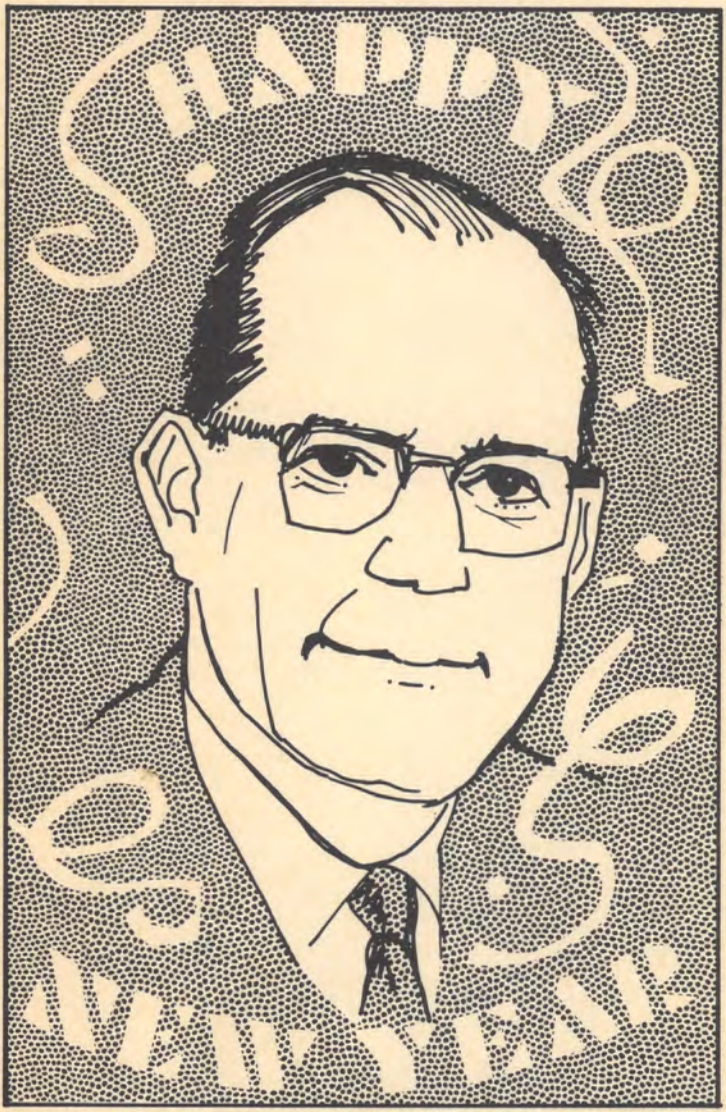
TITLE NEWS

THE OFFICIAL PUBLICATION OF THE
AMERICAN LAND TITLE ASSOCIATION ®



JANUARY 1967

PRESIDENT'S MESSAGE

JANUARY, 1967

Dear Friends in the Title Profession:

In restrospect the year just concluded was an active and productive one for members of the American Land Title Association. A "uniform ALTA commitment to insure" form was adopted; an Amicus Curiae Brief was filed in a Federal Tax Lien case; two regional associations, comprising members in five states, were formed and affiliated with the ALTA. The national program of public relations continues to be an outstanding success. An ALTA sponsored Management Seminar, held in Chicago, proved to be of interest and benefit to members. Federal lien legislation sponsored in part by ALTA was enacted. Communications from our Executive Vice President have been increasingly helpful to members in the operation of their businesses. Officers, staff, and committees functioned effectively.

On the gloomy side, the "tight money" situation resulted in a drastic decline in revenues at a time when American business generally is enjoying unprecedented prosperity. Failure of the Federal Government to adopt appropriate changes in fiscal policies was a cause of concern to many of us. Automation, "captive business" enterprises, and the activity of Bar-related insuring entities created new problems for the title evidencing profession.

But a review of the past is valuable only as a guide to the future. Our challenge for 1967 is to continue the excellent progress made last year and to seek to understand and find solutions to the problems which exist. With the help and cooperation of ALTA members, I am confident this will be done.

It is not too early to make plans to attend the Mid-Winter Conference, March 1, 2, 3, Washington, D.C. Be sure to invite your legislative representatives to the Congressional Reception, Mayflower Hotel, 6:30 p.m., Wednesday evening, March 1.

Harriet and I take this opportunity to wish all the readers of Title News, health, prosperity, and peace of mind in 1967.

Yours truly,

George B. Garber

George B. Garber

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ON THE COVER: The gentleman pictured on the cover, our National President George B. Garber, expresses the sentiments of all the officers and staff. May the coming year bring joy and satisfaction to the members of the American Land Title Association.

PROCEEDINGS OF THE 60th ANNUAL CONVENTION
AMERICAN LAND TITLE ASSOCIATION
MIAMI BEACH, FLORIDA **OCTOBER 16-20, 1966**

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GENERAL SESSIONS

INVOCATION

By The Right Reverend JAMES L. DUNCAN

Suffragan Bishop, Diocese of South Florida

Let us pray:

Almighty God, Heavenly Father, we give thanks for the blessings that Thou hath bestowed upon this land, for her heritage, freedom and justice.

Bless, we pray, our Chief Executive of our great country on his foreign journey, that from this we may come a step forward toward peace for all men, and God speed that this be done in the glory of Your Holy Name.

Amen.

"WE'RE GLAD TO HAVE YOU IN MIAMI BEACH"

By ROBERT L. TURCHIN

Vice-Mayor of Miami Beach, Florida

Thank you, Mr. Nichols.

It is a pleasure to be here, even as a poor substitute for Mayor Elliott Roosevelt.

I feel honored to speak to you, because I feel as though I am a part of the industry, and feel at home with you all. I hope you feel the same way about me and the City of Miami Beach, and also that some day you will want to make this your home.

We are delighted to have you here. We are glad you chose Miami Beach for your convention.

The American Land Title Association lends prestige to our City, and we hope you come back time and time again, and not be strangers to us. Even though there is not a convention, we will be happy to have you anyway.

As you know, our industry is tourism. That is all we have to sell, and anything we can do to improve that situation, to get more people to talk about Miami Beach and to come down here and spend their vacations, have their conventions here, business meetings or anything else, we will be very happy to do.

We hope that you will enjoy yourselves, and if we, the City Fathers, can do anything to make your stay here happier, we would be very pleased to be called upon so that you can benefit and enjoy your stay here as much as possible.

At this time I have a little token that we give to our conventioners who come here.

We have keys to the City and Police Courtesy Cards for your officials. We have to say, the Police Courtesy Cards entitle you to be courteous to our policemen.

Don Nichols, I have one for you here, and George B. Garber, President-elect. I also have one for Mr. Alvin R. Robin, Vice-President-elect; one for Mr. Gordon M. Burlingame; William J. McAuliffe, Jr., Executive Vice-President, and also one for Mr. James W. Robinson, Secretary and Director of Public Relations. We couldn't afford to forget him.

I say again, it is a pleasure to be here with you. I hope your stay will be enjoyable, and you get a lot out of your meeting and have fun besides.

If we can do anything to help you enjoy it more, please call on us and we will be glad to help you. Thank you.

"WE'RE HAPPY TO BE HERE"

By GEORGE B. GARBER

Vice President, American Land Title Association; Executive Vice President, Title Insurance and Trust Company, Los Angeles, California

On behalf of your guests attending the American Land Title Association convention, may I express to you our appreciation of your offer of hospitality and welcome to your beautiful city.

Florida has always had a magical attraction for people from other places, and the beauty of your state and the hospitality of your people have much to do with this attraction.

Florida also has a very rich and very fascinating history. I recall in my early school days reading of the early explorations of the discoverer of Florida, Ponce de Leon.

