OFFICIAL PUBLICATION
AMERICAN TITLE ASSOCIATION

TITLE NEWS

VOLUME XXXV NOVEMBER, 1956 NUMBER 11

TITLE NEWS

Official Publication of

THE AMERICAN TITLE ASSOCIATION

3608 Guardian Building—Detroit 26, Michigan

Volume XXXV November, 1956 Number 11

Table of Contents

Table of Contents (continued)

The American Title Association Officers 1956-57

President—JOHN D. BINKLEY ..... Chicago, Illinois
Vice-President, Chicago Title and Trust Company

Vice-President—HAROLD F. McLERAN ..... Mount Pleasant, Iowa

Treasurer—WILLIAM GILL, SR. ..... Oklahoma City, Oklahoma
President, American-First Title & Trust Company

Chairman of Finance Committee—MORTIMER SMITH ..... Oakland, California
President, Oakland Title Insurance Company

Executive Vice-President—JAMES E. SHERIDAN ..... Detroit, Michigan
3608 Guardian Building

Secretary—JOSEPH H. SMITH ..... Detroit, Michigan
3608 Guardian Building

BOARD OF GOVERNORS

The President, Vice-President, Treasurer, Chairman of Finance Committee, Chairmen of Sections, and

Term Expiring 1957

MORTON McDONALD, *Immediate Past President* ..... DeLand, Florida
President, The Abstract Corporation

JACK RATTIKIN, *Chairman, Council of Past Presidents* ..... Fort Worth, Texas
President, Rattikin Title Company

R. W. JORDAN ..... Richmond, Virginia
Vice-President, Counsel, Lawyers Title Insurance Corporation

JOHN S. BLUE ..... Rensselaer, Indiana
President, Jasper County Abstract Co.

STEWART MORRIS ..... Houston, Texas
Vice-President, Stewart Title Guaranty Co.

MRS. ZETTIE HUBBARD ..... Keytesville, Missouri
Secretary-Treasurer, Chariton County Abstract and Title Co.

AL F. KIMBALL ..... Duluth, Minnesota
Executive Vice-President, The Consolidated Abstract Co.

Term Expiring 1958

LEONARD F. FISH ..... Madison, Wisconsin
President, Dane County Title Company

WILLIAM R. KINNEY ..... Cleveland, Ohio
Chief Title Officer, Land Title Guarantee and Trust Co.

KENNETH C. KLEPSER ..... Seattle, Washington
President, Puget Sound Title Insurance Company

JOHN H. KUNKLE ..... Pittsburgh, Pennsylvania
President, Union Title Guaranty Company

WILLIAM A. McPHAIL ..... Rockford, Illinois
President, Holland Ferguson & Company

Term Expiring 1959

L. W. McILVAINE ..... Louisville, Kentucky
Vice President, Louisville Title Insurance Company

HAROLD W. BEERY ..... New York, New York
Vice President, Home Title Guaranty Company

CHARLES ADAMS, JR. ..... Lubbock, Texas
Guarantee Abstract & Title Company

CARROLL J. REID ..... Albion, Nebraska
President, Weitzel Abstract Company

RHES S. CORNELIUS ..... Phoenix, Arizona
Vice-President & Sr. Title Officer, Phoenix Title & Trust Company

ABSTRACTERS SECTION

Chairman—LLOYD HUGHES ..... Denver, Colorado
President, Record Abstract & Title Insurance Company

Vice Chairman—RICHARD E. JOHNSON ..... Waupaca, Wisconsin
President, Waupaca Abstract & Loan Company

Secretary—PERCY I. HOPKINS, JR. ..... West Palm Beach, Florida
President, Palm Beach Abstract & Title Company

EXECUTIVE COMMITTEE

ARTHUR L. REPPERT ..... Liberty, Missouri
Vice-President-Treasurer, Clay County Abstract Company

CLEM SILVERS ..... El Dorado, Kansas
Manager-Partner, F. S. Allen Abstract Company

SUSAN E. PARSONS ..... Bison, South Dakota
President, Perkins County Abstract Company

MISS FRANCES E. ELFSTRAND ..... Bloomington, Illinois
Vice-President, McLean County Abstract Company

TITLE INSURANCE SECTION

Chairman—ERNEST J. LOEBBECKE ..... Los Angeles, California
President, Title Insurance & Trust Company

Vice Chairman—GEORGE C. RAWLINGS ..... Richmond, Virginia
President, Lawyers Title Insurance Corporation

Secretary—THOMAS P. DOWD ..... Detroit, Michigan
Vice-President, Abstract & Title Guaranty Company

EXECUTIVE COMMITTEE

LEO REUDER ..... Minneapolis, Minnesota
President, Title Insurance Company of Minnesota

HALE WARN, JR. ..... Los Angeles, California
President, Land Title Insurance Company

FRANK J. McDONOUGH ..... Camden, New Jersey
President, West Jersey Title & Guaranty Company

FRED TIMBERLAKE ..... Lubbock, Texas
Service Abstract & Title Company

Committees

COUNCILLOR TO THE UNITED STATES CHAMBER OF COMMERCE

JOSEPH D. SHELLY ..... Chicago 2, Illinois
Vice-President, Chicago Title and Trust Company

COMMITTEE ON ADVERTISING AND PUBLIC RELATIONS

Chairman—WARREN E. THOMPSON ..... Chicago 2, Illinois
Public Relations Officer, Chicago Title and Trust Company

JESSE M. WILLIAMS ..... Louisville 1, Kentucky
Vice-President, Louisville Title Insurance Company

M. G. BUDD ..... Bremerton, Washington
Manager, Bremerton Title Company

DRAKE McKEE ..... Dallas 2, Texas
President, Dallas Title & Guaranty Company

JOE F. JENKINS ..... Kansas City 1, Kansas
President, The Guarantee Abstract Co., Inc.

GEORGE M. HOUSTON ..... Memphis 3, Tennessee
Executive Vice-President, Mid-South Title Company, Inc.

PERCY I. HOPKINS, JR. ..... West Palm Beach, Florida
President, Palm Beach Abstract & Title Company

COVERLY FISCHER ..... New York 7, New York
Vice-President, Home Title Guaranty Company

ROBERT K. MAYNARD ..... Richmond, Virginia
Manager of Advertising, Lawyers Title Insurance Corporation

STEWART J. ROBERTSON ..... Oklahoma City 1, Oklahoma
Vice-President, American-First Title and Trust Company

COMMITTEE ON CONSTITUTION AND BY-LAWS

Chairman—JOHN J. O'DOWD ..... Tucson, Arizona
President, Tucson Title Insurance Company

G. STANLEY YOUNG ..... Cleveland 14, Ohio
President, Land Title Guarantee & Trust Company

ANDREW DYATT ..... Denver 2, Colorado
President, The Landon Abstract Company

J. C. GRAVES ..... Louisville 1, Kentucky
Vice-President, Louisville Title Insurance Company

PAUL D. MOONAN ..... Rochester 14, New York
President, Monroe Abstract & Title Corporation

COMMITTEE ON MEMBERSHIP AND ORGANIZATION

Chairman—WILLIAM A. JACKSON ..... Oklahoma City 2, Oklahoma
President, Coates-Southwest Title Company

And the Presidents and Secretaries of State Title Associations

PLANNING COMMITTEE

Chairman—BRIANT H. WELLS, JR. ..... Los Angeles 54, California
Senior Vice-President, Title Insurance & Trust Company

ROBERT V. WORKMAN ..... St. Petersburg, Florida
Vice-President and Manager, Guarantee Abstract Company

A. J. ACHTEN ..... Shawano, Wisconsin
Owner, Shawano Abstract Company

LAWRENCE R. ZERFING ..... Philadelphia 2, Pennsylvania
Executive Vice-President, Commonwealth Land Title Insurance Company

GEORGE E. HARBERT ..... Rock Island, Illinois
President, Rock Island County Abstract & Title Guaranty Company

MORTON McDONALD ..... DeLand, Florida
President, The Abstract Corporation

WILLIAM GILL, SR. ..... Oklahoma City 1, Oklahoma
President, American-First Title and Trust Company

LLOYD HUGHES ..... Denver 2, Colorado
President, Record Abstract & Title Insurance Company

ERNEST J. LOEBBECKE ..... Los Angeles 54, California
President, Title Insurance and Trust Company

HAROLD F. McLERAN ..... Mt. Pleasant, Iowa

JOHN D. BINKLEY ..... Chicago 2, Illinois
Vice-President, Chicago Title and Trust Company

JAMES E. SHERIDAN ..... Detroit 26, Michigan
Executive Vice-President, American Title Association

GRIEVANCE COMMITTEE

Chairman—THOMAS P. DOWD ..... Detroit 26, Michigan
Vice-President, Abstract and Title Guaranty Co.

TERM EXPIRING 1957

HERMAN BERNIKER ..... New York 38, New York
Executive Vice-President, Title Guarantee & Trust Co.

BRUCE G. van LEUWEN ..... Holland, Michigan
Owner-Mgr., The Ottawa County Abstract & Title Co.

TERM EXPIRING 1958

CHARLES H. BUCK ..... Baltimore 2, Maryland
President, The Maryland Title Guarantee Company

GEORGE E. HARBERT ..... Rock Island, Illinois
President, Rock Island County Abstract & Title Guaranty Co.

TERM EXPIRING 1959

HAROLD LENICHECK ..... Milwaukee 3, Wisconsin
Executive Vice-President, Title Guaranty Company of Wisconsin

L. A. REUDER ..... Minneapolis 2, Minnesota
President, Title Insurance Company of Minnesota

COMMITTEE ON TITLE PLANTS AND PHOTOGRAPHY

Chairman—LaVERNE HERBRUCK ..... Los Angeles 54, California
Vice-President, Title Insurance and Trust Company

A. J. YATES ..... Geneva, Illinois
Kane County Title Company

ALVIN R. ROBIN ..... Tampa 2, Florida
Executive Vice-President, Guaranty Title Company

ROBERT G. MACDONALD ..... Portland 5, Oregon
Vice-President, Commonwealth Title Insurance Company

RICHARD A. PHILLIPS ..... Oklahoma City 1, Oklahoma
Vice-President, American-First Title and Trust Company

ARTHUR E. WADE ..... Cleveland 14, Ohio
Vice-President, Land Title Guarantee and Trust Company

C. PERRY LIVERTON ..... Philadelphia 2, Pennsylvania
Assistant Title Officer, Commonwealth Land Title Insurance Company

JAMES O. HICKMAN ..... Boulder, Colorado
Assistant Manager, The Boulder County Abstract of Title Company

LEONARD F. FISH ..... Madison 3, Wisconsin
President, Dane County Title Company

JUDICIARY COMMITTEE

Chairman—F. WENDELL AUDRAIN ..... Los Angeles 14, California
Vice-Pres., Counsel, Security Title Insurance Company

Circuit District of Columbia
HARRY J. KANE, JR. ..... Washington 6, D.C.
President, The Real Estate Title Insurance Company

Circuit 1: Maine, Massachusetts, New Hampshire, Rhode Island, Puerto Rico
THOMAS EARLE, JR. ..... Worcester 8, Massachusetts
Counsel, Worcester County Abstract Company

Circuit 2: Connecticut, New York, Vermont
WILLIAM WOLFMAN ..... New York 38, New York
Chief Counsel, Title Guarantee & Trust Company

Circuit 3: Delaware, New Jersey, Pennsylvania
JAMES M. HART ..... Bryn Mawr, Pennsylvania
First Vice-President, The Title Insurance Corporation of Pennsylvania

Circuit 4: Maryland, North Carolina, South Carolina, West Virginia, Virginia
WILLIAM C. ROGERS, JR. ..... Baltimore 2, Maryland
Vice-President, The Security Title Guarantee Corporation

Circuit 5: Alabama, Florida, Georgia, Louisiana, Mississippi, Texas
CHARLES C. HAMPTON ..... Dallas 2, Texas
Manager, Lawyers Title Insurance Corporation

Circuit 6: Kentucky, Michigan, Ohio, Tennessee
RAY L. POTTER ..... Detroit 26, Michigan
Vice-President and Chief Title Officer, Burton Abstract & Title Company

Circuit 7: Illinois, Indiana, Wisconsin
RICHARD E. JOHNSON ..... Waupaca, Wisconsin
President, Waupaca Abstract & Loan Company

Circuit 8: Arkansas, Iowa, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
J. MACK TARPLEY ..... Kansas City 6, Missouri
Vice-President, Kansas City Title Insurance Company

Circuit 9: Arizona, California, Idaho, Montana, Nevada, Oregon, Washington, Alaska, Hawaii
JOHN B. WILKIE ..... Tucson, Arizona
Vice-President and Title Officer, Arizona Land Title & Trust Company

Circuit 10: Colorado, Kansas, New Mexico, Oklahoma, Utah, Wyoming
ALBERT ISBELL ..... Denver 2, Colorado
Vice-President, The Title Guaranty Company

JUDICIARY COMMITTEE—STATE MEMBERS

DAVID P. ANDERSON ..... Birmingham 3, Alabama
State Manager, Lawyers Title Insurance Corporation

ROBERT JESTER ..... Ketchikan, Alaska
Manager, Title Insurance & Trust Company of Alaska

L. A. RENEER ..... Tucson, Arizona
Vice-President, Tucson Title Insurance Company

L. V. RHINE ..... Paragould, Arkansas
Owner-Attorney, Greene County Abstract Company

J. D. FINCH ..... Los Angeles 54, California
Vice-President and Chief Title Officer, Land Title Insurance Company

PIERPONT FULLER ..... Denver 2, Colorado
Vice-President, Record Abstract & Title Insurance Company

RAYMOND T. BENEDICT ..... Stamford, Connecticut

BENJAMIN N. BROWN ..... Wilmington 1, Delaware

D. A. MOYLAN ..... Panama City, Florida
Manager, Bay County Land & Abstract Company, Inc.

JOHN P. MATTHEWS ..... Atlanta 3, Georgia
State Manager, Lawyers Title Insurance Corporation

LONG & MELONE, LTD. ..... Honolulu 13, Hawaii

GORDON GRAY ..... Twin Falls, Idaho
President, Twin Falls Title & Trust Company

ROBERT S. HUTCHENS ..... Champaign, Illinois
Vice-President, Associated Abstract Company

JOHN D. TAYLOR ..... Danville, Indiana
Taylor & Taylor

J. E. BATSCHELET ..... Guthrie Center, Iowa
Batschelet & Thompson

JUSTIN I. MILLER ..... Independence, Kansas
Owner, Montgomery County Abstract Company

BEN M. STROTHER ..... Henderson, Kentucky
Owner, Strother Abstracts

JOHN J. DUTEL ..... New Orleans 12, Louisiana

JAMES M. GILLIN ..... Bangor, Maine

JOHN CORBIN ..... Worcester 8, Massachusetts
Taylor Abstract Company

G. EARL OWENS ..... Detroit 26, Michigan
Vice-President, Abstract and Title Guaranty Company

R. M. BLAESE ..... Minneapolis 2, Minnesota
Vice-President, Title Insurance Company of Minnesota

JUDGE O. B. TAYLOR ..... Jackson, Mississippi
Chairman of the Board, Mississippi Valley Title Insurance Company

McCUNE GILL ..... St. Louis 1, Missouri
President, Title Insurance Corporation of St. Louis

D. L. EGNEW ..... Hardin, Montana
President, Big Horn Abstract Corporation

WALTER G. HUBER ..... Blair, Nebraska

M. M. SWEENEY ..... Las Vegas, Nevada
Vice-President, Pioneer Title Insurance & Trust Company

GEORGE W. PICHE ..... Newark 3, New Jersey
Vice-President and Title Officer, Lawyers-Clinton Title Insurance Company of New Jersey

H. COLEMAN MARTIN ..... Las Cruces, New Mexico
Secretary, The Southwestern Abstract & Title Company

CARL D. SCHLITT ..... New York 7, New York
Solicitor, Home Title Guaranty Company

ROBERT H. McNEELY ..... Greensboro, North Carolina

H. G. RUEMMELE ..... Grand Forks, North Dakota
Secretary, Grand Forks Abstract Company

THOMAS J. McDERMOTT ..... Mansfield, Ohio
McDermott & Associates

JOHN W. WARREN ..... Newkirk, Oklahoma
Manager Title Insurance Dept., Albright Title and Trust Company

STANTON W. ALLISON ..... Portland 5, Oregon
Vice-President, Commonwealth Title Insurance Company

JAMES G. SCHMIDT ..... Philadelphia 2, Pennsylvania
Vice-President, Commonwealth Land Title Insurance Company

NATHAN M. WRIGHT, JR. ..... Providence 3, Rhode Island
President, Mortgage Guarantee & Title Company

DAVID S. MELLICHAMP ..... Columbia 1, South Carolina
President, Lawyers Abstract Company

FRANK S. STICKNEY ..... Elk Point, South Dakota
President, Union County Abstract Company

JUDGE SAMUEL O. BATES ..... Memphis 3, Tennessee
General Counsel, Commerce Title Guaranty Company

FRANK A. STAMPER ..... Houston 2, Texas
President, Houston Title Guaranty Company

MARK D. EGGERTSEN ..... Salt Lake City 1, Utah
President, Security Title Company

PETER GIULIANI ..... Montpelier, Vermont
Assistant Counsel, National Life Insurance Company

LEONARD A. HURLEY ..... Arlington, Virginia
Assistant Secretary, The District Title Insurance Company

WILLIS C. OLDFIELD ..... Tacoma 2, Washington
Assistant Secretary, Commonwealth Title Insurance Company

JAMES A. McWHORTER ..... Charleston 1, West Virginia

W. E. ATWELL ..... Stevens Point, Wisconsin
Owner-Attorney, Portage County Law & Abstract Company

W. G. KERPER ..... Cody, Wyoming
President, Title Insurance and Trust Company

LEGISLATIVE COMMITTEE

Chairman—JOHN P. TURNER ..... Kansas City 6, Missouri
Executive Vice-President, Kansas City Title Insurance Company

MACLIN F. SMITH ..... Birmingham 3, Alabama
President, Title Guarantee & Trust Company

JOHN E. MURRAY ..... Fairbanks, Alaska
President, Title Insurance & Trust Company of Alaska

J. R. McDOUGALL ..... Phoenix, Arizona
Vice-President, Phoenix Title and Trust Company

O. M. YOUNG ..... Little Rock, Arkansas
President, Little Rock Abstract Company

MARTIN OSTROW ..... Los Angeles 54, California
Executive Vice-President, California Land Title Association

CARLETON L. HUBBARD, JR. ..... Glenwood Springs, Colorado
Secretary, The Garfield CountyAbstract Company

FREDERIC W. DAUCH ..... Waterbury 2, Connecticut
President, The Healey Title Company

S. LESTER LEVY ..... Wilmington, Delaware
State Agent, Berks Title Insurance Company

HART McKILLOP ..... Miami, Florida
Vice-President, Lawyers Title Insurance Corporation

HARRY M. PASCHAL ..... Atlanta 3, Georgia
State Manager, Title Insurance Company of Minnesota

DAVID T. PIETSCH ..... Honolulu 2, Hawaii
Assistant Manager, Title Guaranty Company of Hawaii

JOHN B. BELL ..... Boise, Idaho
President, The Title Insurance Company

A. E. PETERSON ..... Chicago 2, Illinois
Vice-President, Chicago Title and Trust Company

HIRAM E. STONECIPHER ..... Indianapolis 4, Indiana
Vice-President, Union Title Company

PAUL NIELSON ..... Knoxville, Iowa
Owner, Marion County Abstract Company

JOHN W. DOZIER ..... Topeka, Kansas
Executive Vice-President, The Columbian Title & Trust Company

L. W. McILVAINE ..... Louisville 1, Kentucky
Vice-President, Louisville Title Insurance Company

LIONEL ADAMS ..... New Orleans, Louisiana
President, Lawyers Title of Louisiana, Inc.

