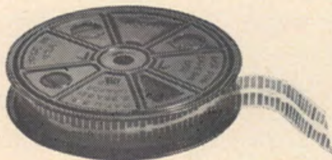

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though, because I think it will help you—it certainly will help the lender. Today, in my observation, there has been a terrific amount of unfortunate publicity on this subject. The prospective home owner, the home owner, the buyer, have been led to believe that this thing has been a very casual undertaking—could knock it off in the forenoon, have a big lunch and then go out and play golf in the afternoon. The questions you have heard from the floor indicate your approach should not be casual—that this thing contains a lot of headaches for you and possibly for our good friends the FHA and for everybody concerned.

Every life insurance company, every savings bank in making a new loan in the form of an advance has got to have an appraisal. The loan has got to be picked up in the books, the note that is to evidence the new indebtedness for additional advance has to set forth how the payments are to be applied, whether to that new advance or to the old note.

I think in most states the statutes are such that the parties may agree under those circumstances as to which part of the debt shall receive preferential reduction in principal. I may be wrong about that, that is one of the things we want to know about.

I want to dwell for just a moment on something which is a vital matter—this matter of publicity. I consider the publicity that is already attached to this situation. I want to go back to this a minute. Every national article I have seen on this subject, as I said, has been most casual—doesn't indicate any of the ramifications. It indicates it is a very easy and simple thing, and all that sort of thing. And may I ask this, if you have any opportunity for publicity in your own locality please indicate some of the difficulties from your standpoint. Leave us out of this if you want to, but certainly indicate some of the things you have to do because, as it stands today, the home owner that reads many of these national articles believes it is a very simple thing—it is very inexpensive, etc., etc.

Now that isn't true, and I think the borrower and the home owner ought to be told the truth. I am going to ask your help on that line—certainly we should do our best.

I want to ask another question for you to think about. We speak of searches here. I think you are proper in stating you are not going to search for taxes, etc., that is right. Are you going to make federal searches? Certain federal searches are required—the federal income tax liens, the federal estate liens and things of that kind. I certainly hope you are going to make federal searches because we are going to look for you to make federal searches.

I want to say this, that I think we have a problem in every state, one or two of the things we want you to determine and help us on. Should we imply we have the right to do it, to ask you to issue insurance on advances on a casualty basis; and, second, would it be possible for this group to work out some general language that could be used throughout the United States? At least within one state will satisfy the problem.

Next, I want to say this. From the standpoint of our company, our company is not urging correspondents in any way to adopt any open-end provision. In order to meet competition with the Savings and Loan associations, savings banks and local lenders we had sent a questionnaire to our correspondents and asked them if they were interested and what suggestions they could make. Then we later wrote them and asked under what circumstances and how they could secure title insurance. Those problems have been classified by us. We know that certain states, as suggested by a previous speaker, for example in Texas you have a homestead problem.

Now here is another thing I would like to have your help on. It was raised by one of the gentlemen who asked questions before. It would help tremendously if we could, throughout this organization at least, and throughout institutional lenders adopt some standard form of wordage. To me I think the term "future advance" corresponds really to a building loan

mortgage. In other words, something indicating construction is going to take place. The term "open end" should be split down into what I would call a true open-end mortgage. That is, a mortgage that is absolutely unlimited as to amount.

Then we have in Massachusetts something which is called a flexible mortgage. That is, it is limited to the original principal.

And then the third element that might come in here is for what purpose shall the funds be used. In other words it seems to me that if funds are limited to use like under Massachusetts statute you really have a conservative loan. The reference form provides in New York that advances may be made for the maintenance, improvement or repair to the property, for the payment of taxes, assessments, etc. In other words, it is definitely limited to matters which would not impair really the security of a first lien encumbrance. That is where it has merit.

On the other hand from the standpoint of the institution of lenders, I want to offer you this. Going back roughly a generation after the first world war, in the Western part of Long Island laying within the limits of New York City there were a number of two-family homes built, and I think the sales price per unit might run, we will say $3,500 per unit or, separately, $7,000 for the two-family house.

Now those houses were built as you appreciate roughly 32 or 33 years ago. many of these houses were and are still occupied by men who work, men who have some manual dexterity. Over the years those houses had to be protected by composition shingles on the roof. Many put shingles on the side to protect against the weather. Furnaces have been replaced by new furnaces, etc. Today the houses are really livable. Other communities have been built up around them; the assessments that were originally made for sewers and other purposes have been paid in full. I can say the selling prices of those houses is around fifteen hundred dollars.