My first knowledge of his exploration and search for the Fountain of Youth led me to believe that his interest was purely scientific in nature. However, further research develops another slant on this history, so I want to pass along a little gossip.

It seems that his motives were more romantic than scientific for Fate had placed in his guardianship, as a ward, the daughter of a companion who had died in his arms on the field of battle.

As you might expect, the ward was extremely beautiful and, to our doughty cavalier, she was gifted with unearthly beauty, but she was considerably younger than he. However, she reciprocated his enamor and affection.

Because of his age he dreamed of the Fountain of Youth and his motives for the search for this elixir was to more ably respond to her love.

Consequently, Ponce de Leon landed on the shores of the New World in April of 1513 at a place which is the site of St. Augustine, and planted the cross and royal banner of His Catholic Majesty on the soil and took formal possession.

His search for the Fountain of Youth failed during this expedition, and later in 1521 he returned to Florida to renew his search. Here he met hostile Indians and in battle with them received a mortal wound.

Old Ponce did not marry his ward for he was already married, but there appears to be little doubt of her influence for his desire to find the Fountain of Youth, and while he did not find this Fountain, for which we all search, we are grateful that he did discover this beautiful land of Florida, and its fountain of gracious hospitality.

We are indeed glad to be here in Miami Beach and to partake of your very generous hospitality and enjoy the wonders of your land.

"541,440 MINUTES AGO"

By DON B. NICHOLS

President, American Land Title Association; owner The Montgomery County Abstract Company, Hillsboro, Illinois

My term as President of the American Land Title Association during the year 1965-66 has reached its climax, and the compulsion seizes me to review some of the personal thoughts and reactions I have experienced since that time 541,440 minutes ago when you the members of ALTA bestowed upon me your highest honor, that of serving as your President. It has not been an especially historic year in ALTA activities, but there have been minutes of gratification, of disappointment, of concern, of appreciation, and of anxiety and these are the minutes I want to share with each of you now. I am sure you know of my admonition to our Secretary Jim Robinson not to have the phrase "Report of" appear anywhere in the 60th Annual Convention program, and Jim has entered into the spirit of my phobia by suggesting titles to each of our committee chairmen for the topics of their presentations to the convention. Therefor this is not captioned the

1965-66 President's Report, but rather 541,440 Minutes Ago.

It has been the pleasure of Vera Rose and myself to visit, as ALTA official representatives, 22 affiliated state land title association conventions since last October. These 22 in the order we attended them were:

Nebraska	Carolinas
Florida	Oregon
Ohio	Illinois
Wisconsin	Colorado/ Wyoming
Indiana	Michigan
Nevada	New York
Texas	Dixie
Oklahoma	Utah
California	Louisiana
Pennsylvania	Missouri
Washington	
Tennessee	

We attended all three Title Insurance Regional Meetings:
Central States, Chicago, Illinois
Southwest States, Colorado Springs, Colorado
Eastern States, Williamsburg, Virginia

Seven affiliated state land title association conventions were attended since October by other ALTA Officers and Staff, these were: Kansas, New Mexico and Wisconsin by Vice President George Garber; Nebraska by Abstracters Section Chairman Alvin Robin; Minnesota by Title Insurance Section Chairman Gordon Burlingame; and Arkansas and Iowa by Executive Vice President William McAuliffe, Jr. No invitation was extended to ALTA for representation at their conventions by the Idaho and New Jersey Associations.

We also attended the United States Chamber of Commerce Annual Convention at Washington, D.C. and the ALTA Management Seminar at Chicago, Illinois.

In the years from 1962 to 1965 while serving as Chairman of the Abstracters Section, and Vice President of ALTA, 12 affiliated state land title association conventions were attended. These 12 were:

Arizona	Nebraska
Arkansas	New Mexico
Iowa	North Dakota
Michigan	South Dakota
Minnesota	Wyoming
Missouri	Wyoming/Montana

We regret that we missed the 1966 Montana convention due to the air line mechanics strike making transportation to and from Whitefish, Montana too time consuming to be within our time budget. However, a copy of our remarks was sent to the convention and read by one of the Montana officers during the convention.

The Nevada convention was their first annual and the Carolinas and Dixie conventions were their organizational meetings.

During the year we had two additional meetings with representatives from the American Bar Association, one at our invitation to them in Chicago in February, and one at their invitation to us in Chicago in June. Undoubtedly, there is some good to come of the continuation of these meetings and the fact that we are able to sit around a table and talk rationally of our differences. I am personally skeptical as to the role of ALTA in these meetings and feel we must be guarded in our concessions to the ABA at such informal discussions. There is every evidence the ABA representatives consider (or choose to consider) our group (ALTA President, Vice President, Two Section Chairmen and Exec. V. P.) as the voice of our Executive Committee and we do not so consider nor represent ourselves to be that voice. At our midwinter conference in Chandler in March the Board of Governors authorized "the President of the American Land Title Association to appoint a special committee to work with a committee of the American Bar Association provided the American Bar Association invites the American Land Title Association to do so, and further provided that, in the judgment of the Executive Committee of the American Land Title Association, the committee appointed by the American Bar Association is a high-level committee representative of all responsible groups in the American Bar Association." The ABA has not appointed such a high-level committee representative of all responsible groups in the ABA but rather chose to invite our same group to meet with not only the group from the ABA Real Property, Probate and Trust Section with elements of the Unauthorized Practice Section and the Lawyers Title Guaranty Fund committee as well. It is my absolute conviction the ABA group is intentionally by-passing our Board's Chandler action and will continue to do so as long as we meet with them on the present status.

Two special Executive Committee Meetings were called during the year, both immediately ahead of the meetings with the ABA groups. While the

main purpose for each meeting was to discuss the coming meeting with ABA other routine ALTA business was transacted and the special meetings were beneficial to ALTA. It is my belief there should be at least one scheduled meeting of the Executive Committee between the Annual Convention and the Mid Winter Conference.

Because of a commitment made to the hotel 5 years ago that we would occupy space for four nights, our 1966 mid-winter at Chandler was programmed as a four-day, Monday through Thursday, conference. From expressions made to me during and subsequent to that meeting it is my belief that our members prefer a return to the one and one-half day format previously used and that the geographic location of the conference be near the central section of the United States.

The unquestioned success of the 1966 Management Seminar, sponsored by the Abstracters Section, but for all ALTA members, is, I believe, its own recommendation for continuance. Sponsorship could be alternated between the two sections of ALTA to prevent either section being burdened with the activity each time it is presented.

The formation of the two new regional associations in 1966 will benefit the states included in these associations and eventually help strengthen ALTA as well. The Carolinas Land Title Association, organized at Charlotte, North Carolina, May 28th, and the Dixie Land Title Association, organized at Atlanta, Georgia, August 26th, include the states of North and South Carolina, and the states of Alabama, Mississippi, and Georgia, respectively. Each have an initial membership of about 25 and should grow appreciably before the time of their scheduled conventions next year. This leaves only the Northeast section of the United States without any kind of an association and some consideration might be given to the encouragement of ALTA members in Massachusetts, Connecticut, Rhode Island, Vermont, and New Hampshire toward the formation of a regional association for their area. A proposed amendment to the Constitution and By-Laws of the American Land Title Association was published in the June, 1966, issue of Title News and will be presented to the convention on Wednesday which will, if adopted, permit the affiliation of regional associations with ALTA.

The Young Peoples' Activity Committee, appointed by the direction of the action of the Board of Governors at the Chandler mid-winter conference, has worked hard and will present a panel entitled "Youth Looks at a Venerable Profession" at this convention on Monday afternoon.

A suggestion to change the names of the two ALTA Sections from Abstracters to Title Service and from Title Insurance to Title Underwriters, has been made by M. Edwin Prud'Homme of Texarkana, Texas. This could be a subject for consideration by the ALTA Planning Committee for 1966-67.