JAMES M. GILLIN ..... Bangor, Maine

ELBRIDGE B. DONALDSON ..... Baltimore 2, Maryland
Vice-President, The Maryland Title Guarantee Company

THEODORE W. ELLIS ..... Springfield 3, Massachusetts
President, Ellis Title Company

ROBERT J. JAY ..... Port Huron, Michigan
President, St. Clair County Abstract Company

C. J. McCONVILLE ..... Minneapolis 2, Minnesota
Vice-President, Title Insurance Company of Minnesota

GEORGE S. NEAL, JR. ..... Jackson, Mississippi
Title Officer, Kansas City Title Insurance Company

JOHN W. ZIERCHER ..... Clayton 5, Missouri
Vice-President, Guaranty Land Title Company

HARRY A. SWOPE ..... Helena, Montana
President, Helena Abstract and Title Company

JOSEPH B. MARTIN ..... Grand Island, Nebraska
Owner, Herman F. Buckow Company

SIDNEY W. ROBINSON ..... Reno, Nevada
General Counsel, Washoe Title Insurance Company

JAMES J. McCARTHY ..... Newark, New Jersey
Vice-President, New Jersey Realty Title Insurance Company

COL. OSCAR J. ALLEN, JR. ..... Albuquerque, New Mexico
President, Allen Abstract & Title Company

WILLIAM WOLFMAN ..... New York 38, New York
Chief Counsel, Title Guarantee and Trust Company

W. A. HANEWINCKEL, JR. ..... Winston-Salem, North Carolina
Manager, Lawyers Title Insurance Corporation

A. D. MacMASTER ..... Williston, North Dakota
President, Williams County Abstract Company

JOSEPH C. HUGHES ..... Columbus 15, Ohio
Manager, Lawyers Title Insurance Corporation

HOWARD T. TUMILTY ..... Oklahoma City 1, Oklahoma
General Counsel, American-First Title & Trust Company

VERNE D. McMULLEN ..... Salem, Oregon
President, Salem Title Company

ELMER S. CARLL ..... Philadelphia, Pennsylvania
President, Industrial Trust Company

CHARLES J. HILL ..... Providence 3, Rhode Island
President, Title Guarantee Company of Rhode Island

RAE McINTYRE ..... Columbia 1, South Carolina
Secretary, Lawyers Abstract Company

L. H. BEEMER ..... Lake Andes, South Dakota
Executive Secretary, Beemer Abstract Company

WILLIAM O. LEE ..... Nashville, Tennessee
Guaranty Title Company

W. CLINT LITTLE ..... Austin, Texas
Vice-President, Stewart Title Guaranty Company

JESSE N. ELLERTSON ..... Salt Lake City 1, Utah
President, Title Insurance Agency of Utah, Inc.

JOSEPH S. WOOL ..... Burlington, Vermont

WILLIAM L. BRAMBLE ..... Richmond, Virginia
Counsel, The Life Insurance Company of Virginia

RICHARD A. HOGAN ..... Vancouver, Washington
Vice-President, Fletcher-Daniels Title Company

JAMES A. McWHORTER ..... Charleston 1, West Virginia

OTTO S. ZERWICK ..... Madison 3, Wisconsin
Vice-President, Dane County Title Company

MRS. HAZEL B. KERPER ..... Cody, Wyoming
Manager, Park County Abstract and Title Company

COMMITTEE ON FEDERAL LEGISLATION

Chairman—PAUL J. WILKINSON ..... Baltimore 2, Maryland
Executive Vice-President, The Title Guarantee Company

RUSSELL G. SMILEY ..... St. Petersburg, Florida
President, West Coast Title Company

WALLACE A. COLWELL ..... Detroit 26, Michigan
Vice-President, Abstract and Title Guaranty Company

J. C. COPPINGER ..... Washington 6, D.C.
Manager, Lawyers Title Insurance Corporation

CARLOSS MORRIS ..... Houston 2, Texas
President, Stewart Title Guaranty Company

AKSEL NIELSEN ..... Denver 2, Colorado
President, The Title Guaranty Company

JOHN D. BINKLEY

National President, American Title Association;
Vice President, Chicago Title and Trust Company, Chicago, Illinois

Proceedings of 50th Annual Convention

(Part I)

American Title Association

Miami Beach, Florida—October 17-20, 1956

To Be Continued in December, 1956, Issue

REPORT OF NATIONAL PRESIDENT

MORTON McDONALD

President, The Abstract Corporation, DeLand, Florida

It is indeed a pleasure for me to address this, the 50th annual convention, of the American Title Association. It is not only a pleasure but I deem it a high honor to have served you as the 49th President of this Association. I am honored as a member of the Florida Land Title Association, and as your President, in welcoming the largest group ever to attend an annual convention. I understand that the registration is one thousand or slightly over.

This has been a busy year for me, and I hope, a fruitful year for the American Title Association. I have traveled almost 45,000 miles, mostly by plane, in attending as many State Association Conventions as possible. Several of the convention dates conflicted with other convention dates, and I was unable to attend all of them. I wish it had been humanly possible to have done so. It was my thought at the beginning of the year that we needed a closer relationship between the various State Associations and our National Association. It was not a matter of any misunderstandings, but the fact that I had felt that we were not rendering to the State Associations as much assistance as we could, and in most cases, it was a matter of not having a full picture of their problems. I am not trying to take any praise for the progress made this year, but I do feel we have made great strides.

I will not attempt to name the many places I have been, nor tell you all the many interesting and pleasant experiences. The hosts in the various States have been charming. I must, however, let you share a few of the unusual happenings that occurred. For instance, I received a letter from the Manager of the Chamber of Commerce of Glenwood Springs, Colorado, several weeks prior to the time that I was to attend the meeting of the Colorado Title Association in that city. The Manager of the Chamber of Commerce asked me if I would serve as a judge of the beauty contest to be held in conjunction with their 54th annual Strawberry Festival. I was to assist in choosing the queen of this festival. Naturally, I accepted this invitation. About noon on Saturday, we met around the swimming pool in the city, and a reporter of the Denver Post, the State President of a fraternal order and I were introduced as the judges. The M.C., in introducing me, emphasized that I was President of the American Title Association. Peculiarly, it occurred to me that many of the hundreds present thought that I was a professional title chooser

or queen crowner. This, I later learned, was the thought in many minds. All the 23 young ladies in the contest played directly to the President of the American Title Association. They were not conscious that there were any other judges present. Even the reporter for the Denver Post whispered to me and said, "You know much more about choosing the beauty queen than I, so I am going to let you make the choice." Again, someone had a mistaken idea as to what my title represented. After the arduous duties of judging were over, a small group called on me and wanted to know if I toured the country judging such contests. The queen was not to be crowned until during the Grand Ball of that evening. After learning that so many were holding me directly responsible for the choice of the queen, I decided that we had better get out of town, and therefore, we left in the middle of the afternoon rather than probably being crowned along with the queen.

Another interesting experience was in attending the Texas Title Association Convention. To arrange to get to Austin from my little city, it was necessary that I ride five different airlines. Before I got through with the traveling to Texas, I felt that I should present my passport. However, after meeting the many fine members of the Texas Title Association, I felt that a formal passport was not necessary.

I believe the most embarrassing experience was at Sioux Falls, South Dakota. Al Bodley and Mrs. Bodley had invited me to have lunch with them on Saturday. I was to catch a 2:30 plane out of Sioux Falls. Al stated that he would suggest that we leave the meeting at the hotel about 11:45. We had both attended most of the sessions, and I packed my bag and came downstairs and waited in the lobby. When we were ready to leave, there was a small bag by mine. I picked up my bag, and Al graciously took it from me and suggested that I bring the small bag. A bell-boy took them both from us and put them in Al's car. We drove to his home in the beautiful residential section of Sioux Falls, left the bags in the back of the car and went into his home for lunch. After a leisurely luncheon, which was thoroughly enjoyable, Al suggested we drive to the airport. On getting out, he took my large bag and suggested I bring the small one. At that point, I said, "I thought the small one was yours." He thought it was mine. We had picked up someone else's bag at the hotel at 11:45, and it was now 2:00, or shortly thereafter. I told Al that I would catch the plane; he could do the explaining. However, it was not this bad, for we telephoned the hotel from the airport. They were all in a dither searching for this small bag. We understood several people had been given keys to wrong rooms in the confusion. They asked us to page a party at the airport, which we did, and the bag was soon on its way to its destination in Minneapolis.

In addition to attending the various State meetings, I attended the three regional meetings of Title Insurance Examiners. The Southwest Regional Meeting held at Oklahoma City in April, the Eastern Seaboard held at New York City in May, and the Central States Meeting held at Chicago in June. It is my recommendation that the President be empowered and urged to attend these meetings each year.

Jim Sheridan, as you know, had a slight heart attack the last of June. I am sure you have all seen Jim since you have arrived, and we are all very happy to see him looking so well. We are glad that the attack was no worse. A few days after Jim was taken to the hospital in Detroit, I telephoned his doctor to determine whether I could see him. His doctor assured me that I could, and thought that it would be a benefit to Jim for me to come up. I flew to Detroit and spent a couple of days visiting with Jim and Maurine, checking with his doctor, and checking with Joe Smith and our office personnel. I felt satisfied that it was worth the time and effort to make this trip. Frank Kennedy and his wife were gracious hosts to me while there. I also had an opportunity to visit with Joe Smith and his family at their vacation cottage

on Lake Erie. This was more than merely a social call. However, I mention the gracious hospitality of these people and I am very appreciative of their courtesies. I think we have an efficient office in Detroit. I feel sure that they could be of better service to you as State Association Officers and as representatives of individual title companies if you would call on them more often. I mean call by letter or telephone on any problems that come up. They are always ready to assist in every way possible. There are many files on various subjects that we have in this office, and they are for your use at any time.

Several years ago, while serving on the Public Relations Committee, we recommended that an amount be set up to pay for speaking engagements throughout the country of some of our members where we might get invited to appear on convention programs. It was felt that we could promote our profession and a better understanding of our problems with allied fields, such as mortgage brokers, attorneys, Savings and Loan Associations, and the like, by speaking on their programs, if invited, and we could encourage an invitation by offering to appear without expense to them. An item to cover such matters has been in our budget for several years, but up until this year, has not been used. Our Association was honored this year by the President being invited to speak at the Kansas City Bar Association in April. I filled this appointment to the best of my ability, and spoke to between 250 and 300 attorneys. I think we should do more of this, and we, as individual members, should attempt to get spots on various programs and have a representative of the American Title Association speak. I am delighted to say that the Dade County Bar Association, which is the county in which this city is located, invited us to have a speaker at their monthly luncheon last Monday. The Association was well represented by Mr. Ernest Loebbecke, Chairman of the Title Insurance Section. It is hoped that we will expand this program.

The Executive Committee of our Association is composed of the President, Vice-President, Chairman of the Finance Committee, Treasurer, Executive Vice-President and Secretary. It seems to me that the authority and work of the Executive Committee should be spread over a larger field. Please understand that I am not casting any reflection on anyone, for I think our Association has been well handled. I think we should give more an opportunity to serve. One of the reasons that causes me to have this idea is the recent illness of Jim. Who knows what should be done when one of the key members of the Executive Committee is out of commission? By the time your President has served on the Executive Committee, generally as Vice-President and President, he is then relieved of his responsibilities, having finished his term as President. By the time the average person on this committee knows the score, his term is up. It is my recommendation that this committee be enlarged to seven instead of five. My further recommendation is that the two additional members be the two immediate past presidents of the Association. In this way, a person would serve for four years consecutively in most cases, and the Association would receive the benefits of that person's experience and judgment. If you will stop to think, I am not attempting to perpetuate myself in office, for by the time this recommendation can be properly put into effect, I will have passed these stages. This has been taken up with the Executive Committee and the Board of Governors. The final recommendation from that body is that we should enlarge this committee to eight, using the same five we have and the immediate past president and the chairmen of the two sections. I believe this to be sound thinking.

As you recall, we left our dues structure the same as it has been in the past and gave a 40% discount on the dues for the year. Through the first nine months of 1955, under the full dues structure, we had collected $95,000. With the 40% discount, leaving the minimum dues at $10, we have collected through the first nine months of this year a little over $88,000. This is considerably more than was antici-

pated, and it is my feeling that we can use the same dues scale for 1957 as we have in 1956. Our operating expenses are within $500 or $600 of what they were last year. We have spent practically the same for salaries, rent, bulletins, blotter advertising, directory, and postage as last year. We have spent less for supplies, telephone and telegraph, title news, and furniture and equipment. We have spent a bit more for travel and conventions. Of course, the registration fees with the increased number at this convention will amount to more, and our expenses will be proportionately larger. It appears to me we should be able to operate efficiently another year with the dues set at the same figure as this year. From all reports, the gross income of the various members will be approximately the same as last year. We want to continue to serve more efficiently on the least amount of expenditures as possible. Certainly, our balance sheet is a far cry from a few years back. We are not ashamed of our budget and are not ashamed of the services you are receiving for the money spent.

Here, I would like to pause and pay tribute to the splendid work done by the various committees this year. All have worked well. Many hours of thought and careful planning have gone into this work of the various committees. I hope each of you will study the reports they give. You will have an opportunity to make a careful study after these reports are published in "Title News." In fact, I wish to pay tribute to everyone I have called on for assistance this year and say I have received their wholehearted support.

All in all, we should be proud of our profession. You will find most of the companies throughout this country of ours are modern and continue to progress with the times. I sincerely believe that more people are studying ways and means of better serving the public than ever before. In so doing, plants are kept in good physical condition and the public is getting far more efficient service and better protection from those in the title profession than ever before.

These are matters that must be before us continuously. In addition to modernization for speed and accuracy, we must live our code of ethics. Certainly, we can be proud of this code, for it expresses the highest type of business ethics. We, individually, should read and review our Code of Ethics periodically, and ever strive to live by that code. In so doing, we will have been fair to our customers, our competitors, our employees and ourselves. As the vast majority of our members endeavor at all times to live up to the standards of this code, it becomes increasingly unpopular and unprofitable for someone not to do so.

We should take time to think. The most successful persons in any endeavor are not those who work the hardest on detail, or work the hardest cooped up in the back office. The most successful are those who take time to think progressively and act accordingly. I truly believe our profession has grown up and has become of age. The caliber of young men coming into our profession at the present time is much higher than a generation or two ago. This is no reflection on any of our past members, for we have had many outstanding men in this profession in the years gone by. Those who met in 1907 and organized the group into what is now the American Title Association were men of vision. They were thinking and they were progressing. We who have followed in their footsteps are endeavoring to make it a little better than what it was when we came.

We should also take time to be a part of our community. We should give of our time to the many and various community activities that help make this a strong nation. We should take an active part in the community life in performing the various civic duties and responsibilities. In this way, we do our small part in keeping this great land of ours a free nation of free men and free enterprise.

In closing, I would like to publicly state that I am proud to be a part, even though a small part, of this worthy profession. It has been good

to me and I in turn am endeavoring to at least pay the interest on this debt that I owe the profession. I have been proud to serve as your President. I know of no higher honor that could have been bestowed on me. I will at all times attempt to so live that you will not feel that the honor was misplaced. In addition to the many happy experiences of this year, I shall cherish more than anything else the wonderful friendships formed through my association with you. As we celebrate this half century of progress, may we only look back for the purpose of gaining wisdom to go forward in the future with more zeal and enthusiasm to serve the users of this good earth better.

THE TITLE PROGRAM OF THE FEDERAL NATIONAL MORTGAGE ASSOCIATION

ROBERT NEWTON REID

Vice President and General Counsel, Federal National Mortgage Association
Washington, D. C.

On a day-to-day basis, I have the best of opportunities to observe the significance of the work of the American Title Association and of you, its membership. I am kept sharply aware of its vital nature and pervasive effects in all real property transactions, in view of my office with the Federal National Mortgage Association. Speaking for myself and for our Federal National Mortgage Association, I am grateful for this opportunity that you have extended to me, through Mr. McDonald and Mr. Sheridan.

During the time allotted me, I shall comment on the Federal National Mortgage Association generally, by way of background. Then I shall describe the Association's title evidence problem in particular, and offer for your consideration several suggestions with respect to title policy protection to mortgagees.

Of course, I realize that as members of the American Title Association, all of you already are acquainted to some extent with the Federal National Mortgage Association, FNMA—or "Fanny Mae," as it is informally called. However, there is a close relationship between the general background items that I shall touch upon and FNMA's title evidence problem—which is the thing of major interest to you. I shall try to make the connection between the two more apparent, as I progress.

FNMA is organized under Federal law as contrasted to being organized under the laws of some particular State. Its present corporate charter is contained in the 1954 Federal National Mortgage Association Charter Act.

In keeping with its status as a corporation, our Association is organized along conventional corporate lines. FNMA's common stock is held by private interests, being originally issued to mortgage sellers doing business with the Association. Its preferred stock is held by the Federal Government, and is subject to eventual retirement.

The Association has a board of directors and executive officers, the latter consisting of a president—whose name you all may recognize, Mr. J. Stanley Baughman—and the other usual corporate officers. I am the Vice President and General Counsel,

These background remarks are being restricted to the major FNMA activities that are called its Secondary Market Operations. A large portion of the money that is utilized in carrying on the Secondary Market Operations is borrowed. The borrowing is ordinarily from private sources, and the obligations are *not* debts of the United States. Under our corporate charter, the Secondary Market Operations are the only activities of the Association that are supported by its capitalization.

In general, FNMA is simply in the business of buying and reselling mortgages. Of course, the mortgages that it deals in must be FHA-insured, or they must be guaranteed by the Veterans Administration.

I wish to say a special word concerning our resale operations — the significance and crucial nature of which cannot be overstated, in my opinion. The primary objectives of the Association necessitates its standing ready at all times to purchase any eligible mortgages. However, like any other institution, we operate with a limited amount of money and, for that reason, might freeze all our funds in a static mortgage portfolio. Consequently, successful resale operations on our part are of extreme importance and absolutely necessary.

I shall anticipate my remarks on our title evidence problem and state that FNMA's selling operations—including measures to insure their success—are the *explanation* of many of the title evidence difficulties that we bring to the attention of our mortgage sellers.

The charter objective of FNMA's Secondary Market Operations is to provide supplementary assistance to the secondary market for home mortgages, by providing a degree of liquidity for mortgage investments, thereby improving the distribution of investment capital. It is obvious that the only manner in which that objective can be attained is for the Association to stand ready at all times, as I have stated before, to purchase any eligible mortgage. And, as I also mentioned earlier, if there were no resales of mortgages purchased by us, our money, being limited, would soon be exhausted.

Now, I shall mention two other objectives which are related to each other and which are of the utmost importance. First, the Association's operations are to be financed by private capital to the maximum extent feasible. Secondly — and this is a reasonable extension of the first objective—the Federal Government is to give up its participation so that FNMA's Secondary Market Operations will be privately owned and privately financed. The second objective will be reached after retirement of the Federal Government's preferred stock, provision for which has been made in our Charter Act.

My background remarks concerning FNMA have not been intended to be complete. I hope they have made it clear, however, that FNMA, as a capitalized corporate entity, is substantially similar to any private institution investing in mortgages.

In view of those similarities, I feel that our approach to the title evidence problem, of necessity, has had to be substantially the same as the approach of private institutions. And our actual practice over the years, in connection with our mortgage purchases, has been to apply the title evidence criteria of private institutions generally.