Now here is where the true open-end mortgage comes in from the standpoint of the lender. If we should have made many years ago a lot of open-end mortgages on those houses then today on a transfer of title, at today's price and pursuant to our apparaisal today we can build for two-thirds of the appraised value today. Possibly not as high as the selling price for certainly two-thirds would buy you our appraisal we put on it. The whole transaction could be handled if we had the original borrower still in the house and then sell our mortgage by a simple note. In other words, we could cut down the cost of this transfer. We could loan the money to the man who is selling the property. And I hope somebody will discuss here this morning that problem I just touched on. That is this matter of who is to receive the advance.

I don't know whether Mr. Pearce Matthews is here but he wrote me a fine letter on this subject. He pointed out that in Georgia, for example, whenever they sign an open-end mortgage they are immediately dissatisfied —nobody wants any part of it because of this danger where the property has been transferred, etc.

California, with respect to where advances have been made after the property has been transferred, is exactly the opposite as I understand it. Mel Ogden wrote that where it has been transferred and the one that makes the advance to who he thinks is the owner and turns out not to be the owner, that is an unsecured loan.

Questions

Now if I am not taking too much time of the group I am prepared to answer questions to my capacity.

MR. JORDAN: You spoke of searches. Aren't two searches really necessary, one before you make the advance and the other after you made the advance, breaking it all down.

MR. SWEZEY: I would assume, Buck, that in that situation the correspondent, at least for our company, would notify you at the time of making the advance, and that you would want your searches at that time.

MR. JORDAN: It would be co-ordin-

ating down to the time you make your advance.

MR. SWEZEY: Yes. I would like just a minute more and tell you about a discussion I had with Mel Ogden the other day about construction mortgages. And he asked how we did it in New York. Now this may be no good to you, but I understand one or more states are looking for a good mechanics lien law.

Under our mechanics lien law in New York our proceeding is this: You can file a building loan contract or a building loan agreement and a building loan mortgage at any stage of construction. And if it contains the trust fund provision which is found in subdivision 3 of Section 13 of our lien law, you can go ahead and make the advances as you wish. Construction may have started 6 months before. But at the time you make that advance you must make a rundown to see if there are any mechanics lien of record at the time you make the advance. It would be something like this for example:

The way it used to be with the Title Guarantee and Trust Company if I was to make an advance this afternoon at 2 o'clock, yesterday I would have notified the man on the desk there that I was going to make an advance on this construction mortgage where they issued their policy originally and tell him that at 2 o'clock this afternoon I was going to make an advance of $100,000. And then at 2 o'clock the borrower came in to receive that additional advance on the building loan. I would call the desk and find out whether searches have been continued and whether they showed any liens or not. Now that is the status of our construction loans in New York. And I think you possibly can handle this nation-wide on the same basis.

THE GROWTH OF LIFE INSURANCE COMPANY MORTGAGE INVESTMENTS IN RECENT YEARS

The following pages present some salient facts with regard to mortgage investments of the nation's life insurance companies, and the role these companies have played in providing such funds for the home owner, the farmer, and the business man in the period from the end of World War II to the present.

This was a period of the greatest building activity the United States has ever experienced, reflecting not only the shortages that developed during the wartime period itself but also the rapid growth of population, the rising level of income and of savings, and the dynamic expansion of the economy as a whole. More homes were built in the 1946-53 period than in any comparable period in the past. Commercial and industrial construction attained record levels also. In addition, farmers spent more money than ever before to improve their own housing and to increase the efficiency of the farm plant.

All this brought a record demand for lendable funds, and the life insurance companies played an outstanding part in meeting this need. The figures show that the total mortgage holdings of the life insurance companies, which stood at just over $7 billion at the end of 1946, added up to more than $23 billion at the end of 1953. This represented an increase of 225 per-cent. At the same time, total real estate mortgages in the United States in the 1946-53 period increased from $41¾ billion to approximately $100 billion, a rise of about 140 per cent.

Thus the mortgage holdings of the life insurance companies in the post-World War II period showed a rate of growth 60 percent greater than that of real estate mortgages as a whole.

Better Housing for the People

Noteworthy in this connection is the extent that the mortgage lending activities of the life insurance companies translated themselves into better housing for the American people.

In the seven-year period from 1946 to 1953, the life companies increased their holdings of mortgages on one-to-four family residences five-fold, from $2.6 billion to about $13 billion. As a result, the life companies held a fifth of all mortgages outstanding on homes of this type at the end of 1953, nearly double the comporable proportion at the end of 1946. The life companies in addition held about $3.8 billion of mortgages on multifamily housing units at the end of 1953.