The filing, on August 25, 1966, of a brief for the ALTA as Amicus Curiae in the case of Hodes vs the United States, in the Supreme Court of the United States is a radical departure from tradition for our association. The Executive Committee, at its Special Meeting in Chicago in June, carefully considered this step and voted unanimously to enter the case as requested by the New York State Title Association.

Response to the advertising for the lapel pins and charms with the ALTA emblem has been very good. One ALTA member in Georgia told me he has purchased enough to give each of the 10 people in his office a lapel pin or charm for bracelet. The pins and charms were suggested by a Wisconsin member.

As a matter of general information, here are the locations and dates for future mid-winter conferences and annual conventions confirmed at this time:

Mid-Winter Conferences:

1967 Washington, D. C., March 1, 2, and 3, Mayflower Hotel

1968 New Orleans, Louisiana, February 21, 22, 23, Roosevelt Hotel

Annual Conventions:

1967 Denver, Colorado, September 24-27, Denver Hilton Hotel

1968 Portland, Oregon, September 29-October 2, Hilton Portland Hotel

1969 Atlantic City, New Jersey, September 28-October 1, Chalfonte-Haddon Hall

To my knowledge no further commitments have been made for either of our meetings.

My special appreciation to each member of the Executive Committee; to Vice President, George Garber, for his willingness to attend state association conventions and his good advice on association problems; to Finance Chairman, John Binkley, and Treas-

urer, Laurence Ptak, for their efficient handling of our finances; to Abstracters Section Chairman, Alvin Robin, for the planning and presentation of the Management Seminar, for his fine section meeting at the mid-winter conference, for the planning for the section meeting and workshops at Miami Beach, for hosting Vera Rose and myself so often during our Florida visits this year, and for representing ALTA at the Nebraska convention; and to Gordon Burlingame for his fine section meeting at the mid-winter conference, for the planning for the section meeting and workshops at Miami Beach, for hosting Vera Rose and myself during our visits to Williamsburg and the Pennsylvania convention, and for representing ALTA at the Minnesota convention even though the air line mechanics strike was in effect and the trip had to be made by rail.

My thanks also to our staff members: Executive Vice President William McAuliffe for his ready assistance all year, for his attendance at 8 state conventions in Florida, Ohio, Wisconsin, Texas, California, Oregon, Michigan and New York with us and at 2 others, Arkansas and Iowa, on his own, for his handling of the "mechanics" of the Management Seminar when the tragedy of Jim Robinson's son's death prevented his participation, and for paying me so promptly the invoices for reimbursement for convention expenses; and Secretary and Director of Public Relations, James Robinson, for his ready assistance all year, for the help in making committee appointments both as to personnel suggestions and letters to them, for his attention to the many details of the Management Seminar planning, the Mid-Winter Conference, and this Annual Convention, and for his understanding of my phobia regarding the use of "Reports" in the convention program.

1965-66 has indeed been a wonderful year for the Nichols. We've enjoyed and appreciated every minute of the opportunity to represent ALTA during the year, to fly almost 100,000 miles during the four years as an ALTA officer, to visit 34 state conventions, to see 36 states, to meet and make new friends of so many fine people in the title business throughout the United States, to learn new title fundamentals and problems, to see how others are solving theirs, and to have done our best to represent each of you.

"IT HAPPENED IN THE NATION'S CAPITOL"

By WILLIAM J. McAULIFFE, JR.

Executive Vice-President American Land Title Association

My last talk at a general session of this Association was made at the 59th Annual Convention held in Chicago a year ago. Now I shall report to you on my activities since then, inform you of the current status of Federal legislation and national matters of interest to the Association, and take a brief look into the future.

I have addressed 13 state associations, attended three title insurance executive meetings, sat in at a meeting of the Public Relations Committee, listened to the Standard Forms Committee hammer out a Commitment form, attended two meetings of the ALTA Group Insurance Trust, together with other ALTA members met with representatives of the American Bar Association on two occasions, attended two meetings of the ABA, received an appointment to the Committee on the Title Aspects of Real Estate Transactions of the ABA Section on Real Property, Probate, and Trust Law, appeared on a radio program with an ALTA member to discuss title insurance, met with a task force of Washington representatives of various associations interested in the Federal tax lien bill, conferred with officials of the FHA, FNMA, URA, VA, Department of Agriculture, Lands Division of the Department of Justice, talked with the Executive Vice President of the Mortgage Bankers Association of America, U.S. Savings and Loan League, and the National Association of Home Builders.

Recently, I worked with the Federal Home Loan Bank Board to determine if our members could be of assistance to the Board in publishing a monthly statistical analysis of mortgage recordings.

I have been involved in three unusual activities of your Association, namely, the sponsorship of a management seminar, the support of a Federal bill, the Federal tax lien bill, and the filing of a brief in the U.S. Supreme Court.

The management seminar, held in Chicago under the chairmanship of Al Robin of the Abstracters Section, and with the cooperation of the Small Business Administration, was most successful and should be held again in the opinion of the 131 participants.

For years it has been generally agreed that the present Federal tax lien laws are archaic and in need of urgent reform. The American Bar Association has been working on revising them for a number of years. About three years ago, a group was organized in Washington, D.C. of representatives of associations, including ALTA, who were interested in this legislation. This task force held literally scores of meetings and conferred at length with representatives of the IRS, Department of Justice, and the Joint Committee on Internal Revenue Taxation. I would like to thank Daniel Wentworth of the Chicago Title and Trust Company who worked with ALTA staff on this legislation and whose analysis of the Bill was used as a basis of an ALTA statement submitted to staff of a congressional committee. As a result of the efforts of many, this Bill, H.R. 11256, passed the House and only last Wednesday was reported out of the Senate Finance Committee with an amendment which in my opinion should not be controversial. This Bill now stands an excellent chance of enactment in this session of Congress.

The brief the ALTA filed in the U.S. Supreme Court supported a New York member and the position of the New York State Land Ttitle Association. The case involves an attempt by the Internal Revenue Service to collect a Federal tax lien some three years after it had expired, and over nine years after filing the original notice of the lien.

One of the things the Federal Tax Lien Bill will do is to correct the inequity which is the basis for litigation in this case. Hence, the Department of Justice has indicated informally that if the Bill is passed they will not pursue the case and will seek a settlement.

In June of this year, the Comptroller General of the United States submitted to the Vice President and the Speaker of the House of Representatives a report recommending that the Administrator of Veterans Affairs direct the manager of the St. Petersburg, Florida, Regional Office to discontinue the practice of purchasing title binders on properties acquired in the State of Florida. Subsequently, the Veterans Administrator and the ALTA issued letters disagreeing with the Comptroller General's conclusions. The matter is now being considered by staff of a Subcommittee of a House Committee on Government Operations. Jim Schmidt, Chairman of the ALTA Committee on Veterans Administration, and I have met with the Subcommittee staff. One request we received from staff was for some information on title services and title insurance obtained from the ALTA members by the Federal Government. I believe our discussion was productive. I cannot advise you at the moment what the outcome will be. The Committee could write a letter agreeing with either the Comptroller General or the Veterans Administrator or hearings could be held and the ALTA would be invited to testify. In August, the Comptroller General issued two other reports, one entitled "Possible Savings By Discontinuing the Purchase of Public Liability Insurance Covering Acquired Property—FHA" and the other "Savings By Cancelling Hazard Insurance Policies On Properties Acquired Upon Default of Housing Loans—VA." In all three reports, the basis of the Comptroller General's conclusions is that there is a general policy of the government to assume its own risk of loss, on the theory that the magnitude of the government's resources makes it more advantageous for the government to carry its own risks rather than have them assumed by private insurers.