Such being our approach and practice, I believe I can claim with reason that when I speak of our title evidence problem, I am in effect speaking for many and perhaps the majority of private investing institutions.

I should note, also, that FNMA is unique in its knowledge of the title evidence problem of private investors in general. We must have a detailed knowledge of the title evidence problem of the generality of private investors, so that we will be in a position to resell the mortgages we purchase, whereas the typical private investor is concerned only with its own peculiar title evidence problem.

I now come to the title evidence problem of the Association, which is the subject of primary interest to you. In order to illustrate the problem in its broadest aspects, I shall attempt a general statement as to our title evidence requirements. In connection with each mortgage that it purchases, FNMA requires with respect to both the mortgagor's title and the mortgagee's title, *first,* that they be legally marketable, *second,* that they be acceptable to the insuring or guaranteeing agency—that is, the Federal Housing Administration or the Veterans Administration, as the case may be, and *third,* that they be generally acceptable to prudent lending institutions. I should

emphasize that the requirements, as I have stated them, have a cumulative effect.

In meeting its title evidence problem, FNMA, throughout its experience, has found that when it holds title policy contracts received incident to its mortgage purchases, the saleability of the mortgages is materially enhanced. The *A.T.A. policy* has an advantage over some other forms of title policies in that basically it is a carefully drafted instrument that realistically looks to the interest of the insured—as well as that of the insurer. Also—and this factor is of extreme importance to us because of our resale problem—the ATA policy, through the passage of time, has gained virtually universal acceptance among private institutions that invest permanently in mortgages.

This attitude on the part of mortgagee investors is not surprising. As you know, the laws of the various States serve to make title insurance an extremely effective way of evidencing the title to real property. The laws control the operations of title insurance companies to varying extents, in the interest of those insured. They commonly require the establishment of reserve funds by title companies to cover claims against them, which is a factor of paramount importance.

Because of the lack of time, I shall not mention the many other benefits of title policies.

Now, I would like to make several suggestions with regard to title insurance, as I stated earlier I was going to do. First, however, I shall state a fact that perhaps will cause you to understand better the suggestions that I will make, as well as the Association's title evidence problem in general. FNMA has purchased mortgages from a large number of companies—more than 1,000—and we expect the number to grow larger in the future. Furthermore, the relationship between the Association and the companies selling mortgages to it is not nearly so intimate and close as that which exists between most permanent investing institutions and their correspondents. Consequently, our mortgage purchases must be consummated on more of an arm's-length basis than those of the other investing institutions.

In these special circumstances FNMA has found it beneficial to require the extension of a title policy covering a mortgage submitted to us for purchase, so that its effective date is past the recordation of the assignment to the Association, and is within 45 days of submission of the mortgage. We feel that this special requirement meets a need that is perhaps peculiar to FNMA.

Accordingly, I wish to suggest to the title companies represented here that they develop their procedures, so that title policy extensions can be obtained as promptly as possible after request, and with a minimum of expense.

My second suggestion concerns the exceptions set forth in title insurance policies—under Schedule B in the case of the A.T.A. policy—and the furnishing of copies of all instruments referred to in the exceptions. In order to maintain a saleable mortgage portfolio, FNMA has found it essential to adopt the requirements that copies of all such instruments must be furnished, in connection with every mortgage submitted to it for purchase.

We have found that private investors in general expect copies of such instruments, as a matter of course. An examination of these documents sometimes discloses that a mortgage is not acceptable for purchase, even though the exceptions set forth in the title policy do not make the disclosure. Of course, the investor's objection disclosed by the examination of the documents might be one based solely on the concept of legal marketability or on the requirements of the insuring or guaranteeing agency. However, the investor's objection also might be one that is peculiar to the particular investor, and not one that title companies could be expected to anticipate by appropriately worded title exceptions and certifications.

Specifically, with respect to this

problem, I suggest that title companies could very materially improve their services, by following a consistent and uniform practice of attaching to their title policies copies of all instruments mentioned in the exceptions noted. Also, it would be beneficial from the standpoint of the insured, if the attachments were always incorporated by reference in the policy to which they relate—that is, if they were always expressly referred to in the title policy, being properly identified, and expressly made a part of it.

Next, I would like to make a suggestion with respect to the A.T.A. title policy form and its printed conditions and stipulations. This is the only real problem with regard to the language of the form that I have encountered during the past several years.

I wish to illustrate the problem that is the origin of my suggestion, by quoting verbatim from the conditions and stipulations in a policy form now in use by one particular title insurance company. I shall indicate omitted portions by use of the word "deletion." The provision that I refer to is as follows:

"The Company will not be liable for loss or damage (deletion) for defects, claims or encumbrances (deletion) existing at the date of this policy and known to the Insured claimants such loss or damage at the date such Insured claimant acquired an insurable interest but not known to the Company or disclosed to it in writing by the Insured."

Now, I am sure that all of you are aware that FNMA's operations are complex, and that so far as occupational skills and duties are concerned, its personnel are necessarily highly specialized. The result is that an impossible problem of education and coordination would confront the Association, if it were to attempt to place in effect practices to assure that all title information—coming to any of its personnel and concerning any mortgage it might buy—would ultimately come to the attention of a person aware of its significance.

Consequently, I would like to suggest the amendment of the A.T.A. policy form, so that it would protect any insured comparable to FNMA, on the basis of the practices that necessarily have to be followed. While I have no specific language in mind, it might be feasible to amend the language of the exception from coverage that I have quoted, so that the exception would involve only knowledge withheld in bad faith by the insured mortgage holder from the title company.

My final suggestion today concerns the problem of mineral reservations, and exceptions covering them in title policies. I realize that title companies should not be called upon to enter into the casualty insurance business. Assuredly, I would not urge that they assume risk in connection with mineral reservations, in instances where their records and investigative practices cannot be reasonably relied upon to protect them from loss. While we desire insurance, we desire sound insurance.

The suggestion that I make in connection with mineral rights is that title companies generally ought to adopt the policy of making such specific guaranties as are possible **in individual cases.** Frequently, depending upon the circumstances of each case, they could materially enhance the saleability of a mortgage, by including such guaranties in the title policy. In many States, such guaranties can be written on the basis of applicable State statutory and case law—law with which the title company has to be familiar. In many instances, the title company may possess particular and detailed factual knowledge that will enable it to include such guaranties. In other instances, the title company may feel that it can easily acquire such knowledge, either through its own investitive procedures or by requiring satisfactory proof from those interested in the original mortgage transaction.

I think that title policy coverage as to mineral rights is a developing thing. Development appears to be inevitable, because it would render mortgages more freely saleable on a nationwide basis. FNMA and other

comparable financial institutions would be appreciative of whatever assistance you can give us.

In closing, I wish again to express my personal appreciation and that of the Federal National Mortgage Association for the opportunity you have extended to me. Also, we thank you for the assistance that you and your American Title Association have always given us, and that we know you will continue to extend.

A STREAMLINED TITLE POLICY— THE MORTGAGEE'S VIEW

WILLIAM L. BRAMBLE, *Counsel*
Life Insurance Company of Virginia, Richmond, Virginia

It is a pleasure for me to be back among friends in the American Title Association, and I sincerely hope that all of you will still be my friends when I have concluded this address.

When invited to address this meeting, I was told that I could select my subject. It would seem that such an invitation ought to open a field broad enough to produce something worth talking about. I reflected that it would be an impossibility to present to a body so learned and specialized as this anything regarding the law of real property or of title insurance contracts; nor, in selecting my subject, would I have the temerity to undertake to teach or to instruct you, but only to offer suggestions that may be of benefit to the title insurance fraternity and to institutional lenders.

I have believed for many years that an attempt at standardization in matters of everyday practice is one of the most useful objectives to be accomplished by the American Title Association and that a little cooperation between the title companies and the lending institutions could make tremendous strides in that direction, particularly with the assistance of life insurance counsel who manifest their interest by regular attendance at these meetings.

It is my intention to discuss matters dealing with the everyday practice of accepting mortgagee title insurance policies, how such policies can be streamlined by the adoption of certain standard practices, and other matters relating to title insurance companies.

The general practice of life insurance companies and other institutional lenders of accepting title insurance policies in lieu of Abstracts of Title and Attorneys' Opinions has, of course, lessened the burden on home office counsel, but as the volume of mortgage loans has increased, it has become necessary to consider further streamlining the business of handling evidence of title as far as is safely possible.

In considering the standardization of practices in connection with title insurance policies, it is necessary to refer to the title insurance contract, and for my purposes I will use and refer to the American Title Association Standard Loan Policy—Revised 1946.

For many years, title insurance companies have used various forms of title insurance and even though most companies have the A.T.A. revised form available, it is not furnished, in many cases, unless specifically required. I would like to suggest that all title companies furnish the A.T.A. revised form whether or not required, for I feel certain that this form of policy is acceptable to all lending institutions and by using this form, its acceptability is assured. This is helpful to the title companies, the mortgage loan correspondents, and the lending institutions, but would, of course, not apply wherever the form of title policy is dictated by state law.

In most states it has been customary to require that the title policy contain the name or names of the assured and when our company first entered the FHA mortgage field back in the very early thirties, it was then necessary that each title policy be carefully checked to determine that the name of the Federal Housing Administrator was properly included as an assured, and if the names of the assureds and the name of the FHA Administrator was not so included, it was necessary to return each policy to the title company or to the loan correspondent for correction, all of which resulted in additional work for the lender, additional work for the title company, the loss of time for both and a disgruntled loan correspondent who could not be paid for his loan until the policy was in acceptable form.

In 1945 or '46, sometime in the middle forties, title companies took an important step toward partially correcting the above situation in that they revised the Conditions and Stipulations of title policy contracts to provide that:

> "The benefits hereof shall inure to any federal agency or instrumentality acquiring said land under an insurance contract or guaranty insuring or guaranteeing said indebtedness, or any part thereof, whether named as an insured herein or not, subject otherwise to the provisions hereof."

Even with this very clear amendment many lenders, including our company, continued to require that policies show the names of the assured, including the particular federal agency, though the contract itself covered the owner of the indebtedness secured by the mortgage or deed of trust described in Schedule A. Why this requirement has persisted, I do not know, for it appears to me that the A.T.A. revised form of policy with the amended Conditions and Stipulations adequately covers the holder of the indebtedness and any federal agency having an interest, whether or not their names are written on the face of the policy.

The views of the Veterans Administration as to the acceptability to it of mortgagee title insurance policies so worded as not to cover the Veterans Administration were set forth in the February 2, 1949, release of the American Title Association to its members and are also stated in the V.A.'s Information Bulletin, IB 2-94, with particular reference to paragraph 16 (c) of that Bulletin, which was issued on February 1, 1949, by the Solicitor of the Veterans Administration. Pursuant to the understanding expressed in the foregoing release of the American Title Association and IB 2-94, a number of title insurance companies entered into blanket agreements with the Administrator of Veterans Affairs to provide that all policies on the A.T.A. Standard Loan Policy form whether issued prior to or subsequent to such agreement would be deemed amended by adding to paragraph (1) of the Conditions and Stipulations thereof, the language suggested in IB 2-94. Lenders may learn of the existence of any such blanket agreements from the Veterans Administration in the Regional Office in their territory or from the title insurance companies whose policies they accept. I discussed this point with Counsel for Federal Housing Administration in Washington, D.C., on August 21, 1956, and was assured that if the policy contained, in the Conditions and Stipulations, the language hereinabove set forth, such policy would be acceptable without the name of the FHA Commissioner appearing on the face of such policy. The elimination of the names of the assured from the face of the policy will, of course, eliminate the necessity of checking the policy to determine that the required names appear therein.

Section 1 of Schedule A of the policy provides for the names of the parties in whom fee simple title is vested and this is, of course, desirable. Section 2 of Schedule A describes the mortgage or deed of trust covered and should very definitely and clearly set forth the names of the parties, the date of the instrument, the date and place filed for record and the book and page number of recordation or document number

so that there can be no doubt as to the identification of the instrument, and this is important from the standpoint of my next suggestion. Section 3 of Schedule A contains this language: "The land referred to in this policy is described as set forth in said mortgage or trust deed above mentioned and is identified as follows". As far as I am concerned, Schedule A could be limited to a statement that the land covered by this policy is described as set forth in the said mortgage or trust deed above mentioned, for if the policy sets forth a complete description of the property covered, I require that that description be checked against the mortgage or deed of trust; but, if the full description is left out of the title policy, the necessity of this checking is avoided and additional time is saved and the possibility of additional errors is avoided. In some instances, a brief identification of the property may be desirable, but again you are faced with the necessity of checking that description to see that the property is not erroneously identified. I personally would rather forego the benefits of the brief description than to have to check it.

Now, we come to Schedule B, which shows defects, liens, encumbrances and other matters against which the company does not insure. Here rests our greatest opportunity to reach out toward standardization, and it is my intention to offer a few examples of how this can be done.

It is the practice of some title insurance companies to include, and the requirement of many lenders that there be included in the title policy, a complete copy of conditions, covenants and restrictions, (hereinafter referred to as restrictions), affecting the subject property. In connection with the run-of-the-mine dwelling loan, including FHA insured and G.I. insured or guaranteed loans, I have long since stopped making this requirement, although some of the title companies furnishing title insurance in connection with loans purchased by our company through loan correspondents still attach full copies of such restrictions. I, of course, require that the exception contained in the title policy and relating to the restrictions specifically state that the restrictions do not contain a forfeiture or reversionary provision; that the restrictions have not been violated and that a future violation will not cause a forfeiture or reversion of title. It is my thought that more institutional lenders would be willing to waive the requirement that complete copies of restrictions be furnished, if an exception specifically inclusive was used by the title companies; and in this connection, it is my thought that such exception should read substantially as follows:

> Covenants, conditions and restrictions of record in Deed Book ....., Page ....., which have not been violated and future violation of which will not cause a forfeiture or reversion of title, or affect, in any way, the validity or priority of the mortgage or Deed of Trust referred to in Schedule A (1) hereof.

If the policy contains language substantially as above suggested, I believe that under the provisions of the FHA general waiver letter issued under date of March 6, 1953, and the Veterans Administration TB 4A-112 it would be unnecessary to attach complete copies of the restrictions to policies held in connection with FHA and G.I. loans.

You are all familiar with the ruling relating to racial restrictions and we, of course, expect the title insurance companies, when appropriate, to insert in their policies a statement to the effect that there have been no restrictions filed of record subsequent to February 15, 1950, that limit the use or occupancy of the property by reason of race, color or creed. If the companies would establish a standard practice of putting this provision in the same position in the policies at all times, such a practice would be of considerable help to the lending institutions who have to check such policies. It has been my experience that each company inserts this provision where applicable at a different place in the policy and some companies locate it at a different place in each policy, all of which means that it is necessary to check

each policy to discover if that provision is included. The work of the lender's counsel could again be simplified if the policy contained a standard provision to the effect that there are no such restrictions unless specifically excepted in Schedule B. I realize that some companies have inserted such a provision in their policy forms, but it is, by no means, a standard practice.

Where easements and rights-of-way are disclosed by the title examination, I have found that many title companies take the easy approach and make a general exception as to "possible easements or possible rights-of-way," and this is done even though the easement or right-of-way can be specifically identified by reference to a particular survey or the instrument creating it. I am sure it is not hard to realize that it is essential that the easement or right-of-way be located on the ground so that the lender's counsel can determine with reasonable degree of accuracy if such easement or right-of-way affects the use of the property or the improvements, therefore, I earnestly urge that some steps be taken to standardize the exception relating to easements and rights-of-way so that the examiner of the title policy will find not only a ready reference to the fact that there is an easement or right-of-way, but also where the same is located in the records; that is, by book and page number and where it is located on the property; that is, does it run along the side lines, diagonally across, through the middle, or what have you?

The above information is very necessary in connection with all loans, but it is particularly helpful in connection with FHA and G.I. loans, for unless it can be determined that the easement or right-of-way comes within the general waiver of FHA, it is necessary to obtain a special waiver, and unless the easement is identified and located, it is impossible to determine whether or not it has been considered by the Veterans Administration in fixing the value of the property or comes within the coverage of V.A. TB 4A-112.

Another point that has given me considerable trouble is the general exception as to mineral rights without further identifying information. It would be extremely helpful if a standard exception could be agreed upon wherein at least recordation information would be given to identify the particular mineral rights in question.

At this point may I suggest that wherever a special waiver of a title condition has been obtained from FHA or a specific statement has been obtained from Veterans Administration to the effect that a title condition has been considered in fixing value and the noteholder is exercising his rights under the terms of the insurance contract or guaranty, a copy of the waiver obtained from FHA or the statement obtained from Veterans Administration should accompany the papers submitted to the particular agency, as it will greatly facilitate the handling of the claim.

You may well ask, why should not the particular agency check their own files? but I am thinking in terms of time saving, and when the volume of cases handled by each of the agencies is considered and inasmuch as the waiver becomes a part of the insurance or guaranty contract, you are serving your own purpose in following this suggestion.

Wherever an exception is made to an agreement covering water supply or sewer rights, recordation data concerning these agreements should be included in the exception and if a lien is created, as is often done, that fact should be specifically recited, for in many states, in connection with conventional loans, the existence of such a lien could determine whether or not the loan could be made as a legal investment for a life insurance company. Both the Veterans Administration and FHA have their own rules regarding such items, which, of course, must be complied with.

If there are setback lines, let the policy specifically state that they have been complied with and if they have been violated, let the policy specifically state to what extent.

If there are party walls or joint driveways that have been created by agreement, reference to the recorda-

tion of such agreement should be made in the title policy.

If the property is occupied by tenants, the title company should not make a general exception as to the rights of parties in possession, but should make specific reference to the lease or leases under which the tenants occupy the property. If the property is an apartment house and there are many unrecorded leases, the exception should refer to that fact, but in no event should a lender be expected to accept a policy with the all-inclusive exception as to rights of parties in possession.

Many other suggestions might be made for guidance, as there are other exceptions appearing in title policies, as a matter of routine, the wording of which could, in my opinion, be standardized. It might be in accordance with custom for me to suggest model wording, but I think such course would not be in order, for this should come from the combined efforts of the title companies and the lending institutions. In any event, this paper is not offered for the purpose of developing specific conclusions or as a manual of standard requirements, but is offered only for the purpose of suggesting the possibility of such standardization and its desirable utility, and if standardization to any extent is to be achieved, it will be necessary that the subjects for conclusions be submitted to the test of discussion, committee consideration and final approval by those concerned.

It may be necessary to approach standardization by groups of states or even by individual states or by sections or areas of the United States, but I am convinced that it can be done.

From the standpoint of lending institutions, there are other problems relating to title insurance that provoke thought. I mention a few of these for the purpose only of directing your attention to the fact that these matters do give the lenders concern as being of vital importance, and are considered in connection with the acceptance of title insurance from any particular company.

The various state laws with respect to the maximum single risks a title insurance company may assume range from one extreme to the other. Some states ignore the matter entirely, and in such states a title insurance company may issue a policy for any amount its conscience may permit or the insured will accept. On the other hand, there are some states that restrict title insurance companies to a maximum single risk of 10% of capital and surplus and there is one state that has a maximum single risk statute providing for a maximum of ten times the capital and surplus of the issuing company. I understand that the more generally used formula is 50% of capital surplus and reserves, and I have been informed that F.N.M.A. now has adopted that formula excluding claim reserve. Here is a complete lack of uniformity and it appears to me that the title companies, in their own best interests, should take steps toward the establishment of a proper and realistic approach to the relationship of a maximum single risk to capital structure and reserve set aside for the holders of title policies. This, to me, is important when consideration is given to the fact that so far, no reasonable accurate formula has been devised for determining the outstanding liability of a title insurance company.