Thus the non-farm residential mortgages of the life insurance companies added up to nearly $17 billion at the end of 1953, or more than 70 percent of all funds loaned on mortgages by the companies.

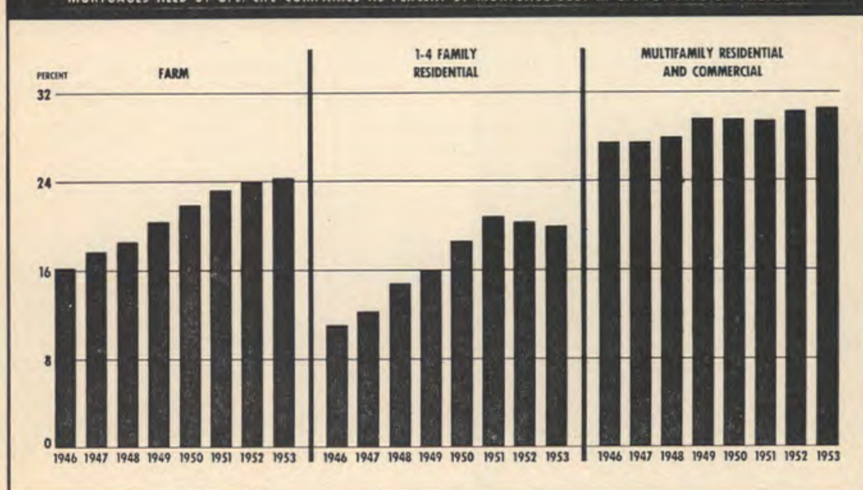
Life Insurance Role in Mortgage Lending

These few facts alone are indicative of the role the life insurance companies play in housing and mortgage lending, and provide evidence at the same time of their readiness to aid the American people in the long-term financing of their housing requirements.

Mortgage loans at presente represent about 30 cents of the asset dollar of all United States legal reserve life insurance companies. This is the highest such proportion in two decades, and it is more than double the comparable ratio at the end of World War II. Less than 15 cents of the life insurance asset dollar was in mortgage investments in 1945 and 1946.

The peak year of mortgage acquisitions by the life companies was in 1951 when the total amounted to more than $5 billion. The year 1950 was almost on a par with acquisitions of $4.9 billions. There was some decline in mortgage acquisitions after 1951, reflecting the slowing down in the tempo of home building; but even so new acquisitions of the life companies have run around $4 billion annually over the last two years, a figure substantially greater than in any year prior to 1950.

Historically, mortgages have always represented an important investment outlet for the people's funds accumulated behind their life insurance policies, and this has been even more so in recent years. Currently, the life insurance companies hold 23



MORTGAGE DEBT OUTSTANDING IN THE UNITED STATES

(000,000 Omitted)

Year	Farm		1-4 Family Residential		Multifamily Residential and Commercial		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
1946	$4,897	11.7	$23,059	55.2	$13,802	33.1	$41,758	100.0
1947	5,064	10.3	28,161	57.6	15,692	32.1	48,917	100.0
1948	5,288	9.4	33,261	59.2	17.647	41.4	56,196	100.0
1949	5,579	8.9	37,496	59.8	19,581	31.3	62,656	100.0
1950	6,071	8.3	45,072	62.0	21,621	29.7	72,764	100.0
1951	6,588	8.0	51,872	63.2	23,683	28.8	82,143	100.0
1952	7,140	7.9	58,155	64.0	25,585	28.1	90,880	100.0
1953	7,700	7.6	65,000	64.7	27,800	27.7	100,500	100.0

Sources: Compiled from various sources, as reported in the *Federal Reserve Bulletin* and the *Survey of Current Business*. The 1952 and 1953 figures are subject to revision.