Our relations with the ABA have been mentioned by Don Nichols. I would like to commend Jim Schmidt for the fine job he did as a panelist to discuss the lawyer and title insurance at the meeting of the ABA Section on Real Property, Probate, and Trust Law, held at the time of the ABA Annual Meeting, Hewen Lasseter of the Lawyers Title Guaranty Fund of Florida, another panelist, urged that funds be established by lawyers in other areas of the country in order that the attorney might remain in the real estate transaction. Henley Blair of Prudential urged attorneys to sharpen their skills in real estate law and, in effect, stay out of title insurance. The fourth panelist,

Professor Cribbett, felt that there was a role for both the attorney and title insurance in the real estste transaction.

This year in the Congress, there was a bill under consideration which would have empowered the Secretary of Commerce to engage in a three-year feasibility study of converting our system of weights and measures to the metric system. The bill passed the Senate and the House Committee on Science and Astronautics. But, it was killed by the House Rules Committee, headed by Judge Smith. Congressman Smith was defeated this year in his quest for renomination by George C. Rawlings, Jr., son of George Rawlings of Lawyers Title. I believe that it will be considered again next year.

Other legislation to look for next year includes a tax increase for all early in the session, an attempt to "federalize" the unemployment compensation laws if we don't get something like this this year, double pay for overtime, a prohibition against discriminating against one because of his or her age, a federally-guaranteed annual income built on top of existing welfare programs, and some requirement that all private pension plans be funded. It is impossible to predict what will happen to ease the housing situation. But everyone I talked to says that it will not be permitted to go on and on without some further Federal action to correct the situation.

Along these lines, it was encouraging when, on September 10, 1966, the President said: "We cannot accept a solution (to the tight money problem) that squeezes out one single segment of credit-financed purchases—that single segment being mainly the purchase of homes."

The past year has been an active and a most interesting one.

The next year should not be wanting for more of the same.

"IT'S ONLY MONEY"

By JOHN D. BINKLEY

Chairman, Finance Committee, ALTA*; President, Chicago Title Insurance Company, Chicago, Illinois*

Those of you who know me well will recognize the topic you see on the printed program for this brief report as a sort of ghastly joke. Of course, "money isn't everything," but I always experience a feeling of amusement—and some irritation—when I hear these immortal words. Usually this ringing challenge to crass materialism is uttered by someone who

(a) has no money of his own

(b) has neither the talent nor the ambition to make the kind of contribution which is rewarded by money

and

(c) would love to get his hands on my money—or someone else's.

I particularly dislike the plaintive cry, "Human rights above property right," as though it were possible to divorce the two. I note with interest that the proponents of the Welfare State who express contempt for money, invariably turn to those who have it to finance their poverty programs and other "humanitarian" schemes. In my opinion, the trend toward financial irresponsibility is depriving our young people of a cherished and fundamental privilege; the right to stand on their two feet and rise or fall by their own efforts. I am old-fashioned enough to believe that an individual is responsible for the consequences of his own acts. When the spirit of "personal responsibility" has been extinguished, then our country is well on its way to corruption and decay.

In this connection I think of the modern young man who applied for a job.

"What salary will you pay," he asked.

The employer replied, "I'll pay you what you're worth."

With no hesitation the young man responded.

"I wouldn't work for wages like that!"

In our struggle against the forces of nature and in our relationships with other humans, there are many variables. Nothing, it seems, is ever certain, or permanent. But a column of figures is always the same. There is only one correct answer to a mathematical problem. It is comforting to know that, in this uncertain world, an area of logic and precision exists.

In spite of this, I frequently en-

counter a disconcerting spirit of confusion with regard to money and to figures. Not long ago I was the guest of an acquaintance I hadn't seen since college days. He met me at the airport in a chauffeur-driven limousine and entertained me lavishly at his magnificent and terribly expensive estate. I remarked, "You seem to have done well financially."

He replied, "Yes, I invented and patented a valve that is installed on every automobile manufactured in this country. It costs me a dollar to produce and I sell it for four. That three percent sure adds up!"

We hear a great deal these days about developing a "true sense of value." Last week I overheard two wealthy men describing gifts they had b o u g h t their wives. One said, "I bought her a town-and-country."

"A car? the other asked.

"No. Pasadena and Australia."

If you wonder what all this has to do with the Chairman of the Finance Committee; it provides the basis for my assurance to you that the members of the Executive Committee and the other ALTA officers responsible for the management of your money **do** take their duties seriously. I doubt if any privately-operated company has established as many financial safeguards as the ALTA. Every item of expense is scrutinized at least three times in addition to the auditor's annual review. The percent of chance for error or fraud has been reduced to almost zero. Speaking of percent—I attended a state association convention not long ago. The presiding officer opened the meeting by saying, "In most associations, 50% of the committees do all the work, while the other 50% do nothing. I am pleased to announce that in this association it is the other way around."

I didn't realize when I was asked to serve as Chairman of the Finance Committee that there was so much drama and excitement about the job. I can see by your faces you are breathlessly awaiting the results of this year's financial experience. I will give it to you painlessly. We took in more than we spent! By the end of the year it is expected the Association equity will be increased by about $5,000.

As you know, the income from investment of the reserve assets, stabilized at approximately $200,000, is set aside each year to help finance the employees' pension plan. In 1966 that income will amount to approximately $8,200.

A year ago the Executive Committee went through some mathematical gymnastics and determined that dues income for 1966 would amount to $225,600. I am pleased to report that, already we have collected $233,000.00 in dues, and it is expected the total will reach approximately $234,600.00 before the year ends—a surplus of $9,000.00 dues collected above the estimated figure. Perhaps I shouldn't be so gleeful about this; it means we're bum guessers. And perhaps some of you think that isn't such a lot of money after all. People view things differently. I think of the young Texas lady visiting in New York. Her friend took her to see the Empire State Building.

"It's nice," she said. "I see it's designed to create the i l l u s i o n of height."

In any event, we are in a strong financial position for 1966, although several items did exceed the budget. These include Travel, Supplies, Legal Fees, Bulletins and Mailing Service. In order to serve ALTA members effectively, it is important that the officers and the staff keep open the lines of communication, both in person and by mail. Don Nichols has outdone himself in attending meetings of affiliated associations. D u r i n g Bill McAuliffe's first year we felt it was important for him to meet the members on their home grounds. Also, as you know, the ALTA has filed as *amicus curiae* for the first time in its history before the Supreme Court of the United States. There are no bargains in the filing of Supreme Court briefs. Our legal fees this year will exceed the budget by at least $1,500.00.

As I said, we are in good financial shape at the moment, but the important q u e s t i o n really is, "What about 1967?"

It is not exactly a Vatican secret that the diversion of investment funds into higher-yielding channels has created a bizarre situation. While the rest of the country goes wild with unprecedented prosperitv, and the ugly face of inflation looms as a specter in the minds of every sound economist, the entire real estate and housing industry is experiencing a sharp recession. Since 1967 income from dues will be based upon the gross revenue of member companies during 1966, it doesn't take a Steinmetz to predict that total dues collections next year will be reduced. This is a situation each of us has confronted in his own company. In the face of d e c l i n i n g revenues,

sound fiscal procedures indicate the need for a long, hard look at the ALTA's entire operation with a particular view toward temporarily reducing any expenditures which are not absolutely necessary during this tight money period.

However, I recall the words of the great statesman, Winston Churchill, who during the dark days following the Second World War, announced to his countrymen, "I didn't become the Prime Minister of England to preside over the dissolution of the British Empire!" Nor did I become Chairman of the Finance Committee of this Association to participate in the disintegration of its service to the members.