I believe that the title insurance companies should take notice of the Biblical injunction, "No man can serve two masters," for I am sure that the title companies are cognizant of the inherent danger to both the lender and the title insurance company in connection with the practice of having the mortgage originator control or influence, in any degree, either directly or indirectly, the issuance of title insurance policies or the underwriting practices of the issuing agent. This practice is not as prevalent as it has been in the past and it is certainly to the best interests of the title companies to see that it is stopped altogether, for I am sure, as a general rule, that lending institutions will not knowingly accept title insurance issued under such conditions.

There is, in my opinion, a basic dif-

ference in the philosophy of a company engaged exclusively in writing title insurance and that of a multiple-line company, and because of this basic difference, I have found that some lending institutions are reluctant to accept title insurance in a multiple-line company except under very limited and carefully governed circumstances. In the past few years, it has been my observation that many title companies have divorced themselves from other lines of business, and I believe that this has been a healthy step for such companies.

There was a time when I and counsel of other life insurance companies had some detailed knowledge of underwriting practices of title insurance companies as well as the procedure followed for determining the insurability of titles, but owing to the growth of the industry this is no longer true in my case, and I do not believe it to be the case with other counsel. As a rule, it would seem that the lending companies should view more criticically:

1. The capital structure of each company, together with the reserve accumulation for the protection of its policyholders.
2. To what extent there may be conflict of interests at the source of issuance of the title policies.
3. The basic differences in the philosophy of a company engaged exclusively in writing title insurance and that of a company engaged in the writing of multiple lines of insurance.

I am not advocating anything contrary to the Anti-Trust laws and I want to make myself clear that these thoughts do not purport to express final solutions or dogmatic opinions, but if they serve to stimulate interest and discussion, they will have attained their purpose.

"One evening, a mountaineer and his wife were entertaining friends, and as the hour grew late, the wife turned to her husband and said, 'Let's you and me go to bed so these folks can go home'." I feel the same way —it's time for me to stop talking so that you folks can get to your coffee drinking.

HISTORICAL HIGHLIGHTS OF AMERICAN TITLE ASSOCIATION

BENJAMIN J. HENLEY

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

As a segment of history, fifty years is a short period of time. However, the impact upon the society of men of the events which have have transpired during the half century which encompasses the existence of the American Title Association has been greater than that of the developments in any previous period in the whole of recorded history. This is emphasized to all of us by recalling the many firsts which, during our lifetimes, have appeared as novel experiments and which now are indispensable to our comfort and almost necessary to our existence. Many of us can remember when there was no general use of the electric light and the telephone and when there were no automobiles, and no phonographs. Most of us have seen the radio, television and air transport make their appearance, and all of us are appalled by the implications of what is presently known of the phenomenon of the fission and fusion of the atom.

During a period when such great changes have occurred, you could justifiably assume that the problems of the title business, which induced the formation of the American Title Association fifty years ago and the methods of transacting the business in which its members were and are engaged would have likewise shown great change. If that should be your

conclusion, you need only read the proceedings of the first two conventions of the Association to accomplish complete disillusionment. Except that title insurance, struggling upward over the years, has reached a status of recognition in this country almost equal to that of the redoubtable abstract, the character of the business and the problems with which it is involved are much the same as they were fifty years ago.

The inspiration for the formation of the Association came from the Wisconsin Association of Title Men, and as proof of the adage that any organization is the shadow of one man the proceedings clearly outline the silhouette of Mr. Walter W. Skinner of the Chippewa County Abstract Company of Chippewa Falls, Wisconsin, as the dynamo who brought the American Association of Title Men to life. The organization meeting of the Association which was devoted entirely to the procedure of organization met at the Palmer House in Chicago on August 8, 1907. In the proceedings of that meeting the purpose of the meeting is stated as follows:

> "Believing that there was urgent need of an organization of the abstracters and title men of the United States for the purpose of unifying the abstract profession; for the organization of associations of abstracters and title men in states where none exists; for the establishing of a magazine devoted to the interests of the abstract profession and the conveyance of real estates; for the just defense against the attacks made upon the abstract profession; for enlightening the public upon the subject of abstracts of title and upon the laws relating to conveyancing of real estate and for securing uniformity in the abstracts furnished the public, the Wisconsin Association of Title Men issued and circulated a letter as generally as addresses of abstracters and title men could be obtained asking the advisability of undertaking an organization of that character."

It is interesting to note the absence in this statement of any reference to title insurance.

Considering the local character of the title business as it then existed, it is surprising that there were present at that meeting fifty-nine representatives from the abstract business of thirteen states. Most of these men resided in, and were connected with, offices in the middle west. Only one state from the far west, Washington, was represented. With the exception of Florida, none of the Atlantic Coast states was counted present.

The proceedings of the first convention are unique in that they consist largely of letters to the President of the Association responding to his request to those who attended to write a paragraph or more on the subject of the new association under the caption "Possibilities I Did Not See."

The second convention of the association convened at Des Moines, Iowa, on August 19, 1908. The report of attendance showed a reduction in the number of individuals present but there was an increase in the number of states from which they came. There were registered at the convention forty-one delegates from seventeen states. Geographically the representation was much the same as in 1907.

What might be called the first directory of the Association was published in the proceedings of 1908, as a list of its members. This directory listed one hundred eighty-one individual members and fourteen State Association members. The membership comprised about an equal number of individuals and corporations. Few of the corporate names indicated that their owners offered title guaranties or title insurance as one of their products. Most of the individual members were from states which had State Association membership.

With some slight changes, I believe that I could read to you most of the addresses which were delivered at that convention as discussions of current problems and current events, and you would find them to report accurately most of our problems of today.

In his report to the convention, President Skinner referred to "the indefiniteness and inaccuracies of the real estate and abstracters' directory" and urged that the state associations ought to undertake to get up state directories of responsible and reliable abstracters and furnish such directories to the national association. He also stated that he had come across so many queer things in conveyancing and that he believed the association ought to work along the lines of uniformity in conveyancing and should take up the matter of appointment of notaries and surveyors. In the matter of conveyancing he preceded Charley Swezey by some forty-five years. He was also concerned because "any man who is twenty-one and can write his name can be appointed as notary and it makes an abstracter actually cry to see some of the mistakes that come in for record." He thought that both notaries public and surveyors should be appointed by the state for life. He said that in his state "anybody that can get elected can survey and if he can make the people think he is wise they will elect him and what does he do. He will make some of the worst descriptions of metes and bounds that you ever saw."

Mr. Lee Gates of Los Angeles urged that the public should be educated concerning the title business because there is a very prevalent idea abroad that the profits in the title business are exorbitant. This he moderately resented because he said that "in southern California up to ten years ago (prior to 1908) there was scarcely a successful title company in all of that country." It might be noted here that that particular aspect of the title business in southern California has experienced almost as great a revolution as has been wrought in the laws of physics by the atomic bomb.

A description by Mr. Gates of methods of conducting the title business in California, with little change, would describe the business as it is conducted there today, with the exception that in southern California title insurance has replaced the certificate of title, which he described as the principal type of title evidence issued. Even as to the escrow system, the business then was conducted much as it is today.

Mr. Lambert of Indiana told the convention that the Indiana Association was "organized to put up the best opposition possible against the Torrens System. Several states already have this law and others are considering this mode of title registration. New York will be the next to give it a test February 1, 1909. It is every abstracter's duty to make ready and that very soon to meet this contest as it is surely coming in some states." Several other speakers referred to the Torrens System as one of the problem children of the business. Mr. Lee Gates of Los Angeles expressed the opinion that it could never be made effective in America under our present form of constitution and concluded that the advocacy of the system and the agitation for it was merely an evidence of popular unrest and desire of people to obtain a better method than then existed of ascertaining the condition of their title. He thought that southern California had little to fear from the Torrens System or county owned abstract system.

Directory trouble early plagued the Association officers. President Skinner at the second convention said that he found the previous year's "work was hampered considerably by the indefiniteness and inaccuracies of the real estate and abstracters' directories." These deficiencies could not, however, then be charged to headquarters of the Association.

Mr. George Vaughan of Little Rock, Arkansas, in a paper entitled "The Use of Printer's Ink in the Abstract Business" was the first of a great line of advocates of advertising for the title business. He advocated many of the same media that we use today and particularly he mentioned newspaper advertising, blotters and direct mail.

Mr. A. R. Watkins of Fargo, North Dakota, reported that a law had been passed in his state making it obligatory upon any person who had prepared an abstract to have in his possession a plant, a correct abstract

of the county records, and also to give bond.

There was much discussion about the organization of state associations. While I found nothing to indicate which of the states first had a state association, it is clear that several of them preceded the American Association of Title Men. The Iowa association was organized in 1903; the Washington and Wisconsin associations were formed in 1904. Several of the states were organized between the first and second conventions of the A.T.A. Mr. Skinner noted that organization of title associations in the west was hampered because "the railroad facilities are such that they cannot meet without great inconvenience and expense."

It is apparent that some state associations were not wholly convinced that a national association was desirable. Mr. Skinner indicated embarrassment because, as he said, "My own state has discouraged efforts toward perfecting the organization of this association and thought it better not to join the association at present." For this reason, he felt that he was probably not qualified to be President of the Association. Notwithstanding his concern, he was made the first President as well as the second on the theory that, as an individual, he was a qualified member of the Association.

At the second convention, Mr. W. R. Taylor of Kalamazoo, Michigan, made application for membership in the national association on behalf of the Michigan association. He stated, however, that the application must be considered as informal because the Michigan association was not then in funds for the reason that "our treasurer recently removed to California and took his records with him and the money." He therefore had no record of the members of the Michigan association and no money with which to pay their dues.

In recent years, convention reports from our finance committee chairmen and association treasurers have been gems of wisdom and entertainment, but it was not always so. I can record, as a matter of personal knowledge, that this organization of title men, which is now the American Title Association, has experienced financial difficulties. Those difficulties, however, were nothing compared to the ones which confronted the organizers. In the plan of organization adopted at the organization meeting, it was provided that the dues for individual members should be $2 per annum and that each state association should pay $1 per year to the national association for each of its members. On these munificent dues, it was obvious that the national association should not pay the expenses of delegates to conventions, so it was provided that each state association could, at its option, send delegates to the national association and pay their expenses. I am not sure that the latter authority was ever exercised by any state association.

The organization plan also stated that when the association found itself in funds it was to reimburse Mr. Skinner for his expenses in organizing the first meeting. At the second convention, in 1908, the treasurer reported that he held in his possession a bill of Mr. Skinner for $137 which must be paid and that the association had in its treasury from $115 to $125 before the receipt of additional dues. He confidently predicted that with the additional dues the association "would have in sight somewhere from $130 to $140 and that this would render the association solvent and in a position to pay Mr. Skinner's bill."

Under the name "American Association of Title Men," the association grew and almost prospered until the 17th annual convention in 1923. I say, almost prospered, because the report of the Secretary to the 1923 convention commented upon the progress of the Association and said, "This is the first year we have not been burdened by a deficit. We do not have a deficit but a small amount of money."

A reading of the proceedings of the following years indicates, however, that the prosperity commented upon was somewhat chimerical, for while under the new name of "American Title Association" adopted by constitutional amendment at the 1924 con-

vention, the income gradually increased, but so did the outgo, and until the present dues structure was adopted in 1945 the struggle for sustenance was bitter. For many of those years the Association was financed principally by a so-called "sustaining fund" which was obtained by an appeal at each convention from the current outstanding orator of the Association to members to donate funds to pay the hired help and to meet other expenses. It was a question of merely "passing the hat."

While the organization meeting was made up mostly of abstracters, and the abstract business was dominant in most parts of the country, the organizers foresaw the rise of title insurance and the desirability of providing for some representation of that business in the association. So, the original by-laws adopted in 1908 provided that departmental sections of the association might at any time be organized to meet annually in connection with the meetings of the association for the special duty and consideration of such matters as pertain particularly to the work of either abstracters or title examiners or of insurers of title. They stated also that other sections might be organized at any time if such organization is approved in writing by the Executive Committee of the Association.

The authority to form such sections was not availed of until the sixth convention held in 1913. At that meeting a group of title insurers organized the title insurance section under the name of the Title Insurance and Guaranty section and adopted by-laws for its functioning.

At the convention of 1914, the Executive Committee appointed a Committee to establish a title examiners' section and, while the 1913 proceedings do not disclose the procedure for the formation of such a section, the proceedings of the 1915 convention held at San Francisco in honor of the Panama Pacific Exposition, 64—Title News—Convention Issue ..... lists the officers of the title examiners' section. At the 1914 convention, the organization of the title examiners' section was completed and the proceedings of that year report the activities of both title insurance and title examiners' sections. The abstracters were still in the driver's seat in the Association and required no section. Except for the minor influence of the title insurers and title examiners they were dominant.

Believe it or not, it was not until 1924, that the abstracters concluded that they should have a special section. Until that time, the American Association of Title Men, and under its new name, the American Title Association, was the child of the abstracters and I might add that they nurtured it well and presented to the industry a lusty progeny. So, in the proceedings of the 1925 convention, we find published for the first time the by-laws of the three sections for the Association, the abstracters', the title insurance and the title examiners.

Ten years elapsed after the formation of the abstracters section before the last of the four sections which ultimately came into being was formed by amendment of the Association Constitution at the 1934 convention. At the convention of 1932, at the instance of members of the Association, who were then doing a national or regional business, the National Underwriters' Section was organized for that group. At the same time the name of the Title Examiners' Section was changed to "Legal Section." For the next seventeen years the activities of the Association were directed through the four sections, i.e., the Title Insurance Section, the Abstracters' Section, the Legal Section and the National Title Underwriters' Section.

At the 1951 convention, the Chairman of the National Underwriters' Section, reported to the convention that his group had concluded that the Section was not beneficial to the title insurance industry and, with their approval, the Board of Governors had at its previous meeting provided for the merger of the Section with the Title Insurance Section. At that convention meeting, the Constitution of the Association was amended so as to terminate both the National Title Underwriters' and the Legal Sections, and to continue only the

other two; the Abstracters' and Title Insurance Sections. At that time, it was clear to all, that the spread of title insurance, throughout the country, had made most problems with which the Legal and the National Title Underwriters' Sections dealt, common to all sectors of the title business. So, since 1952, we have struggled along with two sections, which provide a forum for each of the two major divisions of our industry.

Tom Scott, when he was President, inaugurated the first regular bulletin, or magazine feature, used by the Association, and, later as Executive Secretary, he continued its publication.

In 1920 and early 1921, a monthly letter was issued. These letters finally emerged into a printed monthly bulletin more or less in its present form, which made its first appearance in the fall of 1921, under the title of "Title News." While the format of Title News has changed from time to time, it still has many of the characteristics which it carried in its early issues.

The proceedings of the 1926 convention were made a part of Title News, but were printed in a separate booklet in the same form as previous proceedings had been printed over the years. For the first time, in 1927, the proceedings were printed as a regular issue of Title News and they have been so printed continuously since that time.

From 1924 to 1949, Title News was printed in the form of a magazine with pages of 8½ x 11 inches, setting those copies of the proceedings and the magazine apart from the earlier and later publications of the Association which were ordinary book size. Commencing with 1950, it was decided that the book was too large and the publication reverted to the ordinary book size of the earlier years. I do not doubt that these changes were of great importance, but it is just a little bit difficult to see why.

At the 13th convention in 1919, the annual address of President Carroll contained a discussion of "The Organization" of the Association, in which he stated that the Association could no longer continue on the then basis of organization without certain stagnation. He recommended that "a permanent secretariat should be established and an executive secretary placed in charge of this office."

This recommendation was approved and Tom Scott of Texas, who was the eleventh President of the Association in 1917-18, consented in 1920 to act as the first Executive Secretary of the Association until the convention of that year.

Following the 1920 convention, Mr. Frank P. Doherty was designated Executive Secretary and become the first paid staff officer of the Association. Frank then was and now is a practicing attorney in Los Angeles and devoted only a portion of his time to the A.T.A. I cannot refrain from here paying a tribute to the service of Frank Doherty to the title industry. For many years, he was Secretary of the California Land Title Association and contributed greatly to its early development. At the 1922 convention, Frank, in his report, as Executive Secretary, noted that "it is customary, in singing the swan song, to get somewhat sentimental." Thus he terminated his service as Executive Secretary.

To succeed Frank, Dick Hall was selected and assumed the duties of the office, following the 1922 convention. Having been a part of the Hall Abstract Company of Hutchinson, Kansas, and having long participated in the activities of the Association, Dick was admirably qualified for the position. He continued as Executive Secretary until he resigned with the adjournment of the 1932 convention. His contribution to the success of the Association during his nine years of service was immeasurable. 1933

Then came Jim Sheridan. Jim, like Dick Hall, left an active career in the title business to assume the duties of Executive Secretary. The transition from Vice President of Union Title and Guaranty Company of Detroit was easy and successful, but before Jim was comfortably lodged in the chair of Executive Secretary, we were confronted with the depression problems resulting from the deluge

of business created by the Home Owner's Loan Corporation, and the accelerated loan program of the Federal Land Banks, as well as the impact upon our business of the National Reconstruction Act, with its many restrictions on operations. We were hardly out of the woods on these activities before the pressure of land acquisition for military purposes caused by the second world war was upon us. Many questions arose in the conduct of business for the Federal Government in the enormous volume which these operations involved. They were handled by Jim for the industry with expedition and precision. He spent much time in Washington during those trying years, and largely through his efforts the title industry discharged its obligations to the common welfare with credit. In this as in his other duties his has been a job magnificently done.

Thus, you will note, that thirty-six years, far more than half of the life of the Association, has seen its top executive job occupied by four men. Two of them served us for thirty-four years. They made the job of President of the Association look easy to thirty-four successive Presidents. At times it was far from being an easy task. The duration of their allegiance to us is proof that each served us well. Those of us who have been privileged to have them guide us in the administration of the affairs of the Association, and to aid us in the solution of the problems of our industry, however, need no such proof. I express to them for all of us our deep appreciation of their service to us all.

Because of their number it would be futile to attempt to name the many persons who have been instrumental, over the years, in building this structure which has contributed so greatly to the growth and stability of our industry. However, we must take note that there is present today, one of those who met at the Palmer House in Chicago fifty years ago, to aid in the birth of the Association. It is an honor and a pleasure to present to you Mr. Hugh H. Shepard, President-Attorney of the Shepard Abstract Company, of Mason City, Iowa, with which he was identified in 1907. Mr. Varick C. Crosley, President of Crosley and Boeye, Inc., of Webster City, Iowa, is our other living founder, but ill health prevents his presence with us at this time. At the time of the organization of the American Association of Title Men, Mr. Crosley was President of the Iowa Title Association. The names of both frequently appear in the proceedings of the Association, in the years which followed its organization. They were active participants in its birth and adolescence. It is appropriate that we extend our homage to them and through them, to express our appreciation of the work of the great pioneers who had the vision to recognize the future of the title business in this country and to establish a medium through which it could voice its organized views and aid in the great growth of the industry which followed.

BUYING AND SELLING TITLE PLANTS –SOME TAX MATTERS TO CONSIDER

GEORGE E. HARBERT

President, Rock Island County Abstract and Title Guaranty Co., Rock Island, Illinois

I have no doubt but that most of the members of this organization have acquired all or part of the title plant which they are now operating through their own efforts. Knowing the futility of trying to induce our sons to enter into a business for which they have no aptitude nor desire, I am certain that the percentage among you of those who have inherited your plant is relatively small.