MORTGAGES HELD BY U. S. LIFE INSURANCE COMPANIES

(000,000 Omitted)

Year	Farm		1-4 Family Residential		Multifamily Residential and Commercial		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
1946	$ 795	11.1	$ 2,570	35.9	$3,790	53.0	$ 7,155	100.0
1947	895	10.3	3,459	39.9	4,321	49.8	8,675	100.0
1948	990	9.1	4,925	45.5	4,918	45.4	10,833	100.0
1949	1,138	8.8	5,970	46.3	5,798	44.9	12,906	100.0
1950	1,327	8.3	8,392	52.1	6,383	39.6	16,102	100.0
1951	1,527	7.9	10,814	56.0	6,973	36.1	19,314	100.0
1952	1,705	8.0	11,800	55.5	7,746	36.5	21,251	100.0
1953	1,872	8.0	12,935	55.6	8,468	36.4	23,275	100.0

Sources: Institute of Life Insurance, Home Loan Bank Board, Federal Reserve Board, U. S. Department of Commerce. The figures include small amounts of mortgages held by U. S. life insurance companies on properties outside the continental United States; such holdings at the end of 1952 were $262,000,000. The 1952 and 1953 figures are subject to revision.

MORTGAGES ACQUIRED AND HELD BY U. S. LIFE INSURANCE COMPANIES

(000,000 Omitted)

	ACQUIRED IN YEAR					HELD END OF YEAR				
	FARM	NON-FARM			TOTAL	FARM	NON-FARM			TOTAL
YEAR		F.H.A.	V.A.	Conventional			F.H.A.	V.A.	Conventional	
1946	$178	$ 134	$ 257	$1,092	$1,661	$ 795	$1,228	$ 256	$ 4,876	$.7,155
1947	266	451	600	1,469	2,786	895	1,398	844	5,538	8,675
1948	293	1,202	366	1,546	3,407	990	2,381	1,106	6,356	10,833
1949	309	1,358	130	1,643	3,440	1,138	3,454	1,224	7,090	12,906
1950	362	1,486	938	2,108	4,894	1,327	4,573	2,026	8,176	16,102
1951	411	1,058	1,294	2,371	5,134	1,527	5,257	3,131	9,399	19,314
1952	372	864	429	2,313	3,978	1,705	5,681	3,347	10,518	21,251
1953	417	819	457	2,642	4,335	1,872	6,015	3,563	11,825	23,275

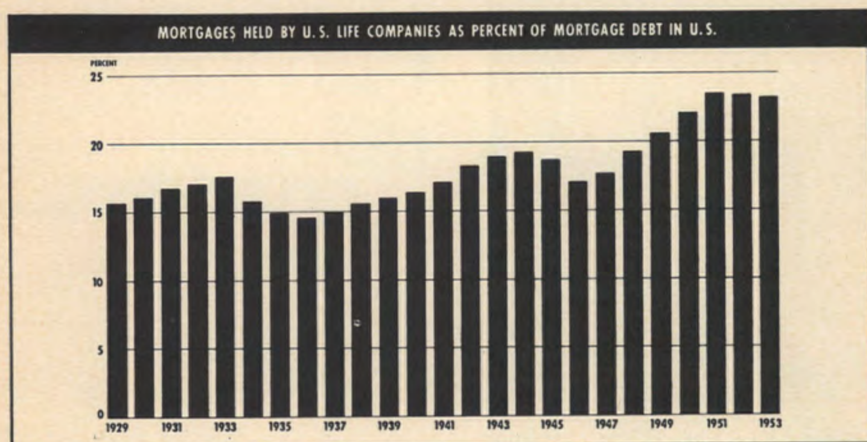
Sources: Institute of life insurance and Spectator Year Book. The 1952 acquisitions and the 1953 acquisitions and holdings are subject to revision.

PERCENTAGE OF ASSETS INVESTED IN MORTGAGES

U. S. Life Insurance Companies

YEAR	FARM	NON-FARM			TOTAL
		F.H.A.	V.A.	Conventional	
1946	1.6%	2.6%	.5%	10.1%	14.8%
1947	1.7	2.7	1.7	10.7	16.8
1948	1.8	4.3	2.0	11.4	19.5
1949	1.9	5.8	2.0	11.9	21.6
1950	2.1	7.1	3.1	12.8	25.1
1951	2.2	7.7	4.6	13.8	28.3
1952	2.3	7.8	4.6	14.3	29.0
1953	2.4	7.7	4.6	15.1	29.8

Sources: Institute of Life Insurance and Spectator Year Book. The 1953 figures are subject to revision.



percent of the country's total mortgage dept, a proportion which has grown with only minor interruptions over the last two decades. In 1929, the life companies held less than 16 percent of the total mortgage dept.

Sound National Policy Vital

In view of this historical background and their present position as one of the nation's major sources of lendable funds, the life insurance companies are naturally deeply interested in a sound national policy with respect to housing and mortgage lending. They are likewise vitally concerned about improvement in standards of health and well-being of the American people, in which good housing plays such a part.