I invite you to consider the progress the ALTA has made in recent years. The volume of correspondence with the National Office has doubled and doubled again. A splendid program of public relations—long overdue—is just beginning to make an impact on the citizens of this nation and on related professional groups. Relationships have been established and maintained at the highest level with government officials and with the officers of other associations representing lenders, lawyers, Realtors and homebuilders. Bill McAuliffe's monthly summary of Washington events is just one example of the splendid kind of service many of our members would get no other way. *Title News* is vastly improved. Regional meetings and management seminars are providing educational opportunities for abstracters and title insurance officers. The Association staff has earned an enviable reputation in the nation's capital and the Association's prestige and influence have been greatly enhanced. Any basic curtailment of this forward movement would, in my opinion, be a serious mistake.

So here we are on the horns of a dilemma (that's defined as a politician trying to save both faces at once). In this case the Executive Committee had to make an important decision. If the recession we are experiencing can be expected to continue for a period of some years, then there is no choice. We must retrench, as I personally would wish to have no part in a decision to increase membership dues at this time.

On the other hand, if the tight money situation can be expected to last for only a twelve or eighteen-month period, then we would be well advised to draw upon our cash reserves in order to avoid any significant backward step on the part of the Association. In fact, that's what cash reserves are for; to meet emergency situations. Without any crystal ball, of course, we can't be sure how long the Viet Nam conflict will continue nor can the full effects of the "Great Society" program be accurately anticipated. But, based upon the best information we have, there is reason to believe that the housing and real estate industry will recover from the present recession within the next twelve-month period.

Therefore, the Executive Committee has recommended, and the Board of Governors has approved, a program and a budget for 1967 which includes the institution of some economies wherever possible but which contemplates an excess of expense over income. It happens that, in addition to the reserve assets presently in the hands of a trustee, the ALTA had on hand on January 1, 1966, a surplus of cash amounting to $52,768. Assuming that income from dues will be substandard for only 1967 and 1968, this reserve fund is ample to cover deficits which are anticipated in the budgets for these two years. Although certain economies have been made in the ALTA's cost of operation, (the public relations budget has been reduced from $57,500 to $39,000) there are some areas which not only cannot be reduced, but which actually will result in greater expenditures. With the cost of living rising sharply, and President Johnson's wage-price guideline riddled with violations, salaries are going to be greater during 1967. Just within the last four years, federal employees have been granted three substantial wage increases.

Printing costs, supplies, and more detailed requirements of the Post Office Department will result in greater cost to the Association as well as to each individual member. With the continuing interest generated by ALTA's many programs, our telephone and telegraph bill will certainly not be reduced, nor will our bulletin and travel expenses.

To summarize, we expect dues collections in 1967 to be $210,800. Investment and miscellaneous income will increase our total revenue to $220,200.

Total expenditures will amount to $230,910, leaving a deficit of $10,710, which will be drawn from the surplus funds now in the hands of National Treasurer, Larry Ptak.

I wish I could have given you a

more optimistic report. It is quite a distance from the neat package we presented for 1966 to the dreary prospect of a deficit budget for next year, but I assure you the course of action we recommend is based upon the most careful consideration of all factors, with the continuing progress of the American Land Title Association uppermost in our minds.

I appreciate this opportunity to discuss your Association's finances with you. I won't even ask to be reimbursed for my time and effort. After all,

"IT'S ONLY MONEY!"

"THERE OUGHT TO BE A LAW—AND THERE IS"

By WHARTON T. FUNK

Chairman, ALTA Legislature Committee; President, Security Title Insurance Company of Washington, Seattle, Washington

This committee's responsibility is to report to the convention legislation passed by the various state legislatures that is considered of interest to the members of the American Land Title Association. There is a member of this committee in each state whose duty it is to report any such legislation adopted by the legislature in his state. Many of our state committeemen included in their report amendments to and changes in basic real estate, law, civil and probate codes, etc., which would probably be of interest only to our members in that particular state.

We have deleted most of such legislation, but there is included in the report some items of that nature.

Our committee was fortunate in one respect. Most of the legislatures meet to consider general legislation every other year in the odd numbered years. 1966 being an even numbered year many states had no general legislative session.

Your chairman is deeply indebted to his committee and thanks the committeemen in those states where the legislature did meet for the time and effort spent in studying, analyzing and reporting on the activity of their legislature. It is a tremendous tribute to the membership of the committee that there were only 6 states from which we had no report.

EDITORS NOTE: Copies of the Synopsis of State Legislation compiled by the ALTA Legislative Committee may be secured by writing to the American Land Title Association office in Washington, D.C.

ACKNOWLEDGMENT OF THE ALTA PRESIDENT'S SCHOLARSHIP FUND AWARD

By Dean RUSSELL N. SULLIVAN

College of Law, University of Illinois; President, Illinois State Bar Association, Champaign, Illinois

It is a pleasure to have the opportunity to be with you here in Miami today for it gives me an excuse to be away from my office for a couple of days and to enjoy some of the fabled Miami weather.

One of the most vivid of my memories of law school days relates to one of your members. When I was a student, the school invited a well-known lawyer who owned the abstract company in a nearby community to visit the school. He gave a very interesting address in which he pointed out all of the difficult legal problems which could occasionally be found in a chain

of title. Then after exhorting us all to use great care in the examination of an abstract, he concluded by saying "But remember, most people are honest, and most titles are good." In the years since, I have thought about this many times but never seriously enough to attempt to examine for myself abstracts of title of homes I have purchased.

I cannot overstate our gratitude to your organization for this generous scholarship grant. There is an assumption that in this affluent society, all students have sufficient funds to support their educational programs. However, this is not the case and many young men and women continue to work at all kinds of jobs so that they may continue their education. Of course, in the law schools some students have found their scholarship support at the matrimonial altar, for working wives often pay the bills while their husbands study. We have an organization called the Junior Bar Wives which attempts to console many of these young women for the loss of their husbands' company on the nights when preparation for classes is required.

The law schools face one problem in the area of financial support which has had relatively little attention. In the major universities of the country, fellowships are readily available for very good students who seek to enroll in the graduate colleges. These funds may come from industry, from agencies of the federal government or from other sources, including the universities' own funds. Similar amounts have not been awarded to students in the professional schools, though recently some recognition is being given to the cost of medical education. In this connection, I am frequently dismayed to have a bright young man or woman who wishes to be a lawyer withdraw from law school to do graduate work in political science because my own university offers him a fellowship in that field. Thus, some of our promising applicants for law study are having their career choices affected by the availability of money.

All of us are now asking our alumni to contribute annually to provide more scholarship aid. You will be interested to know that our largest annual gift comes from a corporation which, I believe, is a member of your organization.

So I wish to say thank you, not only for our own school but also for law schools elsewhere for your example may induce individuals and companies to provide financial aid to those who will be the leaders of the bar in the future.

Though I have suggested that competition between disciplines for the best minds exist, students in even greater numbers are turning to law study. At the University of Illinois, qualified applicants for admission have increased three-fold in the last four years and there will be more next year.

Some schools now receive 10 applications for each place in an entering class and a ratio of five to one is not uncommon. Thus all of the principal law schools are being forced to select their classes and deny many applicants an opportunity for law study. Even with these expanding enrollments, the demand for able law graduates exceeds the supply.

To help close the gap between demand and supply, new law schools are being opened and many of the existing schools are increasing their capacities and are admitting more students. Among the interesting new law schools are the following: Arizona State University at Tempe, University of California at Davis, Florida State University at Tallahassee, and Texas Technological College at Lubbock. You will notice that all four of these are tax supported institutions. As the cost of legal education has gone up, private institutions have found it even more difficult to establish new divisions or to add to the size of existing law schools.