In the short time which is given to me in this convention it is obvious that I must limit my remarks to the certain types of sales, and in addition, I am going to exclude all transactions between our major companies. By a Major Company I mean those of the larger companies whose stock is either listed on the exchange or has a definite Market, or Over-the-Counter Value. I am sure that if they consolidate, or if the majority control of any one of them is transferred, it is done after obtaining the advice of excellent counsel both tax and otherwise, and because of the extent of their operations and of the size of the deal, there are factors in them which are individual to that particular sale.

However there are a great number of small plants throughout the Country. Our Association has over two thousand members and we do not have a 100% coverage. Every year the ownership of a certain number of small title plants is transferred and many other plants must be valued in Tax reasons.

The purpose of this paper is to try to find some common denominator which can aid in the pricing of such plants and to point out some of the problems which are posed in the Revenue Acts applicable to them.

Even though none of you intends to buy or sell a plant, in case of your death the plant which you now own may be subject to an appraisal which will determine in part the size of the Federal Estate Tax your heirs must pay. If you decide to give a portion of your company to your children or to other persons it may be necessary to successfully prove the value of the gift. Therefore it might be wise for you to determine the value of your plant by some method which will aid you in your tax problems.

Methods of Determining Value

There have been many methods used to fix the value of a title plant. In the questionnaires that were returned, there was one thing that was more apparent than any other fact disclosed by them, namely: Title Men are individualists. Plants have been sold at public auction, plants have been built to sell; in fact one enterprising Abstractor built three plants in the same County to sell to Lawyers who wanted to be in the title business. There has always been more or less "horse trading" in sales and of course most buyers sought to buy as cheaply as possible and most sellers sought to obtain the top price. However out of this welter of conflicting reports several factors took shape as guides which can be used to fix the fair price of a Title Company. Each of them is subject to many weaknesses but collectively they may serve as helps in determining the value of the Plant.

The phrase, Title Plant, as used in this paper and as understood by me means, those indices, copies of abstracts or other references needed to produce an abstract acceptable to the Community in which it is located, and the desks, vaults, filing cabinets necessary to house them. I might say that in areas where the Abstractors have no indices other than possibly a copy of their base abstracts, and work from, and rely on publicly owned tract books, the value of the Plant, as reported in the questionnaire is little more than a nominal value for the use of an established name.

Capitalization of Net Profits

Since the desire of a purchaser is to secure a fair return on his investment, the capitalization of net profits would seem to be the major price factor in the purchase of a Title Plant. This criterion will serve well, provided the Stock is scattered and the Company reasonably large. However, it becomes an erratic guide when applied to a closely held Corporation, particularly if the Company is small and the principal stockholder is also the executive officer. The difficulty arises because the operator may vary his salary in order to gain a tax advantage and thus disturb the accuracy of this factor. This is particularly true when the Title Company is a Corporation.

Thus let us assume that, before the payment of any compensation to the President, who is also the sole stockholder, the Corporation nets Twenty-five Thousand Dollars per year. In one case, for reasons of his own, the President may elect to take a salary of $10,000.00 per year and thus the Corporation will earn $15,000.00 per year. If we capitalize this sum at 10%, the plant is worth $150,000.00. Suppose, however, the president elects to take $15,000.00 in salary thus reducing the earnings of the Corporation to $10,000.00. Does that decision reduce the value of the plant to $100,000.00? If this is true, the owner could afford to take no salary for a few years before he sells, and thus increase the value of his Plant to $250,000.00.

Therefore, it would seem that the accurate method of using this factor, would require that the value be based upon the net profit, before payment to the owner-manager of any salary, less the fair value of the service of a non-owning executive officer.

Gross Business

There are many Companies who prefer to judge the value of the plant, by reference to the gross business done by it. From the Questionnaires the sales using this factor usually ran about 1½ times the annual gross business of the Companies. If the Company had no Competitor in the County the factor ran from 1.4 to 2.0 times annual gross, while if the Company had one or more Competitors it usually ran from 1.25 to 1.50 times gross. In other words, the factor of competition as related to the amount of gross business very evidently cuts the percentage of profit which can be secured from the delivery of a certain volume of business to the customer to the extent that in the purchase of the company this amounts to a very substantial sum. To reduce it to other figures, let us assume that two companies have a gross business of $80,000.00. If the company were a non-competing company its plant would be worth $120,000.00 to $160,000.00 according to the returns received by us from the people who have purchased companies. If on the other hand this company were facing competition its plant would only be worth from 80 to 120 thousand dollars. Therefore, there is a spread of approximately 50% in the value of the company, dependent upon whether it has competition or not.

This method of determining value should vary even more than this between non-competitive companies and competitive companies, because it costs a competitive Company more to put an instrument which it will sell on its Tract Book, than it does a Company operating in a County with no competition.

If there are four Companies operating in a County, and if these Companies share equally in the business in the County they must each pay four times as much to put the instruments which they sell to their customer on their tract books as does the Company which has no competitor. To illustrate: assuming each of them were getting 25% of the business of the County, and assuming that there were 400 instruments filed in a given month in the County, each of them might expect that they would sell to their customers one hundred of those 400 instruments at the going rate. Yet each of them must in some fashion have taken off from the County Records and posted to their tract indices, 400 instruments in order to be able to sell 100. In the adjoining

County, however, which we will say is a smaller County, that Company is selling 100 instruments per month to their customers but they only have to index and transcribe 100 instruments to do so. Since they know that sooner or later every instrument which they take off from the County Records will be resold to the customer, they may also prepare for rush seasons by anticipating future business when business is dull.

In addition to this there is that well-known trait of human nature. Somewhere along the line, the discount to the customers will be larger where competition is keen and possibly even the published cost of the abstract to the customer will be reduced in order to secure business. In other words a company which is facing tough competition may be expected to be willing to pay more for its business than the Company which is furnishing the same service but is not trouble by competition.

Another very important factor which has been readily evidenced in our own operation is that credit regulations in a non-competitive Company can reduce the amount of receivables to a lower percentage of the amount of business which is transacted than is possible in a competitive company. In a competitive company the owner is always faced with a problem that if his collection rules are more severe than those of his competitors he may suffer some loss of business because some people would rather take the competitor's service if they can have more extended credit.

There is one more factor in the valuation of the plant, which was clearly illustrated by the questionnaire received by us. In those cases where the report indicated that there was no County plant, the value of the company in terms of gross business, was placed at a higher figure than was a similar company when it was shown that there was a County Plant which competed directly or which aids curbstone competition. This is logical. Therefore, one of the elements of valuations of the company, must be the presence or absence of a County Plant.

In the questionnaire returned to us, this was approximately a 10% factor, so that in the illustration used above if a competitive plant had no County Plant it probably was worth $90,000 to $120,000 while if there was a County Plant, the plant was worth approximately $80,000 to $110,000.

Intangibles which enter into sales and which add to or detract from the value of a Plant are:

1. Complete take off.
2. Modern Plant facilities.
3. Percentage of Title Insurance.

Each of these increase the value of the plant but without a more extensive study of this subject, it would be impossible to hazard any sound estimate of the value of these factors.

Tax Consideration

Tax considerations are more of a problem to small closely held plants than is the case in the larger plants where the stock is widely distributed. Even if we could establish some national method of valuing a plant, we have no assurance that our ideas of valuation would be acceptable to the Internal Revenue Department nor to the inheritance tax division of the government.

There are several ways in which a valuation may be established. If there are two owners engaged as partners or as owners of a corporation, the presence of a buy-sell agreement between them, provided it is reasonable, will constitute a determination of the value of the company and the formula used by you will in all probabilities be adopted by the Revenue Department. To illustrate: Tom and John each own 50% of the stock of the corporation. They realize that in the event of the death of either one of them, unless some provision is made, the other would be faced with a possibility that he might have to raise a large sum of money to buy out the heirs, or the survivor might find himself saddled with the heirs of the deceased owner as unwilling associates.

It is therefore perfectly legal and very prudent for them to enter into

a contract by which they provide in substance that upon the death of either one of them the survivor will have a right to purchase the share of the deceased owner. The agreement can set up a formula or it can name a fixed price. It can provide for a time purchase if desired. It is not necessary that the purchase price be fixed in dollars, because this would require a revision of the contract at least annually. Such a contract is a valid one, and the Internal Revenue Department has accepted most of them if they are made in good faith.

The Contract

As stated before, we consider that a Plant consists of a set of Tract indices, copies of abstracts, or such facilities or indices as are necessary to produce abstracts acceptable to the community, plus a reasonable amount of desks and equipment to house such records.

However, in addition to this bare minimum most abstract or title companies have in addition other assets such as:

1. Photography equipment.
2. Completed abstracts or base abstracts covering subdivisions.
3. Mimeograph copies of large estates, suits, etc.
4. Possibly a building owned by the Company.
5. Cash or Bonds.
6. Accounts Receivables.
7. Office furniture, typewriters, etc.

No matter how you arrive at the sale price of the company in your preliminary discussions, when you prepare your formal contract it is advisable that the items which are being sold be divided into separate categories.

Each one of the items listed above should be treated separately, because of the difference in the rates of depreciation which are applicable. Some of them may be completely expendable and others are not. In the categories listed above, for example, the inventory of abstracts will be expended by being sold to the customers, the cash will be expended by being used. Office furniture will be depreciated at one rate, the office machinery at another rate.

The value of the tract indices should necessarily be fixed as the difference between the agreed sale price and the value of the items which had been peeled off from it. To illustrate: suppose your eventual determination to purchase the plant lock, stock and barrel was based on an agreed figure of $100,000. Suppose also, furniture, fixtures, typewriters, partly completed abstracts, accounts receivable and cash constituted $40,000, when totaled. The plant itself would be valued at $60,000. Your contract should provide for the sale of each of these items at a fixed reasonable value leaving only $60,000 to the tract indices. In this fashion you may take advantage of the different rates of depreciation which are available. It is not feasible in a paper of this kind to attempt to fix a specific rate of depreciation upon such tangible items as furniture, fixtures, office machinery, etc. Your own good common sense, your tax advisor or your local lawyer will give you illustrations of the rate at which these may be depreciated. Items of inventory, cash and bonds, as used reduce the value of the inventory.

Depreciation of Plant

The item which is the most intriguing is the question of depletion or depreciation of tract indices. On this subject there is no certain answer as there is room to argue both sides of this question. Every time an abstract is written, the tract index covering that particular lot or tract of land becomes useless for all practical purposes, since the abstract itself as now prepared will serve to answer all subsequent questions regarding the title to that particular property. Every day as you add more records to the tract index you add something of value to your plant. If we fix a definite rate of depletion, we would also have to fix a definite rate for the additional matter which was added to your plant. Even the government has no fixed policy on this. I know of several companies who have fixed their plant at a definite valuation, and claim no depletion,

and there are other plants which do claim depreciation upon their tract indices. In my judgment it is important for you as the owner of a small plant to have a fixed determination on the rate of depreciation of your indices. This is based upon the theory of the government that if a depreciable item is, through error on your part, not depreciated annually and if at a later time it is sold, the government may take as its value at the time of sale, the value that it should have had through the proper application of depreciation and charge you for capital gain on all of the sale price in excess of that figure.

To illustrate: Suppose you were to buy 15 typewriters at $200 each and suppose you were to use these for five years and then by some miracle be able to sell them for $3,000. During the time you had used these typewriters, you had filed income tax returns for your business and you had not written off any part of their cost, for depreciation; the government would still say that since the normal rate of depreciation of typewriters was approximately 20% a year, you should have depreciated these items from $3,000 to zero in the period of five years and that therefore you have now received a capital gain of $3,000 even though, in fact, you are getting exactly what you paid for the machines.

This problem has always been one of my worries regarding tract indices. To me, it was presented very practically because for one company which we own the government has officially determined that there is no depreciation, while in another company which we own, and which is similar in many respects to the first one, the government has officially said that it is depreciating at the rate of 2% per year after balancing the additions and the subtractions. I point this out because if we were to own the second plant for ten years and sell it, and if we paid $50,000 for it the government would rightfully claim that if it sold for $50,000 after holding it for ten years, we have a $10,000 capital gain. It is no business of theirs that we have failed to take advantage of the annual depreciation in filing our income tax.

The question therefore arises—How can you obtain a definite and unchangeable determination of whether or not your plant is subject to depreciation? There are several methods by which this may be done. One is to file a return in what you claim a fairly high rate depreciation. If the government allows that depreciation it has given you a credit on your income for the amount of the depreciation and it cannot back tax you for more than 3 years. Consequently, if you have taken the depreciation and if at the end of 15 years, the government decides that you have taken too great a rate of depreciation, the most the government can do is to assess you with a back tax for 3 years and the 12 years preceding that upon which you have claimed this depreciation are beyond the scope of re-assessment.

If the Revenue Department disallows your depreciation on the first return you file, this is an adjudication which is binding upon them and will protect you against future claims.

This is of course the simplest method. There is another method of obtaining an adjudication which will bind the government against any change of policy. It has the added factor that later collectors cannot change the once established policy. In this method no depreciation is taken for the plant. After filing two income tax returns a claim is filed for a refund asserting that depreciation should have been taken as for example at the rate of 5% per year. The government will review the books of the company and audit your entire tax returns, and after making a survey, they will pass upon the claim for depreciation and if they disallow it or allow it at a given rate this figure is final. This is an adjudication and the government cannot change its policy, because a claim for depreciation has been made and that claim has been determined by the department itself. The doctrine of res adjudicata applies to a decision of the Internal Revenue Department.

Because of this difference in think-

ing it seems to me that anyone purchasing a plant, should consider very seriously the problem of depletion or depreciation and should do some constructive thinking on obtaining a determination which will bind the Revenue Department.

Purchase of the Assets of a Corporate Seller

A purchaser seeking to avoid liability for the debts of the old corporation can do so by purchasing the assets rather than the stock of such corporation. If the selling corporation is making a gain on the transfer, this may subject it to a higher rate of tax than if stock is sold. It is conceivable that the Internal Revenue Department may treat the sale of assets as income and therefore taxable as such, which could place the selling corporation in a high bracket for the year of sale. If the seller reported on a cash basis he would certainly be charged with the value of the accounts receivable sold as these now become reportable income.

If the company selling has been operating at a loss, this type of sale should be investigated as the previous losses may be used as credit against any gain arising from the sale of assets, and in some cases can be advantageous for this reason.

If this method is used, assets may be classified so that the buyer can gain the best tax treatment.

Sale of Stock

From the standpoint of the seller, in most cases the more desirable method of selling is to sell the stock in the corporation, so that any profit which is made in the transaction will be a capital gain. While you, as a buyer, may not wish to purchase the stock of the corporation, you may be forced to do so in order to consummate the transaction.

However, the purchaser may not be prepared to continue the method of accounting which the old corporation had in effect. To illustrate: suppose the old corporation in filing an income tax return had listed all their physical assets at $1 and their tract indices at the full value of their incorporated capitalization, or suppose that for one reason or another, they had determined that they would take no depreciation upon their tract indices. The new corporation would find itself bound by the determination of the old corporation that their assets were not subject to depreciation. If all their furniture and fixtures were valued in at one dollar, if the new corporation were to sell the used typewriters they would have to treat as income whatever trade-in or cash they secured for them. If such a problem is presented some relief may be obtained by the following procedure. If all the stock of the corporation is purchased the corporation can be dissolved and the assets then distributed to the buyers as the new stockholders. There is no gain or loss in this transaction because the stockholders receive their prorated share of the assets of the corporation, in lieu of their pro-rata share of capital stock which they have purchased. Since the stockholders now have all the assets of the corporation, they may organize a new corporation which will agree to purchase the assets which the stockholders individually own in exchange for stock in the new corporation. If the sale price to the new corporation is for the same amount the cost of purchasing the stock in the old corporation, this also is a non-taxable transaction as no gain or loss is involved. Moreover, the bill of sales to the new corporation may classify and evaluate each item of property transferred. Assuming that such valuation is reasonable, it will give them an opportunity to depreciate any articles which are subject to depreciation and to obtain credit for any item that is expendable. Therefore, in their resale agreement they could place the items which they purchased from the other corporation in such classifications as will give them the best tax status.

There is one more very distinct advantage to this type of transaction. If the old corporation were operating on a cash basis, and if there were some unpaid accounts receivable the value of such accounts would be capital gain to the seller since these would help determine the price of the

stock which was sold. The old stockholders therefore get the advantage of treating all of the uncollected accounts receivable as a capital gain rather than as income. On the other hand, once distributed to the new stockholder in liquidation, they may be turned over to the new corporation, as a specific item of inventory and therefore, when collected by the new corporation, the new corporation is depleting inventory and the accounts receivable in their hands are not taxable.

This would seem like a golden opportunity to repeat and repeat and repeat, and therefore always keep your accounts receivable in the capital gain bracket. However, the government has thought of that one, too, as they have of most of the other loopholes, and a corporation may not be collapsed more than once in five years. Furthermore, if its assets were distributed to the stockholders for the sole purpose of defeating a tax item of this kind, the Revenue Department might well treat the entire gain of the stockholders as income rather than as capital gain.

An item which should be considered in connection with the transfer of stock is the question of the liabilities of the old corporation. In the program outlined above the liabilities of the old corporation become the liabilities of the stockholders, since in most States, as in Illinois, the stockholders can only dissolve a corporation when there are no liabilities. Their certification that there are no liabilities, if erroneous, would certainly subject the stockholders to a personal liability. Therefore, if this method of operation is used, great care should be exercised to ascertain that the selling corporation had paid all of its debts. Among its debts which may not be determinable are (1) income tax liability, and (2) liability for abstract mistakes. As to the second, the new corporation may protect itself, as may the stockholders, by a bond secured either from Lloyd's or from the St. Paul Mercury. Since these bonds are discovery bonds they will protect the new corporation from an abstract mistake even though made by the dissolved corporation, since the mistake upon discovery would become a liability under the bond. I would recommend, therefore, that if you are purchasing an old corporation and if you use this program you immediately procure and carry at all times a liability bond until you are certain that there is no carry-over liability to which you may be subjected.

As to the income tax liability, it probably is worthwhile to require an audit by the Revenue Department. This normally can be secured in the space of approximately three months and, on the strength of this, you may determine beyond doubt the actual liability of the selling corporation. An escrow of a portion of the purchase price for a reasonable period can provide a fund for the payment of expected liabilities.

Purchase of a Competitor

The purchase of a competitor can be divided into two categories (1) When the result of the purchase is to create one company in the County, (2) When the result of the purchase is to merely reduce the number of companies operating in an area without eliminating competition. The valuation of the plant purchased would vary greatly in such cases. For instance, the questionnaire indicated that some buyers were willing to pay three times the gross business of a competitor to buy his plant if he were the only competitor and if there were no county books. But none who answered paid over 1¾ times gross to eliminate one of several competitors.

Mechanics of Sale

All matters that have been stated concerning the mechanics of the transaction are applicable to these transactions. However, an added inducement (income tax wise) is present. One plant will, no doubt, now be allowed to deteriorate, since it would be foolish to post tract indices at two different places. The portion of the purchase price charged to indices may be written off over a period of years. No exact time can be fixed but, the following have been approved by the Courts.

10 years: Crooks vs. Kansas City Title & Trust Co., 46 Fed. 2nd 929 76 Law Ed. 439.

40 years: Commonwealth Title Co. vs. Collector of Int. Revenue, U.S. Dist Ct. East Dist. of Pa.—Case 11819.

16 years: (By implication) Des Moines Title Co. vs. Com. of Internal Revenue, 39 BTA (F) 729—

In this last case the Des Moines Company acquired several plants in 1918. In 1934 when they first started to claim obsolescence of the discontinued plants, claim was disallowed; the Court holding that there was no further obsolescence and that if there were any, it must have already occurred.