The life insurance companies are aware of the fact that a thriving residential construction industry, with its ramifications and impacts in so many areas of the economy, is a big factor in making for high level em-

ployment and continued economic growth. At the same time, however, the life insurance companies have an equal interest in seeing that the production of housing is related to demand,, since the consequences of overproduction to the people and to the nation at large are all too clear in the record.

Now that shortages and urgent needs have been met, in housing as in other areas of the economy, the law of supply and demand and the principle of the free market should be restored to their proper function in the workings of our economy. As related to housing, this means that the number of starts each year should bear a relationship to such basic forces as the rate of family formation, the need for replacement of clearly substandard housing, and the willingness to buy. Whatever the general objective of stability, there must be a leeway for the inevitable price and production adjustments which are so healthy in a free market economy.

Government cooperation with the private sector of economy to maintain a high level of construction activity has proved both important and desirable in the past. The life insurance companies regard it as appropriate for the Federal Government through general credit policy, through policy with respect to the Government-insured and guaranteed mortgage program, and in other similar ways, to aid in lending stability to the private home building industry.

The Influence of Market Forces

A program based on such policies should aim to help level off the peaks and valleys of home building, while permitting both building and mortgage terms to be responsive to market forces. There is sound reason, however, for avoiding such extremes as using housing as a pump-priming mechanism for the entire economy,

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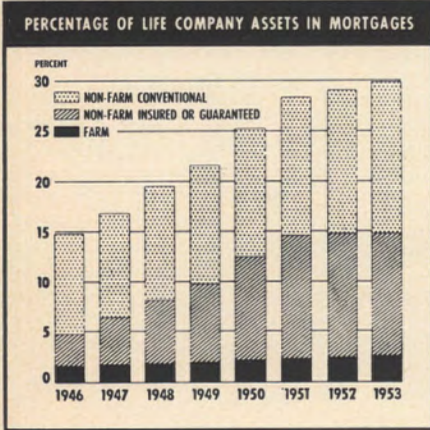
or providing special assistance in this area in the form of direct Government lending or undue and unsound liberalization of mortgage terms. The facts in the case show, for example, that the lengthening of mortgage maturities beyond prudent limits not only increases the risk but also penalizes the home-owner himself with an aggregate amount of interest payments that are disproportionately large in relation to the original loan.



Whether it be mortgages, the obligations of business and industry, or any other securities, certain clearly defined responsibilities and objectives underlie the pattern of life insurance investment practices. The companies are deeply conscious of the position of trusteeship which they assume in investing the pooled funds of their 90 million policyholders, who by their systematic thrift practices have helped to bring life insurance to the position it occupies today.

The foremost objective of the companies, therefore, is to invest these policyholder funds without incurring undue risk. This explains the high quality of life company investments and the emphasis placed upon obtaining investments free of any speculative element.

Home mortgages have always bulked large in the investment activity of the life insurance business, and more so now than ever before. Because of this and because of their sincere interest in advancing the welfare of the American people, the life companies have a natural interest in any sound program that would help to level off the extreme swings in housing construction, and thus contribute to greater stability in the economy as a whole.

COMING EVENTS

Date	Meeting	Where to Be Held
June 24-25-26	Colorado Title Association Convention	Glenwood Springs, Colo. Hotel Colorado
June 24-25-26	Michigan Title Association Convention	Traverse City, Mich. Park Hotel
Sept. 8-9-10-11	American Title Association National Convention	Chicago, Illinois Edgewater Beach Hotel
Sept. 17-18	North Dakota Title Association Convention	Williston, No. Dakota
Oct. 3-4	Kansas Title Association Convention	Hutchinson, Kansas Baker Hotel
Oct. 4-5	New York State Title Assn. Convention	Lake Placid, New York
Oct. 7-8-9	Nebraska Title Association Convention	Fairbury, Neb. Mary-Etta Hotel
Oct. 7-8-9	Oregon and Washington Land Title Associations—Joint Convention	Tacoma, Washington Winthrop Hotel
Oct. 10-11-12	Missouri Title Association Convention	Jefferson City, Missouri Hotel Missouri
Oct. 21-22-23	Wisconsin Title Association Convention	Delevan, Wisconsin Lake Lawn Lodge

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.

Note for Your Calendar . . .

AMERICAN TITLE ASSOCIATION

48th ANNUAL CONVENTION

September 8, 9, 10, 11

EDGEWATER BEACH HOTEL

CHICAGO, ILLINOIS