You are no doubt all familiar with the very great change in legal education in recent years, but as I look back on thirty years in teaching, I am amazed at the extent of the change. From a discipline which attempted to teach, to a large extent, the answers to essentially local private law problems, the schools have shifted to national and international problems and especially to the public policy aspects of all of the issues of the day.

I can best illustrate this from our own school. We have had a tradition of great teaching and research in the law of real property. The magnificant text on the Law of Oil and Gas by Walter Lee Summers and the writings on trusts and future interests of Merrill I. Schnebly were reflected in the classroom. But these contributions to the literature were largely legal solutions to legal problems. Presently, John Cribbet, Gene Scoles, and Sheldon

Plager carry on the tradition of teaching, but the research and writing have taken other directions. Land use planning, conservation and protection of our water resources, estate planning, elimination of the distinction in probate between real and personal property, condominium development and improvements in the process of conveyancing to remove limitations on alienability of land have recently engaged the attention of our staff.

Thus, as you all have responded to the needs of the day, as evidenced by the enormous growth of title insurance and improved abstracting, the law schools have adjusted to the problems of the profession and of society.

In conclusion, let me again express the appreciation of the College of Law of the University of Illinois for this splendid gift. It is a tangible expression of your concern for the future of the legal profession.

"ONCE UPON A PRESS RELEASE"

By JAMES W. ROBINSON

Secretary and Director of Public Relations American Land Title Association, Washington, D. C.

March 21, 1965, was not a particularly significant day in this turbulent 20th century. On that day President Johnson pointed with pride while certain members of the loyal opposition viewed with alarm. Television viewers were treated to a dramatic demonstration of glass stomachs and another which proved that clothes which are clean and white are not really good enough—they must also be bright. Cigarette smokers carefully avoided reading the inscription on the side of the package which told them something they already knew, that cigarette smoking might be injurious to their health. Skirmishes in Viet Nam resulted, to the surprise of no one, in the wounding and killing of a great many enemy soldiers while American casulatites were light.

All in all, it was a typical day in the United States — except for one important event. On that day the front page of the New York Times carried in full a press release of the American Land Title Association. On the following day, something unbelievable happened. More than 1,000 letters and postcards were received in the ALTA office asking for a new leaflet, "Seven Traps for Unwary Homebuyers." This was the beginning of something magnificent for ALTA members, for the association, and for the industry. The Washington Post carried the story the following week. United Press International rewrote the story and made it available to its subscribers throughout the country. At least three thousand newspapers and magazines have carried this story, and at this very minute (more than a year and a half later) we are still getting excellent coverage from this one press release.

This is only a part of the story. Many editors who received this press release wrote to the ALTA office informing us that they could not use the story but that they were interested in additional information. The results have been amazing.

The opportunities for favorable public attention through the device of a well written and properly distributed press release are boundless. Like every other facet of the American business world, communications has experienced a revolution. The stake in today's publicity is so fantastically great that it is far better to have one good news release than 100 mediocre ones. Radio and television networks; large national magazines; influential business newspapers; the resources of great news syndicates—all of these offer outlets where millions of persons can be reached by a single release.

The key world here is "good news release. What is there about one news story which captures the public imagination while another is lightly discarded? The answer is an attractive, intriguing, dramatic idea or theme that will command attention from the busy, harassed individual living in today's frantic world.

There has been some criticism not only from members of the legal fraternity but also from ALTA members of the spectacular nature of some of the press releases developed at the ALTA office. The "Seven Traps" theme; the "Battle of the Sexes" release, the emphasis on fraud, forgery and unusual losses some people feel is not truly representative of the dignified, serious, and highlv technical nature of the title evidencing pro-

fession. How True! But the most erudic presentation of technical data just simply isn't going to be read by the public. It isn't even going to get attention.

A distinguished editor, Mr. Robert Pipkins, who is responsible for the publication of American Legion Magazine, with five million readers, has summarized it very nicely. "Speaking to a well known writer," he said, "you may consider yourself an educator when you write for this vast audience. Actually, to be successful, you must think of yourself as an entertainer. You must amuse and capture the attention of people who are very, very busy. People who can quickly discard a magazine and turn on a television set, or go to the movies, or read a good book, or play golf, or do any of the other things which are competing for their attention. Any story to reach a mass audience must be so interesting, so amusing, so entertaining that a reader cannot put it down. If a reader can turn past an article without at least skimming through it, it is a failure no matter how well it has been researched and no matter how much educational material it might contain."

This doesn't mean, of course, that a good article shouldn't also be educational, but if it is going to be successful, it must first attract and entertain. With this in mind, we have developed, with the help of David Heller, who is retained by ALTA as part of our public relations program, some outstanding press releases. "The Battle of the Sexes" is the title of one news release which "rang the bell." "Lincoln Lost His Home Through Defective Land Titles" was the caption for another press release which made a hit.

This is only the beginning. There will be many more good releases, and we expect the cumulative effect to provide publicity value worth hundreds of times the cost of producing the releases.

But we must recognize that publicity is only one facet of public relations. A hunter carries more than one shell for his shotgun. The modern concept of public relations is all embracive and includes not only the other standard techniques such as advertising, movie production, direct mail and other devices, but also service to customers, employee training, telephone manners, annual stockholder reports —even the quality of a company's letterhead.

One highly important, but sadly neglected area of public relations, is the development of a positive sales attitude among the employees of title companies. Among our members we have some forty thousand employees, and each one of them should be a good salesman for the company, the industry, and the Association. What a golden opportunity is frequently missed because employees do not know the answers to routine questions and criticisms.

Very soon there will be made available a Manual of Public Relations for ALTA employees. I urge you to secure a copy for each employee who has any part in your company's public relations program.

In the meantime, my friends, we will continue to search for the dramatic press release that will capture the attention of millions; but we will also carry on a well-rounded, comprehensive program of public relations with special emphasis on training your 40 thousand employees to be better salesmen for the profession.

"POST TIME AT THE WASHINGTON TRACK"

By WILLIAM L. ROBINSON

Chairman, Public Relations Committee; Vice President, Burton Abstract and Title Company, Detroit, Michigan

You know, it seems to me that one Robinson on public relations ought to be enough for one morning, for one convention, for one meeting. However, I wouldn't want you to conclude from the rather provocative title assigned me on the program that the members of the public relations committee have been squandering their budget on fast horses and beautiful women. Actually it was the other way around, fast women and beautiful horses.

Of course, I am kidding. We really didn't spend much on the horses at all. To set the record straight, let me outline what has been done public relationswise this year and what we have to propose for 1967.

The major portion of the 1966 public relations budget was spent for the purpose of advertising space in the *Saturday Evening Post*. So far this year we have run six ads in the *Post*, which have reached a total circulation in excess of 25 million. Originally we had planned on nine or ten ads this year with an average circulation of approximately three million each. Since the circulation has run well above our original estimate, it now appears that seven or eight ads is all our budget will allow.

I understand the next ad is scheduled for the November 5 issue of the *Post*. Depending on the cost of that one, there may be one more before the end of the year.

As compared with the educational approach which was used in last year's ads, this year's *Post* campaign was purposely designed to increase readership, with the hope that the educating could be done in follow-up literature. Consequently, in each of these ads the reader is urged to write in for our important booklet, "ALT Answers Some Important Questions," and all of the ads carry a return coupon for that specific purpose.

To date, we have received more than 5,000 coupons from the six ads that have appeared thus far, and they are still coming in at a rate of more than 100 a week. Frankly, we think this is a pretty encouraging response and one which would indicate at least to some extent that our advertising campaign is on the right—Forgive the expression — track.