Here, by the way, is a typical case to illustrate the wisdom of early determination of the factor of depletion, depreciation, or obsolescence of a plant.

One more word of warning on this subject. The Courts repeatedly hold that the mere determination to discontinue a plant does not in itself give you a tax credit (Real Estate Land Title & Trust Co. vs. U.S. 309 U.S. 542) you must base your action on some other ground. In the Kansas City Case, it was established that the method used was obsolete and that newer and better methods of posting were available. This would certainly apply to bound volume tract books.

Non-Corporate Seller and Buyer

In case of a sale of an entire plant to an individual by an individual some of the problems stated above are not present. The principal problem is to be sure that the bill of sale is carefully drawn and that local laws regarding bulk sales are complied with.

Classification and valuation of the assets will provide the buyer with a solid base upon which to fix his future tax program. In general, the more assets that can, in honesty, be placed in the categories of depreciable or expendable assets the better the tax position of the buyer.

Conclusion

To conclude this paper, I would recommend that a continuing study be made in order to fix a standard for evaluating the "plant" of an abtract company. There are so many variations in methods of doing business and in the character of the product that no single survey can cover the subject. It would be a great help in cases of inheritance tax inquiries or in cases of actual sales, if some few rules of valuation could be established.

To implement this I would recommend that every known sale be reported to our National Headquarters and that some type of questionnaire be provided which could establish rules of valuation without divulging confidential information.

YOUTH LOOKS AT THE TITLE PROFESSION – A PANEL DISCUSSION

MEMBERS OF PANEL:

Robert J. Jay, Moderator, *Vice-President,* Monroe County Abstract Company, Monroe, Michigan

C. J. McConville, *Vice-President,* Title Insurance Company of Minnesota, Minneapolis, Minnesota

Alvin R. Robin, *Vice-President,* Guaranty Title Company, Tampa, Florida

Harold Wandesforde, *Vice-President,* Washington Title Insurance Company, Seattle, Washington

ROBERT J. JAY

Vice President, Monroe County Abstract Company, Monroe, Michigan

The title profession is unlike others. You must have technical skill and know-how and yet your customer always wants his abstract, title policy or service yesterday.

For this reason you are constantly testing your mental ability to come up with the right answer . . . sometimes faster than humanly possible. To me, this is always an intriguing part of the title business.

To illustrate, as an abstracter, you may be called upon to abstract a very difficult and complicated title and the customer wants it Rush, Rush, Rush. My girls used to use this expression until I said, "Get a time and date when the customer wants it." Thus, you are faced with this intricate problem that is difficult in itself and added to it is the pressure of the customer's desire for rapid service.

Or, as a title examiner, you have an attorney come into your office; he has examined an abstract and finds certain objections. He has thought about it for hours and turned down the title. He rattles off the objections and wants to know if you'll pass it. Yes, he'll wait for your answer!

These two examples illustrate what I mean about the title profession being unlike others. You must have the skill and yet it is put to use under the pressure of time.

To me this makes the title profession exciting and interesting. FIRST, because the customer, though possibly unknowingly, places confidence in your ability and demands this of you while in SECOND place and at the same moment puts the pressure of time on you.

Some of you may say, "Well, if it's really so tough, the customer can wait." This I do not subscribe to . . . unless unavoidable. We are in a service business and the frosting on the cake of our skill and know-how is the desire to give the customer the best service possible. If your cake does not have this frosting, I believe you are failing as a title man. Therefore, young men in or about to go into the title profession must realize the above factor of the business.

What does the Title Profession hold for such a young man?

I believe that his will always be a steady, secure job through all cycles of our economy; naturally, assuming he does satisfactory work. Why?

Because in boom times abstracts and title policies, escrows and attendant services are needed for new construction and financing. In poor times, creditors and financial institutions need the same title evidence and service to attempt to collect outstanding debts and foreclosure mortgages or other judgments and liens on real property which require up to date title information.

The financial remuneration for a young man in the title industry depends on the particular company with which he associates himself. To my mind, we have two major categories here, as probably in other fields. FIRST the backward company that goes on theory of status quo and that, "Why have one high-priced man when two low-priced men can do the work" (so they think). If a young man is in or goes into this type of company, his financial remuneration will be very mediocre as such a company does not recognize that one man's ability, aggressiveness and initiative can immeasurably help them and outproduce two mediocre men. Hence, such a company will not pay off on ability.

SECOND, many title and abstract companies I have seen fall into what I call the dynamic, progressive category. Here the head or heads of the organization realize that a responsible, thinking, working young man is worth more than two or three ordinary workers who do not display or use ideas and initiative. This company will allow a young man freedom of action and a chance to prove himself and his pay will be commensurate with his proven worth. Such remuneration will make a comfortable living for him and his family..

Perhaps while discussing the title profession we should realize that it definitely offers many fine opportunities for women, both with and without a law degree.

For the woman without a law degree the Abstract Department and other Departments, because of the nature of the work, can very well utilize the service of women who are often more adaptable and inclined to the detailed nature of the work than men. For women with a law degree, the profession offers such jobs as title attorneys, escrow attorney and other executive jobs. Here again, because of the very nature of the work, a woman lawyer, in many instances, is more qualified to handle such matters. To the women that do enter the title profession, the pay is usually very good and employment steady. The reasons for this are the same as apply to men.

C. J. McCONVILLE

Vice President, Title Insurance Company of Minnesota, Minneapolis, Minnesota

Young men coming before such an experienced group of title men as this to comment on and possibly criticize the title profession, are confronted with a problem very similar to the one faced by the poor fellow who was near death's door.

The Priest was called in to perform the last rites and he began by renewing the baptismal vows.

"John, do you renounce Satan," the Priest asked.

John didn't stir.

"Do you renounce all his works and his pomps?"

Still no answer.

"John," Father said, "Do you hear me?"

"I hear you, Father."

"Well, why don't you answer me?"

"Father, a man in my condition can't afford to antagonize anybody."

Although we young men on this panel may find ourselves in the position of not being able to afford to antagonize anyone, I would like to give you my views on what the young man of today is looking for, what the title profession has to offer him and how we can help him and our industry grow. And all in four minutes.

The young man of today who has

ambition, is willing to assume responsibility and is interested in making his life a successful one, will seek employment where he will have opportunities for advancement. In our present day economy he will be interested primarily in job security and in fringe benefits, such as medical health plans, group insurance, pension and profit sharing plans.

However, on the other side of the ledger we find that a large portion or our youth wants a **challenge.** How often you hear teenagers, and some older, say "I was born too late. Everything has been done already; all the golden business opportunities have been seized years ago." How wrong they are! Here in our own field of title evidencing we are on the threshold of a new era.

New methods are being employed: Microfilming, photostating, photography, systems of arbitraries, geographic indexing and others are replacing the older, more cumbersome and more expensive methods of plant operation.

New ideas in public relations, advertising and management are being developed.

A new system of title evidence is constantly growing across the country: Title Insurance. For instance, the four largest nationally operating title insurance companies increased their gross premiums in 1955 by an average of over 55% of their gross premiums in 1953 . . . indicating a definite national trend to title insurance.

A huge population boom is around the corner . . . estimates of 200 million people by 1975. Where must this lead but to more housing—and more title evidence. Like everything else, our methods must keep pace and be faster, better and more efficient than yesterday.

Yes, our industry does have a challenge and opportunity to offer to the young man. How can we get him to take the ball and run with it? Here are my suggestions:

Don't stunt his interest by keeping him doing routine matters year after year. Give him responsibility—its the sure way to keep his interest and enthusiasm alive.

Ask for his ideas—have conferences with your junior officers regularly and get their thoughts on how business can be improved. Or perhops better yet, let your junior officers have their own weekly meetings where they can thrash out their problems without fear of "sounding off" before the boss. If their way is differ ent from yours, but gets basically the same results, let them do it their way. Don't squash initiative — or pretty soon the man who wanted a challenge will be doing nothing but drawing—drawing his pay and drawing his breath.

Our profession has the challenge and is rich with opportunity—let the young man know it exists, let him explore it, let him try to solve it—and you will have an interested, alert and loyal force.

ALVIN R. ROBIN

Executive Vice-President, Guaranty Title Company, Tampa, Florida

I am very pleased to know that I am still a youth. Because of that, I am going to take some of the liberties of youth and give you briefly, my youthful vision of the title business. This vision is going to be brief, not only because of the time allocated on the program, but also because if I talk very long I will probably find myself in the same position that a friend of mine did when he recently addressed a group such as this. After he had been introduced and arose to make his talk he had considerable difficulty capturing the attention of his audience . After several very unsuccessful tries he finally turned to the Chairman and complainingly said, "Mr. Chairman, I have been on my feet here for nearly 10 minutes and

there is so much noise and confusion in this hall that I can hardly hear myself speak." At this point one of the fellows in the back row chimed in and said, "Cheer up, old boy, you are not missing much anyway." Nevertheless, I am going to try to give you a little of my vision of the title business.

Let me say first, that the image I see of the future is only slightly less well defined than that of the past. Even in retrospect, the past years have been so fabulous, and have wrought so many changes, that I am unable to make a completely satisfactory analysis of all that has transpired. And because what we see for the future depends largely on what we have experienced in the past, the details of my picture are somewhat hazy.

My experience as an active participant in the title business has been but a brief 10 years. During that time we have been almost constantly in an ever-rising, ever-expanding market for our product. Our business has changed greatly, both in character and in quantity. We have swung from a predominantly abstract county to a predominantly title insurance county. We have experienced new and different kinds of competition. We have been plagued by continually rising operating costs. All of this has caused us to change some of our methods of operations in order to keep pace with the times, and adjust to the demands of the business.

Now I'll venture a guess, that in broad generalities, give or take a little, one way or the other, this has also been the pattern of your business in the past 10 years. The effects of this pattern have been more pronounced in some sections of the country than in others, but by and large, we have all been operating in a rising market, and have been faced with many of the same problems and have benefited much in the same manner throughout the entire country.

Now, using this pattern as a background, what can we expect for the future?

FIRST: I believe that we are in, not entering, but well into, an era unparalleled in the history of our country, and certainly in the history of our profession, an era which has given us, and will continue for many years to give us, good business. The economy of our country is continuing to expand at a very rapid rate. The population is growing rapidly. All of which means, there will be an even greater demand for our services in the future. I think we should face the fact, however, that if we are to individually realize the future potential, we are going to have to work harder to produce more efficiently, and we are going to have to merchandise our product more than we ever have in the past.

SECONDLY: I believe that we are going to have to change some of our basic concepts of the title business. We are going to find that our operations are no longer confined to the narrow, little segment in our economy that calls for the preparation of an abstract of title, or writing a title insurance policy. We are going to experience a continuously expanding horizon in our zone of operations.

THIRDLY: I believe that the future will bring us the kind of advanced technology in reproducing machinery, photography, filing and sorting equipment that will enable us to lick the problem of the continually rising costs of maintaining our abstract plants.

FOURTHLY: I believe that title companies are destined to become the hub around which all real estate and mortgage transactions will revolve. Nearly everyone involved in any kind of a transaction will seek, need and rely on the services of a title company, in one form or another.

FINALLY: I believe that we are undergoing certain fundamental changes, out of which will ultimately evolve a much more efficient system of satisfying the needs of our customers, and an industry which will attain even greater stature in the future. Personally, I am very proud to be a part of it.

W. H. WANDESFORDE, *Vice President*
Washington Title Insurance Company, Seattle, Washington

This is the first national title convention I have ever attended, and I consider myself to be most fortunate to be here for our 50th anniversary. However, I find that ours is not the only convention being held in the Fontainebleau Hotel. There is also a national convention of the butterflies of the world, and they are presently having a mass meeting here in my stomach. Really, though, I don't know why I should be nervous. When I was 20 years old, I didn't care what people thought of me. By the time I reached 30, I found that I cared a great deal what people thought of me. Last year, upon reaching the ripe old age of 40, it suddenly dawned on me that people weren't thinking of me at all!

Seriously, I am deeply honored to have been asked to appear on this panel. I realize that I am in front of the largest group of successful and experienced title people ever assembled, and when I consider the sum total of all the knowledge gathered here, I am more than ever aware of my own limitations. I assure you that I am here with the deepest feeling of humility.

In the three or four minutes allotted me, I would like to touch briefly on one of the things I consider extremely important to our profession. This is the natural tendency of all of us to get into that well known rut and stay there. I am sure you have all heard the Efficiency Man's prayer: "Please, Dear God, let us not do efficiently those things that need not be done at all." I believe that most of us are doing many things that "need not be done at all" simply because they have always been done in the past.

I have a little true story which illustrates this point very well. Back in 1908 Lord Northcliff purchased the London Times. One Friday afternoon, about 5:00 o'clock, he was just about to leave the building when he saw a small man enter, walk past him in the hall, and turn into a room, locking the door behind him. The little man was dressed quite severely, and carried a black derby in one hand, and a small black bag in the other. Northcliff's curiosity was aroused, so he knocked on the door, and, by shouting his name and other necessary facts, finally persuaded the little man to unlock the door and let him in. Upon entering, he found a small room, comfortably furnished with a bed and chairs, a stove, a supply of food, and so forth. This is the story he got from the little man: He was not an employee of the Times, but worked for the Bank of London. (Or possibly one of the other large banks in that city.) Every Friday afternoon he filled the little black bag with 10,000 pounds in the bank vault, took it to the little room in the Times, locked the door behind him, and stayed there until Monday morning. He had absolutely no idea why he did this: it was just his job. He had been doing it for years, and he knew it had been going on for years before his predecessor died.

Well, the banks being closed for the weekend, Northcliff could not pursue the matter further until the following Monday, when he called upon the Governor of the Bank. He was also completely in the dark about the matter, and called in the Manager of the Department in which the little man worked. The Department Manager knew all about this weekly event, except for one thing: He had no idea at all why it was done. All he knew was that when his predecessor had retired, this was one of the things he had been told to carry on. He hadn't bothered to ask why.

After days of diligent searching back through the Bank's records, the answer to the puzzle was disclosed. One Saturday afternoon in 1815, news of the Battle of Waterloo reached the Times. The Editor wanted to send reporters and artists at once, but couldn't raise enough money for fares and expenses. The banks were closed, and everybody who was anybody was spending the weekend in the country. So to make certain that such a catastrophe would never occur again, the Times made the arrangement with

the Bank to have cash always available on weekends, and this had been done faithfully for 94 years. Everyone concerned with it had long since forgotten the reason.

Could it be possible that some of us might find similar cases right in our own offices?

In closing, I want to say that it is a wonderful experience being here, not only for the things I am learning, but for the fine people my wife and I are meeting, and the chance we are getting to relax and play a little. I often think we in the title profession work too hard, which brings to mind the following poem:

If you hold your nose
To the grindstone rough,
And keep it there
Long enough,
In time you'll say
There's no such thing
As brooks that babble
And birds that sing.
These three will all
Your world compose:
Just you, the stone,
And your silly old nose.

Thank you.

REPORT OF LEGISLATIVE COMMITTEE

J. MACK TARPLEY, *Chairman*

Vice President, Kansas City Title Insurance Company, Kansas City, Missouri

Mr. President, the Legislative Committee of the Association wishes to submit its report as follows:

1. In many of our states 1956 was an "off" year, in that the legislature did not meet.

2. In those states in which the legislatures did meet, there was reported to the committee no act affecting the operational policy of abstract and title insurance companies.

3. There were reported to the committee new acts of various states affecting the abstracting, examining and processing for insurance of titles. It is assumed that the members from those states have familiarized themselves with such acts.

4. It has come to the attention of the committee that in Montana the State Title Association is contemplating the introduction of a title insurance bill. The Kansas Title Association at its convention in September discussed a proposed Title Insurance Code and a proposed Plant Law for Abstracters.

5. The Insurance Commissioner of the State of Colorado has expressed an interest in the introduction of a title insurance code as a department sponsored bill. It is suggested that the legislative committee to be appointed for the ensuing year keep in close touch with possible developments in the State of Colorado.

As Chairman, I wish to thank the members for their excellent cooperation.

REPORT OF COMMITTEE ON CONSTITUTION AND BY-LAWS

JOHN J. O'DOWD

President, Tucson Title Insurance Company, Tucson, Arizona

Mr. President, ladies and gentlemen of the convention. At the Mid-Winter Conference held in New Orleans February 24th of this year, there were three amendments to our constitution proposed and acted upon favorably at that conference.

It is necessary that this body pass upon them, and if you do approve of these changes, then they will become effective as of your voting. The purpose of these changes is to consolidate the activities of the Committee on Advertising, Publicity, and the Committee on Cooperation and to eliminate in the constitution any reference to the Committee on Cooperation. That does not necessarily mean that there will be no cooperation in this institution.

Because things get too quiet at these meetings, I would like to inject a little humor.

It seems that a Catholic priest was going down through Georgia, driving, and as it often happens, he ran out of gasoline. He spied a house near the road and he ambled over there and knocked on the door and the door was opened by a long-faced individual. The priest explained his predicament, and the householder invited him in and told him that the telephone was over there on the desk if he wanted to telephone a service station for help.

He said, "You're one of them there Catholic priests, aren't you?" The priest said, "Yes, I happen to be."

"Well, we don't have too many of them in these parts. As a matter of fact, you're the first one I ever met." And he went on and said, "I'm very pleased about it. But, you know, we don't have any Catholics around here to speak of, but if you want to use this telephone, why, just go right on over there and use it."

Well, the priest walked over toward the desk and he noticed, hanging above the desk, a picture of Pope Pius XII. He said to the householder, "You said that you never had any contact with the Catholics. How about this picture of our pope over your desk here?"

Well, the householder said to him, "No, you are mistaken; that is not the case." So the priest took out his prayer book and said, "Well, look here, I have a copy of the same picture in my prayer book. How do you explain that?" And he showed the picture to the householder and the householder said, "Well, what do you know about that? What a salesman that guy was. You know, he told me that was a picture of Harry Truman in full Masonic regalia."

I did not think it was fair of me to withhold that.

I would like to have you act on the amendments to the constitution. I am going to read them because I think that is the thing to do.

Article 7, Section 3: Eliminate the reference to the Committee on Cooperation and insert in its place, "Committee on Advertising and Public Relations."

Article 8, Section 8: Eliminate this section, since it refers to the Committee on Cooperation.

Article 8, Section 2: Change the name of this committee from the Committee on Advertising and Publicity to the "Committee on Advertising and Public Relations."

Mr. Chairman, I move the adoption of these amendments.

REPORT OF COMMITTEE ON MEMBERSHIP AND ORGANIZATION

WILLIAM A. JACKSON

President, Coates-Southwest Title Company, Oklahoma City, Oklahoma

The question as to membership is extremely complicated. Larry Zerfing, in addressing the officers meeting in Cleveland, suggested that there should be a number of abstracters qualified for membership who had not been brought in. I mention the abstracters, because I assume that there are no title insurance companies that do not belong to their state organizations. In the same address Larry bought out the point that membership requirements should be such that only people with good qualifications should be eligible for membership. This would seem to present the probable picture that there are not very many abstracters completely qualified for membership that are not members. If such companies exist, they certainly should be solicited for membership. There are a number of states that do not require that members in the state organization are required to join the ATA, and it certainly seems equitable that membership in the national association should be compulsory and if your constitution does not so provide, I urge you to amend it. The national association requires membership in your state organizations in order to be a member of the national association. There is certainly room for expansion of membership among attorneys and others affiliated with the title profession and I believe this is the point where membership is failing terribly. In discussions concerning this subject at the state officers meeting there has been an expression of fear concerning the possibility of these people assuming control of the state organization but again, the answer is very simple, in that your constitution could provide for associate and title examiner memberships, which would still retain the actual voting power in the active membership. The ATA will accept title examiners if you have no provision for their state membership, but will refuse to accept them if you have title examiner memberships, so that you can pass on their qualifications.

In connection with organization, a number of states are revising their dues schedules, realizing that you cannot have an efficient state organization on a budget of practically nothing. Most of these states are basing their dues on gross income rather than on population as being a fairer method of assessment. These budgets range from several that are under $2,000 to a budget of approximately $50,000 in California. The dues range from $5 per year in New Jersey, which includes the annual banquet to $250 in Montana which does not include any meals, and I believe California is possibly higher than this. They don't set dues, they just establish their $50,000 budget and assess the members proportionately based on their gross income. At the meeting in Cleveland an interest was shown in being able to examine the constitutions and by-laws of other states and prior to the mid-winter meeting in New Orleans I wrote all of the state officers and received a large number of their constitutions which I have forwarded to the national office where they are available to you. Mort McDonald has prepared a folder with suggestions for operating your state organizations and these are available also.

I was quite impressed with an activity of the Michigan Association where they have formed a group known as the Michigan Building Council which is comprised of 21 representatives of the building industry — plumbers, builders, surveyors, loan people and others actively engaged in, or associated with, the building industry. Only one member

from each profession is permitted and this group studies proposed legislation, and you can imagine the benefits derived in the legislature recognizing the fact that selfish interest legislation has been removed and I am told that this group has prevented legislation damaging to the title profession. If you're interested in a project for your own association, this would certainly seem to be one that should interest you. In the same vein, The Speakers Bureau is certainly one that reaps many benefits from any efforts exerted toward this project. One item that is always of interest is the old hand written documents such as this one. I had always hoped that I might some day, by accident, come across such a document and I find now that a man in New York has a car load of them for sale. He charges $1.00 for those over 100 years old, $2.00 if over 200 years old, and $3.00 if over 300 years old, plus 25c for postage and mailing. If you care to make a note of it his name is: D. M. Studner, and his address is 505 Eighth Avenue, New York 18. I would urge you, and re-affirm what Mort McDonald has stated in the kit I mentioned, that a good state editor is extremely important, and your budgets should certainly provide a sufficient amount for a good publication. In conclusion, I should like to call to your attention that in addition to the items I have mentioned, you can realize that there are many projects which, if you exert the effort, can greatly strengthen your state organizations.

ME AND MY CRYSTAL BALL

JAMES E. SHERIDAN

Executive Vice-President, American Title Association, Detroit, Michigan

Let's spend a few minutes studying the past. Let's try to translate our conclusions, based upon those studies, with the idea in mind of applying the words "change", or "extension of service", or "improvements" to our own profession.

A third of a century ago an abstracter of Michigan became interested in improving his profession. Note this is the second time I have used the word "profession". Today in 1956 ours is recognized as a "profession". Thirty years ago I think we would have had trouble trying to find the word which accurately described our work. That we were not professional is, I believe, rather freely admitted. We were not artisans. We were not craftsmen. The abstracter, to quote a distinguished Eastern lawyer, was a cross between a "clerk" or "lawyer's clerk" and "conveyancer".

Were our abstracts of title really abstracts of title as we now define the term?

I have no doubt all will admit they were not. They were all minute sheets of certain of the material in the recorded instruments as they appeared in the Office of the Register of Deeds.

The product was sold to the public as being an abstract of title.

In the main, our liability under our certificate attached to that product was restricted to material to be found in the Office of the Register of Deeds—and only that office.

We assumed no liability for anything found elsewhere such as the Probate Court and the Courts of Record on matters involving titles to land.

In the main, we strictly adhered, as a defense measure, to privity of contract; and we denied liability on technical grounds.

In the main, we religiously remembered and invoked the protection of the statute of limitations.

Truth to tell there were instances where the abstracter's certificate was so worded as to give him almost a blank check to avoid liability. An illustration of this can be found in the abstract I saw in 1934 in HOLC (Washington, D.C.), the certificate reading:

"The above and foregoing are all I find."

And another which read:

"The above and foregoing entries represent a diligent search of the Office of the Recorder. The undersigned warrants nothing."

A Michigan abstracter, now gathered to his Father's, indeed was brief on his certificate on an extension of an abstract. The certificate consisted of a single word: "Posted." followed by his initials and the date to which he had extended the abstract.

Previously I have referred to a Michigan abstracter who became dissatisfied with his own product. As everyone in this room well knows, I refer to Ray Trucks, my dear and valued friend of over three decades of time. In all those years he has been an illustrious leader of our profession. His contributions to improvements have been many and varied—too many in number and value to list here.

Along with others contributing their talents there came into being the bible—the book on Standard Content Showings in abstracts. It has been in existence for many years. Today in 1956 it is a virile living assemblage of words, always subject to change as dictated by changing times, subject to improvements, as more and more reasons for changes are brought into the market places in which we display our wares.

Work of comparable constructive character was taking place in many other states.

Yes, progress has been made.

In our title plants we find the change in the greater and greater use of coverage of instruments and documents affecting title to land; and thus they become part and parcel of the finished product we deliver to the public.

In our title plant—and elsewhere—within our restrictive institutions we find today mechanical devices and products which permit us to render more satisfactory to the public better merchandise, more speedily and with greater accuracy. But we can not relax.

Today in 1956 we do not have the position of invulnerability from competition we once enjoyed. Time was when for one to enter your county in competition with you meant an arduous lengthy building of a title plant by means of the one single new mechanical device on the market—the typewriter and the segregation of that immense volume of material into a geographical arrangement—and the posting of the material into tract books. It was so stupendous a job that few ventured into it.

Today with the camera, the film card, the sorting machine, the multilith, and the thousand and one other mechanical devices, plus labor-saving machinery, one can be in active competition with an established abstracter within a matter of months—perhaps even weeks—and probably, in a somewhat tragic fashion, in some few instances with a much more complete title plant.

Gone into the ash can of yesterday is, should be, must be, and will be the policy of "the public be damned"—the policy of "you'll get your abstract when I can get it out". I shudder within myself even now when I think back to the days immediately following the termination of World War II when, in many states of the country, not excluding this, we were months and months behind in deliveries.

I think of the abstracter who actually closed his abstract office on the downstairs floor and took in your order for an abstract of title upstairs in his law office if he approved the way you parted your hair.

One may suspect that some good saint must have held us by the hand for how else did we escape an avalanche of Torrens legislation in many of the states?

Many in this room will recall the day when our client for an abstract (a) purchased from the county tax office information concerning taxes, this because of the refusal of the abstracter to even search for taxes; or (b) the abstracter bought this information from the tax office and inserted the same in his abstract "by way of information only".

Times change. The public demands. And when the public makes a demand sooner or later it gets what it wants.

Who of us today would think for one second of refusing to search for taxes; and having made the search refused to accept liability?

Who of our profession, in today's market, would refuse to search the dockets and other records of the Probate Court or other Courts of Record for material involving the title to land?

And yet I can recall distinctly and vividly, in the early days of HOLC, being denounced personally at a state convention by a well-known abstracter of that jurisdiction for advocating this be done. To this day I remember that particular gentleman giving me a bitter tongue lashing from the floor of the convention. He stalked out of the room and resigned from his state association and the American Title Association because "quote we (ATA) had joined hands with a Governmental agency to persuade the abstracters of the country to take insane risks" unquote.

I might add he was not the only abstracter in my travels of those years who saw fit to denounce me personally and openly for advocating extension of the area to be covered and the additional liability to be assumed by our abstracters. There were others who held the same view who looked upon such ventures into other public offices as unwise and imprudent. They were without personal rancor for which I am duly grateful.

Perhaps a Michigan abstracter—a long time personal friend of mine by the way—hit it squarely upon the head of the nail. His own privately expressed opinion to me was "I always wondered if you didn't have a hole in your head; and now I am convinced of it".

When I shall have finished my own personal views on the future of our profession I wonder if he will not be, by then, completely convinced that his earlier opinion was correct, only that the hole was a bigger and better one.

And time means change. We of our profession can not escape changing times, changing demands. We must be flexible; we must remain flexible. We must move with the tide or we will be numbered among the casualties.

None is free from guilt—guilt by commission—guilt by omission.

Capital, Management, they have committed their sins—sins of commission, sins of omission. We in management in our profession must accept the conditions, not as we would wish them to be but as they exist. This statement extends into public relations, to employer-employee relations, into relations with our stockholders all in addition to relations with our public. And the statement applies to all of us no matter our size.

Virtually gone into the forgotten land of yesterday is the full 8-hour, or longer, working day on Saturday.

Gone, not necessarily and only by legal fiat, is the requirement by management of overtime work without compensation, except supper money sometimes and not always even that.

True, there is Federal legislation with respect to payment for overtime. But even without that I suspect it would have gone by the boards through pressure of public opinion and because of competition by other industries for help of competence and capacity.

Gone is the day when the measure of wages was "how little must I pay". In its stead we find a host of arrangements of one character and another. Some are in the law of the land. Some through other influences. Some are based upon competition for help. Some are based upon the realization by management that good times shall be shared with employees.

Some are termed "fringe" benefits. Many are thus correctly described. Some are out-right vested interests. They all reflect present-day thinking; they are all matters which must be considered in today's labor market by management.

Among these, just to start a list, are pension programs, profit-sharing programs, incentive pay, bonuses of one character or another, extra vacation periods dependent upon length of employment, hospitalization, life insurance—sometimes at company expense, sometimes jointly borne by employer and employee, purchase of

stock in the company by employees on an installment basis—all these, and probably a host of others, are in the picture of 1956 and the years to come.

It is not unnatural that management should have a strong repugnance for some or many of these fringe benefits. We would be strange creatures if we all wished to embrace all of these with enthusiasm. I do not report to you that we should. I simply lay before you as a fait accompli the situation as it exists today with the injunction that we can not ignore these. They are here. They are here to stay. We must adjust our pattern of thinking to present-day conditions as they are or risk being driven to the decaying ruins of those who insisted upon living in the past and declined to accept change.

Just as in today's market the words "caveat emptor" in the public relations of a manufacturer with his customer is today a forgotten and abandoned phrase so also is the phrase "laissez faire" in employer-employee relations in the pile of discards.

But enough of the past. How do I dope out our future? Not the future tomorrow morning before breakfast; but just as sure as day follows night I truly believe these will come into our field of endeavor. Some will come by voluntary action on our own part. Others will come as the result of public demand.

1. The extinguishment of the abstract as we know it today? Note please I close this with a question mark not a period. It is not a statement. It is a question. I wish I could completely resolve my own thinking on this point.

There are many facets in the diamond of our profession. Some are pure white as for instance the complete title plant—an absolute necessity, in my judgment, or its equivalent, in the economic life of any community.

But that is only one facet. There are others. One is on the discolored side. It is the slowness of service made necessary by the preparation of the abstract itself and intensified by the constantly increasing size of the abstract both as to number of pages and material to be covered in the entries.

Another—and previously I have touched upon this point—is the inability or the unwillingness of the abstracter in some localities to do much toward speeding up service of abstracts. I could cite—but will not—plenty of instances to prove this point; plenty of instances where poor service by the abstracter accomplished results which were dire to the future of his own business. One is the appearance in the field of a competing abstract company.

Another is the entrance of title insurance more and more into the community life.

In other words, what I am trying to say I presume is that the extinguishment of the abstract of title as we know it today will be affected, will be retarded or postponed, or will be speeded up exactly in the proportion that the abstracter gives and continues to give good or poor service to the public.

2. The growth and expansion of the use of title insurance.

First of all I want to emphasize I work for you who make abstracts only; I work for you who make abstracts and also have a title insurance connection; I work for the title insurance companies. Our job in national headquarters is to be of service to all. I am no proponent for one method as against another. We try to report our observations based upon facts and without any coloring of personal affection for one as against any other.

Only he who buries his head in the sands would deny the growth of title insurance is phenomenal. This has been notably so in the case of mortgage policies. I shall not dwell here for the reasons for the demand. Suffice it to say the demand is there, and there are companies able and willing to fill the demand.

The next great forward step in the further extension of title insurance, in my judgment, will occur in the owner's policy. It is under way now. I do not expect it to be stopped or slowed down. There are too many buyers from too many localities who call for it.

No matter what the condition may be today or may be tomorrow, I believe the abstract office is and will continue to be the fountain head of title evidencing. There are rough spots as between various factions or segments within our profession. That is admitted by all. There are obstacles to be overcome. That, too, is admitted. But the ingenuity of the American business man I predict will solve, will surmount these obstacles.

For, as I see the future of our profession, the modern up-to-date local abstract office will be as necessary to the title insurer, to the local examining attorney for said title insurer, and also to the general public as are the five senses of the body necessary to the continuance of life itself.

Here below I outline my own personal thinking of the future of the title insurance policy; and it will be clearly seen I interweave the local title plant, the abstract office, the local examining attorney agent of the title insurance company and the title insurance company itself into a mosaic—each of necessity vital to the other.

The title policy of the future, as I visualize it, will differ from the title policy of today to the point that the information contained in the local abstract and title plant is vital to the proper issuance of the policy.

Or, put another way, conceivably the abstracter of titles could survive in a market which consists of abstracts of title plus the opinion of the examining attorney. The insurer of titles will find it necessary to procure, by means available to him, information necessary to the issuance of his policy in the form desired by the public.

The owner's policy of title insurance of the future will cover, I believe, points of information and indemnity not now therein contained. Some of these are already in the cards. Still others undoubtedly are in the remote future. But come they will through a wedding of the title insurer and a local agent who is in possession of a plant or who can procure the necessary data from a plant; and said office locally can become headquarters of realty transactions.

Let me emphasize here and now this point:

Assuming title insurance—owner's policies as well as mortgage policies—continues at the phenomenal growth witnessed in the last ten to fifteen years outside the large urban centers into the medium-sized towns and then down to the rural areas it becomes rather obvious that the insurer will need the information contained in the title plant, or its equivalent, in the form of an adequate search of the public records. Each complements the other. One is necessary to the other. There should be a full partnership working agreement.

The reverse is equally true. It can not function successfully if it be a wedding of convenience, a stop-gap arrangement. It can not and must not be a shotgun wedding. It should not be viewed by the abstracter as a necessary evil which, reluctantly, he has accepted. Nor should it be considered by the title insurer as one step in a campaign, long or short, to take over the office of the abstracter and operate it as a branch office.

If the policy of the future, as I view it, does come into fruition it will include numerous items of coverage not now contemplated by either the insurer or his agent. It will mean additional exposure for the insurer and to his agents; it will mean additional work and additional expense. And it will mean additional revenue.

This then is my conception of the all-inclusive policy of title insurance, owner's form—a comprehensive policy it might be termed.

A. In the ATA form the insurer covers material men's liens and labor liens. I expect this to be extended to the owner's policy.

B. There is an ever-increasing request for an owner's policy which carries protection against rights of parties in possession and questions of survey.

Requests for both, at the moment, seem to stem largely from great industries seeking to invest pension funds in real estate. Associate Counsel of one large industrialist takes the position that pension monies are

trust monies; and he wants in the way of protection for that trust money anything and everything which, in the nature of protection, he can buy. More lately he has extended his thinking to investments by his company to industrial property owned by his company per se.

B-1. For the title insurer this means more inspection and greater care in inspection.

B-2. In the case of the agent it means exactly the same type of inspection.

Thus to both it means increased operating expenses.

B-3. In the matter of survey coverage it means both will have to use much greater care in selecting engineers to do the survey work.

I would not be surprised to see many title insurance companies fear to the point of maintaining their own Engineering Department rather than to rely on outside engineers, particularly engineers about whose capacity they have some doubts, and engineers from whom recovery for loss occasioned to the title insurer by engineering errors might be remote.

B-4. In the case of the agent I do not foresee company-employed engineers necessary except in a few spots where the size of the community might warrant such employment. But I do believe the abstracter agent will have an extremely close business relationship with a few—not many—engineers whose work he will be willing to accept—and none others.

Perhaps it might even shape up to the organization of a wholly-owned subsidiary operated by a firm of engineers.

C. A death record plant.

D. Federal liens; an index of Federal liens.

Requests for coverage against the above are steadily on the increase. Such additional service to the beneficiary means in turn the call will move down into the locality of his agent. Yes, it means additional expense—increased service—but it also means increased revenue.

It is exactly in the same category as is the extension by the abstracter to cover Probate and Court back in the old days.

E. Zoning Ordinance. There is an ever-increasing request on the part of owners of real estate for information on this. It applies both to abstracts and title insurance policies. It comes from the large, medium-sized and small incorporated towns.

For anyone to build a record of zoning ordinances admittedly is a monumental job. I do not believe the demand for this will come in the immediate future, but I do suspect it will come.

In other words, ladies and gentlemen, I expect the calls upon us to ever be on the increase and never on the decrease.

F. Future physical improvements authorized by the governing body of a political subdivision but with respect to which no lien as yet has been spread.

REPORT OF COMMITTEE ON ADVERTISING AND PUBLICITY

WALTER R. DOUGLAS, *Chairman*

President, Guaranty Land Title Company, St. Louis, Missouri

Several members of the committee met at the Mid-Winter Conference in New Orleans and considered the duties and functions of its members. The rules for the national advertising contest adopted by the 1955 committee were reviewed and it was decided that these same rules be established for the 1956 contest.

Under date of June 20, 1956, a letter urging participation in the contest was sent to each member company of the American Title Association together with a copy of the 1956

rules. The committee tried to emphasize its desire to have more contestants enter material this year.

The member companies who entered material in the contest this year numbered seventeen.

The five-man judging committee has carefully inspected all of the displays and material entered in the contest and has concluded that the following awards be made:

A. The Grand Prize for the most effective total advertising program entered by any abstract, title or title insurance company, the trophy award for the coming year, to—

Title Insurance and Trust Company
Los Angeles, California

B. Four Capital Prizes for the best single advertisement or series of advertisements, bronze plaque award to each.

(1) An abstract company whose county of domicile has a population of not more than 100,000 to—
Mid-Illinois Abstract Company
Greenville, Illinois

(2) An abstract company whose county of domicile has a population of over 100,000 to—
The Dane County Title Company
Madison, Wisconsin

(3) A Title Insurance Company whose combined capital and surplus total not more than $3,000,000 to—
The Title Insurance Corporation of Pennsylvania
Bryn Mawr, Pennsylvania

(4) A Title Insurance Company whose combined capital and surplus total more than $3,000,000 to—
Chicago Title and Trust Company
Chicago, Illinois

Certificates of merit to the first, second and third prize winners in each category of the contest for effectiveness and originality of material:

(1) Abstract companies in counties of less than 100,000 population.
Mid-Illinois Abstract Company
Greenville, Illinois
(No other entries or awards)

(2) Abstract companies in counties over 100,000 population.
1st—Taylor Abstract Company
Worcester, Massachusetts
2nd—Orange County Title Company
Santa Ana, California
3rd—Central Title and Trust Company
Orlando, Florida

(3) Title Insurance companies whose combined resources are less than $3,000,000.
(a) **Newspaper Advertising**
No entries.
(b) **Direct Mail, Booklets, Pamphlets**
1st—The Title Insurance Corporation of Pennsylvania
2nd—Maryland Title Guarantee Company
(c) **Publicity**
1st—The Title Insurance Corporation of Pennsylvania
No other entries.
(d) **Radio and Television**
No entries.
(e) **House Organs**
No entries.
(f) **Posters, Displays**
No entries.
(g) **Miscellaneous Advertising**—Novelties, Gifts.
1st—The Title Insurance Corporation of Pennsylvania
No other entries.