In 1965, as a part of our stepped-up public relations effort, the David Heller firm was retained to assist us in gaining favorable publicity for our industry. And as you know, as we were told this morning, their initial press release was a tremendous success and requests for it are still being received in Washington as that press release continues to be carried in various publications around the country. This year the Heller activities were expanded to include the preparation of several press releases and special articles, and again they made an outstanding contribution to our overall public relations program. Again they were prepared to send out three or four press releases on various subjects, all of which have been carried by a great number of newspapers and magazines throughout the country. Furthermore, every release sent out by the Hellers contains a memorandum for the editor, inviting him to request a specially written article for his publication. And we have already received something like 10 or 15 requests for such articles from a wide variety of publications scattered over a wide area.

When you consider that most of these editors get literally hundreds of press releases every month, the fact that they take time to write and ask for a story is, we think, pretty convincing evidence of the effectiveness of the Hellers' efforts.

And there have been some other pretty substantial results from the carrying of these press releases. For instance, Jim Robinson was invited to appear on a Washington TV program, and they requested him to do a six and a half minute tape for NBC's weekend radio program Monitor. *Good Housekeeping* magazine did carry a brief announcement to the effect that the ALTA had a free booklet available to the public; and would you believe that since that issue of *Good Housekeeping* appeared on the stands, we have had more than 4,000 requests for our publicity, specifically referring to the *Good Housekeeping* notice.

We are also told that both *Consumers Digest* and another magazine plan to carry similar announcements, and I imagine we can expect to achieve a similar response.

In addition to these press releases and special articles for national distribution, the Hellers have also been of invaluable assistance to Jim Robinson in preparing a variety of material for our own association. For example, they have written many pieces of short features, news, including a full-length article which will soon be presented, which would be of great help for the public relations program.

They have written a short speech which more than 100 of our members have already used in addressing local groups.

Perhaps the most significant single contribution made by the Hellers this year was their preparation of a specific article on closing costs for *Better Homes and Gardens* magazine, which is the recognized leader among so-called shelter publications.

As you may know from reading Jim's news letter, the submission of this material started a chain of events

which has resulted in not one but three excellent articles, all very favorable to our industry and all of which are scheduled to appear shortly in that magazine. Certainly the publication of even one favorable article in a magazine of such national stature would be a real feather in a public relations cap and would alone more than justify the annual retainer we pay the Hellers for their assistance.

I am also happy to report that our film distribution program finally seems to be getting somewhere this year. You may recall that it was three years ago the Board of Governors authorized the purchase of 20 prints of an ALTA movie, "A Place Under the Sun." These were turned over to the Association Films, Inc., for distribution to television stations. It was hoped we could get perhaps a hundred TV showings at a cost to us of no more than $1,500. Unfortunately, the results during the first two years were rather disappointing, largely because of the rather keen competition for free television time.

So this year we tried a new plan of distribution which, in addition to the TV showings, also included showings at the airport terminal, viewings at meetings of various organizations, and that sort of thing. So far, the results have been pretty gratifying. Since January, under this new plan, the movie has been shown more than 200 times, and the number of showings is increasing monthly.

Somehow, even with all these various things, Jim and his staff has still found that to produce a product of professional quality for the use of our people is no simple process. Something like the new public relations manual, for example, a newly-revised edition of the pamphlet entitled How to *Obtain an FHA Loan*, and a brand new brochure entitled *How to Get the Most for Your Money When You Buy a New Home*. All of these we hope to have in print by the end of this year.

Finally we tackle the problem of making the recommendations for next year's public relations program. We started by taking a long hard look at our consumer advertising campaign. We carefully evaluated the results of these past years, thoroughly explored the possibility that perhaps some other publication might be a better investment for the price; and we deliberated at some length as to whether or not some completely different program might be more effective than direct consumer advertising. Nevertheless it was our unanimous conclusion that consumer advertising is still a must and that the *Saturday Evening Post*, with its reduced remnant rate, is still by far the best buy, permitting us to reach the greatest number of consumers at the least cost. Therefore, we recommend that our consumer advertising be continued in the *Post* during 1967.

However, in anticipation of a reduced overall association budget, it is the feeling of the committee that the advertising expenditure ought to be proportionately curtailed. Conquently, we recommend next year's campaign be limited to four or five ads at an estimated space cost of $20,000 plus an additional $4,000 for production costs.

Certainly the Hellers' contribution to our public relations effort has been of immeasurable value, and we are sure they will continue to generate publicity far out of proportion to the cost involved. Therefore, we recommend they be retained again next year for the same $7,500 fee.

Inasmuch as we already have a substantial investment in movie prints and in view of the greatly improved distribution achieved this year, we recommend that the film distribution program also be continued in 1967 and the $1,500 again be set aside for distribution costs.

In 1966, following a custom of several years' standing, $3,500 was allocated to trade journal advertising and full-page institutional advertisements were placed in a half dozen trade publications such as the *Mortgage Banker, Realtor Headlines*, and so forth. We recognize that a certain amount of goodwill is engendered by this advertising. It has little, if any, public relations' value; and in a reduced budget year, we didn't feel we can justify spending money on anything that doesn't have an effective public relations' purpose. We therefore recommend that this advertising program be temporarily discontinued.

Finally, the committee feels that some provision should be made in the budget for the production of follow-up literature. Initial publicity, no matter how expertly contrived, loses a good deal of its effectiveness if there is no follow-up. And a lot of time, effort and money has gone to the production of various books, pamphlets, and brochures for this particular purpose; such as "ALTA *Answers Some Important Questions*" and this new

brochure currently in processing.

In the past, the cost of producing this material has been charged to a permanent revolving fund which was originally set up for the purpose of providing promotional items to ALTA members. However, in view of the tremendous increase in volume necessitated by our national advertising and numerous press releases, the committee feels that this cost ought properly to be a part of the annual public relations' budget. Therefore we recommend that some $5,000 be allocated to the production of educational and promotional literature to be distributed as part of the entire public relations' program.

Summarizing briefly, we have recommended a total budget for 1967 in the amount of $39,000; made up of $24,000 for consumer advertising, including production costs; $7,500 for the Hellers' services; $1,500 for film distribution; $5,000 for promotional literature, and $1,000 for miscellaneous expenses.

We are certain that with the well-considered use of this money, next year's committee can continue to increase the effectiveness of our total public relations' effort and can provide a really outstanding program for 1967. Thank you very much.

"THE OUTLOOK FOR HOUSING AND MORTGAGE FINANCE"

By OTTO L. PREISLER

President, Home Federal Savings and Loan Association of Chicago, and Nominee for President of the United States Savings and Loan League, Chicago, Illinois

It is a pleasure for me to be with this organization today. We in the savings and loan business and those of you in this audience have a great common objective of securing and strengthening real estate property rights in the United States. Our two businesses are major and indispensable elements to the home-ownership movement in the United States which is a stabilizing and distinguishing characteristic of this great nation of ours.

For many years, of course, I have had an acquaintanceship with your work but it has only been the last couple of years that I have had a chance to gain a closer insight and better perspective of your endeavors in my capacity as a director of the Chicago Title & Trust Company, Chicago Title is a dynamic and aggressive organization and it has been a privilege and opportunity for me to serve on this board, particularly during a challenging period for the housing and real estate markets.

Your convention comes near the close of the year which has been, to say the least, a turbulent and uncertain year for all those associated with housing and real estate. It has been a year when the biggest news story on the business scene has been "tight money." It has been a year when home building has suffered a substantial drop and real estate transfers in many communities have sustained a similar decline. It has been a year which has seen, parodixically, a depression in housing and real estate at the same time the major domestic problem has been inflation. Finally, it has been a poor year, when measured with the standards of other years, for those of you in the title insurance business and those of us in the savings and loan business.

Over the past year, as I have served as an officer of the United States Savings and Loan League, I have had the assignment of speaking to a good many savings and loan groups and these speeches have generally struck a fairly unhappy note. It is something of a refreshing change, therefore, for me to appear before this group today and report that after nearly a year of unsettled conditions, widespread confusion, and deep apprehension on the part of most elements of the housing industry, we now seem to have reached a turning point. If the outlook is not exactly buoyant, it is still considerably better than it has been since the start of the year.