(4) Title Insurance companies whose combined resources are over $3,000,000.
(a) **Newspaper Advertising**
1st—Commonwealth Land Title Insurance Company.
2nd—Lawyers Title Insurance Corporation.
3rd—Louisville Title Insurance Company.
(b) **Direct Mail, Booklets, Pamphlets**
1st—Lawyers Title Insurance Corporation.
2nd Title Insurance and Trust Company.
(c) **Publicity**
1st—Title Insurance and Trust Company.
No other entries.

(d) **Radio and Television**

1st—Chicago Title and Trust Company.

2nd—Title Insurance and Trust Company.

No other entries.

(e) **House Organs**

1st—Union Title Insurance and Trust Company.

2nd—Chicago Title and Trust Company.

3rd—Title Insurance and Trust Company.

(f) **Posters, Billboards, Window Displays**

1st—Security Title Insurance Company.

2nd—Union Title Insurance and Trust Company.

3rd—Title Insurance and Trust Company.

(g) **Miscellaneous Advertising** —Novelties, Gifts.

1st—Title Insurance and Trust Company.

2nd—Lawyers Title Insurance Corporation.

3rd—Union Title Insurance and Trust Company.

The committee took notice that there was only one entry from abstract companies in counties having a population under 100,000 and only one entry from a title insurance company with resources less than $3,000,000.00. It is unfortunate that in these two classifications we did not have more entries.

The committee has carefully considered whether or not the advertising contest should be continued in the future. In the entire competition there were only twenty entries in 1954 and fifteen entries in 1955. Probably some substitute for the contest could be worked out which would enable abstract and title insurance companies to display their advertising at the convention, if they so desired.

Under the circumstances and in conclusion we regretfully recommend to the Board of Governors that the advertising contest be discontinued and that some thought be given for an advertising discussion in future convention programs.

Committee on Advertising and Publicity

Jesse M. Williams
Ralph L. Horine
A. D. MacMaster
James L. Boren
John V. Meredith
H. Drewry Kerr, Jr.
Walter R. Douglas, Chairman

REPORT OF COMMITTEE ON PUBLIC RELATIONS

CARROLL R. WEST, *Chairman*

Vice President, Title Insurance and Trust Company, Los Angeles, California

This is not a treatise on the techniques of advertising, a quick course in Etymology, or a discourse on Etiology. It is an attempt to prove that we can generate **idea-power** through **word-power**—that we can help to create and maintain a favorable climate of public opinion for our industry and the services we have to sell through the use of the printed word. It is a frank and earnest appeal for wider use of the medium of advertising — advertising with imagination and innovation.

Why is the Committee on Public Relations concerning itself with advertising? Throughout the years, the primary responsibility of this committee has been to study and to submit ideas that will help build good relations with other professional associations. In other words, ideas that will help to maintain a spirit of **cooperation** between our state and national associations and all related groups.

So, let's take a walk in the sun—and take a new look at America to-

day. But first, let's take a brief look at yesterday.

Nearly three quarters of a century ago, Mary Keene and Sarah Yule wrote, in their book "Borrowings": "If a man can write a better book, preach a better sermon, or make a better mouse-trap than his neighbor, though he builds his house in the woods, the world will make a beaten path to his door."

Undoubtedly that statement was reasonably true seventy or more years ago—if you "made a better mouse-trap," the world did beat a path to your door. But we hardly need to remind you that this was a different age. Our forebears heard a different drummer and they marched to the cadence which they heard. Their pace was that of their companions, entirely in keeping with the times. There was little in the way of communications, other than "word of mouth." Use of the medium of advertising as a tool of communications was virtually unknown and unnecessary.

What about today—1956—the atomic and dynamic age? If our industry and our companies are to survive and thrive—if we are going to keep pace with our expanding economy— we must raise our **communications** sights. We can no longer "hide our light" under a bushel. We must **communicate** more—we must **communicate** better—we must come of age in the art of **communications.**

Suppose we start with a simple but seducive analogy—with a bit of romantics in semantics.

You are in a strange and exotic land. You find yourself in front of a strange and exotic lady—a lady full of charm and harm. You say to her: "You are the most beautiful woman I have ever seen." She can't understand a word you are saying—but she knows exactly what you mean. That's **communication.**

Now, if you can get her to listen to reason—or perhaps to the lack of it—that's **orientation.**

If she takes it from there—and takes you with it—that's **persuasion.**

Of course, advertising is not quite that simple, but the basic idea's the same. **Persuasion**—persuasion the clincher, persuasion that the title business—your business—is a vital and necessary service to all who build, buy, sell, own, or deal in real property in any way.

Unfortunately, all too many of us have failed to tell our story to the consumer public. Perhaps it is because in most cases, our business is controlled by relatively few people. Perhaps we have not felt it necessary to explain, or perhaps we just didn't think about it at all. The point is that consumers know they must have our services but far too many do not know **why.** This leaves a void—a climate—a condition where public opinion may be influenced by others whose motives may not be in your best interests.

Let us now look at the positive side—the opportunity to build good public opinion—to help gain and maintain cooperation through public understanding. Let us look at one of the principal tools—the medium of institutional advertising.

Institutional advertising, as differentiated from product advertising, deals with intangibles. The things to be "sold" have no form, shape or taste. They are ideas, objectives, ideals, policies. They are ingredients of a business that are not always easy to talk about skillfully and interestingly. But no one kind of advertising is more challenging to creative talents than institutional advertising. No other advertising offers as much opportunity to build good will, not only for your own company, but for our industry, as a whole.

Institutional advertising is a long-range undertaking. Results do not come "overnight," as might be the case with certain types of product advertising. "Copy" for institutional advertising has four physical forms: description, narration, exposition and argumentation. The terms are largely self-explanatory. We all know what it is to describe a person or article. Nearly everyone is familiar with the process of telling a tale (narration). Exposition is the art of making clear; argumentation is the art of convincing. Out of the four physical forms comes, phoenix-like, a fifth—**persua-**

sion. Persuasion induces action—action is the cracker of the whip in all business presentation.

This, then, is the thesis of your committee. We believe, like you that we must continue to "build a better mouse-tray"—provide the best possible service and live up to the ideals and ethics of our profession. But we also believe, and urge, member companies to tell their story to the public—to help build better understanding and acceptance through institutional advertising. By so doing, we will not only help ourselves, but we will strengthen and increase the stature of our state associations, and our American Title Association.

REPORT OF JUDICIARY COMMITTEE

F. W. AUDRIAN, *Chairman*

Vice President, Counsel, Security Title Insurance Company, Los Angeles, California

The best part of the report of the Judiciary Committee is found in the issues of Title News during the past year wherein cases presumed to be of general interest were briefly summarized. There were the issues of Title News for December, 1955, April, 1956, and August, 1956.

I call your attention to two Law Review articles about title insurance which have appeared since our last convention. The 1955 winter issue of the Law Review of the University of Florida was in its entirety a symposium of Real Property Law. Significant chapters covered such subjects as Reparian Rights, Tax problems in Real Estate transactions, Outmoded Restrictions, Perpetuities problems, Easements, and particularly the chapter on Title Insurance by Hart McKillop of the Lawyers Title Insurance Corporation. The July issue of the Law Review of the University of California at Los Angeles was devoted entirely to the subject of oil and gas, and the Chief Counsel for my company has an article in that issue entitled, "Title Insurance of Oil and Gas Leases."

This year many of us received a useful and informative pamphlet relative to financing based on leaseholds which was written by *Mr. Harry Hyde, Assistant General Counsel, The Prudential Insurance Company.* An acquaintance with the material in this pamphlet will make you more appreciative of the lender's general problems and requirements when you are handling a title order about a loan on a leasehold.

Many of you may have acquired Mr. Malcolm Sherman's book entitled, "Mortgage and Real Estate Investment Guide." Mr. Sherman, as many of you know, is Associate Counsel for John Hancock Mutual Life Insurance Company.

I have had occasion to make reference to this book and the supplement thereto, by way of being able to assist customers who inquire of the law and interpretations concerning security transactions in other states.

Within the year I was perusing an article in a 1956 issue of Title News which also appeared in the report of the proceedings of the Pennsylvania Title Association Convention of 1956, written by Lyle F. Hilton, Staff Attorney, Berks Title Insurance Company.

He cited the 1932 case of *Holly Hotel Company vs. Title Guarantee & Trust Co.,* 264 N.Y.S., relative to a discussion of potential title insurance liability. Many of us have seen the citation but I could not have told you what the case was about. The contributor's treatment of the case required that I know more about it and the report was secured from our county law library. In essence the case involved a policy for $26,000, wherein the insurer scheduled assorted exceptions, one of them reading,

"Restrictive covenants in instrument recorded in Liber. 211 of Conveyances at page 13 in the office of the Register of New York County." This was an old deed. It developed that the provisions of this old deed which were generally referred to as covenants included not only covenants but stated that if the covenants were violated the rights of the grantee and his successors would become void, cease and determine and vest in the grantor and his assignees. The court noted this as a condition, which it cost the insured a substantial sum to dispose of. The court said that the wording of the policy exception was such as to assure plaintiff that, though the use of its land could be questioned, its title could not be disturbed.

The court therefore found that the policy and the exception as to the covenants did not properly reflect the condition of the title and gave judgment for the insured. I mention this because in the week I was reading this issue of Title News my attention was called by an original subdivider of a largely sold tract, to the fact that resales were occurring without grantor's observing the pre-emption provisions in the subdivider's original deeds. Those provisions required that the later owners submit their proposed sale and its terms to the subdivider for his 30-day consideration of whether to buy or consent to sale by non action. On inquiry we found that our policies in this tract were simply referring to "Restrictions found in deed recorded in Book 1, page 2, and upon study by my associate counsel, Bruce Jones, I became better informed as to the distinctions between options and pre-emptions, and concluded that the use of the word "restrictions" in our policy exception did not suffice to cover the rights of the original subdivider. My own experience here has again inclined me to reacquaint myself at every opportunity with cases touching on title insurance contracts. It is not becoming to those of us who should be intimately acquainted with our contracts to not know how the courts have construed them.

A month ago I had this problem: The land owner was William D. Martin. The public records disclosed a $6,000 tax lien against Dean Martin. William D. Martin, who was the same man as Dean Martin, borrowed $13,000 and executed a deed of trust to secure his note. We insured the lender and our title search did not reflect the tax lien against Dean Martin, because our indexing procedure does not call for our searcher to look for D. or Dean Martins.

In some manner this whole matter came to the attention of attorneys for the District Director of Internal Revenue and their position was that they had the senior lien for the man was the same and their lien was of record.

We were adamant that under our views as to the laws relative to constructive notice their lien, despite whatever other effect or value it had, did not prejudice our insured. The matter closed on the basis that our insured was not prejudiced. A week ago my associate counsel, who had handled this matter, handed me the advance sheet dated July 24, 1956 of Federal Supplement, wherein some federal district court decisions are reported. Of interest was a Tennessee federal case to which the United States was a party. The controversy was between a chattel mortgagee and the United States. The United States had regularly caused its tax lien to be filed in 1950 against W. B. Clark. Actually his name was W. R. Clark. The chattel mortgage was executed by W. R. Clark. The chattel was seized and sold by the United States and the chattel mortgagee sued the United States to recover the amount of the loan proceeds, and the court held for the plaintiff mortgagee.

The opinion of the court states the matter this way:

> "The controversy between the parties from the above facts revolves around the issue of whether or not the use of the middle initial 'B' in the recorded tax lien instead of the correct initial 'R' operated as notice or constructive notice to the plaintiffs, Continental Investments.

"(1) A tax lien, under the law, is not valid as against a mortgagee, if, at the time of the mortgage, such mortgagee is without notice, either actual or constructive, of the existence of such lien.

"(2-5) Registration of a tax lien is constructive notice only of what appears on the face of the official records. The object of registration is to give constructive notice to mortgagees, pledgees, purchasers or judgment creditors. The official registration records are presumed to speak the truth. They are what they purport to be upon their face and a mortgagee is not charged with notice of anything beyond.

"(6) Where the initials only of the party against whom a tax lien is filed are used, they take the place of the Christian name, and, in such case, it is necessary that the correct initials be inserted in the official lien records, in order to impute constructive notice of a claimed lien to a subsequent mortgagee.

"(7) The tax lien herein mentioned in the name of 'W. B. Clark, Sr.,' was not constructive notice to the plaintiffs in this case that the defendant, United States of America, held a prior tax lien on the properties of 'W. R. Clark, Sr.,' and, in particular, the Ford Automobile in question."

More recently another case on the same point:

The advance sheet for the U.S. District Court cases dated October 1, 1956 carries a report of a New York Federal Court wherein the federal tax lien against the S. Ruby Luggage Company, which was docketed in the office of the County Clerk of New York as a lien against the Ruby Luggage Company, omitting the "S", did not give notice of the lien and the court held that creditors dealing with the S. Ruby Luggage Company were without notice of the lien.

These cases may stiffen some of our backs in making up our minds about tax liens, constructive notice, and the rights of bona fide purchasers for value who may become our insureds.

Mr. Ray L. Potter, Vice President and Chief Title Officer of Burton Abstract and Title Company of Detroit, and Chairman of the American Bar Association's Committee on Significant Decisions on Real Property Law, sent to me his committee's report for 1956. This is a 23 page, single spaced, legal size compilation and would make a fine report for this association. For the nearly 100 cases reported my time will only accommodate a few.

For example: An Oklahoma case wherein the husband, the record owner, made a deed joined in by his wife and reserved half the minerals to the vendor. After husband and wife die, the wife's heirs seek to establish as against the husband's heirs, an interest in these reserved minerals.

The court held that the deed reservation did not create any interest in the wife for there were no words of grant to the wife.

An Indiana case: A divorce action involving property in another state. The court noted that the Indiana court had jurisdiction to compel one party to make a deed to the other, but that the Indiana court decree, even if recorded in the other state, was of no significance in that other state. Many of us are regularly confronted with decrees, judgments, and orders of various kinds from other states. It's not a legal concept readily understood by most people who are not title men why such decrees are not given full faith and credit by title men everywhere.

An Illinois case about one joint tenant murdering the other joint tenant: We all know that this is not covered by the rules relative to the convicted person taking as an heir or devisee. An Illinois appellate court found that what it regarded as some of the legal fictions inherent in joint tenancy should be disregarded if such fictions compel a result contrary to public policy, and that the convicted murderer would be unable to convey a good title.

I read on the cover sheet of the

report sent to me by Mr. Potter this invitation: "This report has been mimeographed and made available for distribution through the courtesy of Burton Abstract and Title Co., Detroit, Michigan." The lawyers who prepared the report came remarkably close to preparing the kind of a report that would be of interest and value for all title men. I suggest that you accept the invitation.

I want to thank the members of my committee for the material that was sent to me during the year. Useful items recently received from them will no doubt be used by the Chairman of this Committee in the coming year.

REPORT OF COMMITTEE ON FEDERAL LEGISLATION

PAUL J. WILKINSON, *Chairman*

Executive Vice President, The Title Guarantee Company, Baltimore, Maryland

Your committee is delighted to report that there has been a dearth of legislation passed by the Congress of the United States during the past year, which directly affects the title industry.

An attempt has been made to increase postal rates, but the effort died a natural death.

Congress granted a $3 billion temporary increase in the $275 billion statutory debt ceiling for the current fiscal year, as compared to an increase of $6 billion for the previous year. Improvement is indicated but it would appear to your committee that a decrease in the total debt would be more encouraging.

Certain changes have been made in Social Security, and on January 1, 1957, the payroll tax will increase ¼% each for employer and employee.

The National Housing Act has been revised. FHA home improvement loan authority has been extended to September 30, 1959. Loan maturities have been increased from three to five years. Loan maximums have been raised from $2,500.00 to $3,500.00 for single family dwellings, and from $10,000.00 to $15,000.00 for non-single family units. The mortgage insurance authority of FHA has been increased by $3 billion. The military housing program has been changed to increase the allowable per unit maximum to $16,500.00 from $13,500.00 while spending is limited under the program to $2.3 billion and the present program is to end at the close of 1957. Additional public housing is authorized at 35,000 units a year for this fiscal year and next.

Veterans Administration's home loan guarantee program has been extended to July 25, 1958.

The largest highway building program in history has been launched combined with user taxes to make it a pay-as-you-build project. The cost is estimated at $32.9 billion with the Federal share $27.7 billion. Additional taxes will be levied on gasoline, tires, busses and trucks to pay in part for the expense involved. A new post of Highway Administrator was established who will be directly under the Secretary of Commerce and over the Bureau of Roads.

SAMUEL O. BATES
HARRY J. KANE, Jr.
STEWART MORRIS
GORDON M. BURLINGAME
PAUL J. WILKINSON,
Chairman

REPORT OF COMMITTEE ON RESOLUTIONS

WILLIAM M. WEST, *Chairman*

Chairman of Board, Commonwealth Land Title Insurance Co., Philadelphia, Pa.

I first would like to thank my Committee who are responsible for the major contributions to this and to those resolutions. There are five of them, and I think that in the interests of time we will just read the report and ask for one motion for the adoption.

The American Title Association in convention assembled at Miami Beach, Florida, upon the occasion of commemorating the fiftieth anniversary of its founding, present the following resolutions:

Whereas, James E. Sheridan, Executive Vice-President of this Association, affectionately known by his many friends and associates as Jim, has completed twenty-five years of loyal and devoted service which has transcended any possible call to duty, and whereas we are convinced no more fittingly appropriate and accurate tribute can be paid him than that this convention adopt as its resolution that part of the printed program entitled, "A Tribute to James E. Sheridan on the Occasion of his Silver Anniversary with the American Title Association." Now, be it resolved that the aforesaid tribute, by reference, be incorporated in this resolution as an expression of the sentiment of all the members of the American Title Association for Jim Sheridan.

Whereas, this being the fiftieth anniversary convention of the American Title Association, it is proper and most fitting that we should at this time officially acknowledge our debt to our two living charter members, Varick C. Crosley and Hugh H. Shepard, for their part in the creation of this organization, and to our Past Presidents under whose leadership and able guidance the Association has attained its present eminent stature and position. Now, therefore, let it be resolved that this convention hereby extend its heartfelt thanks and gratitude to Varick C. Crosley and Hugh H. Shepard and to all the Past Presidents of this Association.

Whereas, our President, Mort McDonald, has distinguished himself as a true and able leader of this Association in the tenure of his office, representing the best traditions and ideals of the title industry, he has unstintingly devoted his time and efforts to the advancement and development and progress of the Association, having added thereby immeasurably to its prestige.

Now, therefore, let it be resolved that this convention hereby express its grateful thanks and sincere appreciation to Mort McDonald for his outstanding administration as President of this Association.

Whereas, the Florida Land Title Association, as host for this convention, under the able leadership of Percy I. Hopkins, Jr., and his fine committee, has, by its thoughtful planning and outstanding performance, provided us with superb convention facilities and entertainment that will be long remembered by those in attendance with a great deal of appreciation; and whereas, we of the Association have been impressed by the warm and friendly feeling of the Florida host, now, therefore, let it be resolved that this committee hereby express its appreciation and thanks to the Florida Land Title Association for its exceptional part in making this convention such a delightful and eventful experience.

Whereas, the management and employees of the Hotel Fontainebleau have demonstrated great cooperation and friendliness in handling this convention, now, therefore, let it be resolved that the appreciation of those in attendance at this convention be conveyed to them by delivering to the manager a copy of this resolution.

American Title Association

ANNUAL MID-WINTER CONFERENCE

* * *

STATLER HILTON HOTEL
Dallas, Texas

* * *

THURSDAY - FRIDAY - SATURDAY
FEBRUARY 21 - 22 - 23
1957