The recession in the housing business in 1966 has stemmed basically and primarily from the fact that the United States has sought to rely al-

most exclusively on high interest rates to combat a war-bred inflation. Only in very recent times have the policy-makers in Washington recognized that this one-weapon strategy is certainly inadequate to contain the price pressures developing as a result of, first, a tremendous military build-up in South Viet Nam, second, an enormous and unprecedented expansion of plant and equipment expenditures, and, third, a strong demand for credit which has far outstripped the availability of credit.

The shortcomings of sole dependence on monetary policy to restrain inflation have been apparent for some time. The escalation of interest rates produced by this policy has brought a very substantial shift of funds from savings institutions to the open market and to different types of financial institutions.

As an illustration, the savings and loan business gained only $600 million in the first seven months of this year, more than 80% below the same period last year, while the commercial banks showed a gain of about $9.6 billion in time and savings deposits, just about 16 times the gains in our institutions. As an outgrowth of this striking change in the disposition of savings flows, we saw a sharp expansion in business loans on the part of commercial banks, and a very sharp decline in the availability of funds for housing and other construction from savings and loan institutions.

Although savings and loan institutions were confronted with stiff competition from commercial banks, this was by no means the only type of serious competition we faced. There was, and is, major competition from corporate bond offerings, Government securities and Government agency obligations. Because of this variety of competitive circumstances, the savings and loan business has been confronted throughout 1966 with a declining rate in savings growth and heavier demands for mortgage loans than we have been able to meet.

The sharp cutback in savings gains of savings and loan institutions in 1966 provided the financial catalyst for the recession which has hit home building and real estate. You can get some appreciation of why the title insurance business is off when you compare the supply of loan funds available from savings and loan institutions in 1966 as compared to 1965. For example, in 1965, the savings and loan business had total available funds for mortgage loans of nearly $24 billion, including a gain in savings of $8½ billion, loan repayments of $15 billion, and increases in Home Loan Bank advances of $800 million. In sharp contrast, as nearly as we can estimate it at this time, the supply of loan funds this year from savings and loan institutions will be a little more than $17 billion, including an estimated net gain in savings of $2¾ billion, loan repayments of about $13 billion and a gain in Home Loan Bank advances of $1¼ billion. These figures reveal and reflect why there has been such anxiety in the housing and real estate markets this year. Certainly they demonstrate that a period of literally no growth in the savings and loan business means a period of deep recession in the "housing business."

It seems to us, however, that the environment in which the savings and loan business operates is on the verge of showing some improvement which, in time, should begin to reflect itself in an improved supply of funds for the home mortgage market.

In the first place, and perhaps most important of all, the National Administration apparently has reached the decision that this country is really at war and that the economy should be operated with more consideration for the defense expenditures and manpower demands that are an essential part of a war effort. Recognizing the obvious strain the war was producing on our physical and credit resources, the United States League last march recommended that the anti-inflation program of monetary policy and high interest rates be supplemented by fiscal measures, including programs designed to cool off the fantastic and inflationary boom in expenditures for business plant and equipment. It is true that the proposals now moving through Congress to suspend the investment tax credit and to reduce depreciation allowances will not have any immediate effect and they may, in fact, even contribute to slightly greater pressure on interest rates over the next few months because the reduction in depreciation write-offs will influence the cash flow available to some corporations. Nevertheless, even if it will take sometime for these measures to be felt in business spending they are of great importance because they appear to demonstrate that the Administration has recognized that fiscal measures are part of any successful anti-inflation program.

If the decision on the investment tax credit and depreciation allowances is a signal that the Administration has decided to deal more forcefully with inflation—and I believe this is what these proposals signify—then we should be at, or close to, the peak of high interest rates. Or, to put it another way, the competitive pressures on the savings and loan business and the mortgage market should be at their peak and should not become any more intense in coming months. On the contrary, they could lessen in the next few months.

This slightly optimistic appraisal is based, I hasten to add, on the assumption and expectation that there will be no major escalation of the war in Viet Nam. If this assumption is valid, then the record advance in expenditures for new plants and inventory accumulation will level off in 1967 and possibly even diminish, and consequently, there should be some easing in the demand for credit, particularly commercial bank credit and some easing in Federal Reserve Monetary Policy.

On the other hand, a further substantial build-up in Viet Nam probably will mean that home building will be put "on the shelf" for the duration of the war and the concern so evident in Washington about the welfare of housing in recent months will evaporate. A third possibility is a cessation of hostilities, an armistice of some type which would mean, I believe, a rapid and substantial easing of monetary policy, a drop in interest rates and considerably less competition for savings from banks and other forms of investment.

The mortgage market outlook is, therefore, considerably dependent on what happens in Viet Nam.

In retrospect, historians will probably record that the decision of the Johnson Administration to move into the fiscal area to combat inflation dates from the vigorous and outspoken criticism of high interest rates by former President Truman. Not only did Mr. Truman's statement probably tilt the scales in the direction of some fiscal action but it also crystallized the determination of the Congress and the Democratic Party to do something about high interest rates and the shortage of mortgage credit. This general sentiment not only resulted in the tax credit and depreciation allowances, but also in an all-out drive by the Administration for legislation giving the Federal Reserve greater flexibility in setting ceilings on time deposits and, for the first time, vesting discretionary rate control authority in the hands of the Federal Home Loan Bank Board.

The upshot was a one-year interest rate and dividend rate control bill which sailed through Congress and was implemented recently by the various financial agencies.

Now we have dividend rate controls by statute and we have the ceilings that have been announced by the Federal Home Loan Bank Board. The reaction of most savings and loan people to the package of ceilings announced by the Federal Home Loan Bank Board has been generally favorable and that, as a temporary program to avoid excessive competition for savings, the controls will prove helpful. One of the problems with rate ceilings, however, is that the "ceilings" tend to become "floors" and we have seen increases in dividend rates to the maximum levels permitted under the regulations in some areas, including the Chicago area, where until recent weeks we had averted the kind of savings "rate war" which has plagued other sections of the country. Beyond this reservation, I have the feeling that most savings and loan people believe that these new ceilings have considerable flexibility and are far from oppressive as presently drawn.

Perhaps most significant is that a rate differential, though slight, was agreed upon between the Federal Reserve and the Federal Home Loan Bank Board. In the discussions in Congress there were several expressions of hope that the Federal Reserve would see fit to restore the traditional rate differential between savings and loan associations (as single purpose lenders) and commercial banks and we are pleased that this expression was acknowledged in the consultation between the various financial regulatory agencies. As might be expected, the reaction of the commercial banking business has been generally hostile to the establishment of this differential and I think we have to anticipate that there will be some open as well as intensive behind-the-scenes work to eventually erase this differential when the current period of "tight money" is passed, if not before.

For the time being, however, it does establish a meaningful precedent and, as I say, this differential probably is the most important part of the series

of arrangements made by the Washington agencies.

The recognition by Washington officials said that the availability of funds for housing had been cut back far too drastically and abruptly is the common thread which runs through much of what has been done in Washington recently to improve the prospects for housing and real estate. This recognition explains the beginning of the Administration's efforts to supplement monetary action with fiscal action. It explains the vote of the Congress to expand the mortgage purchasing power of the Federal National Mortgage Association, although it is questionable just how much additional money will come in to the market via Fannie Mae. It explains the interest rate hikes on FHA and VA loans. It explains the willingness of the Federal Reserve to reduce the maximum rate on so-called consumer time deposits. Finally, it explains the vote in the House of Representatives to increase the maximum coverage on insured savings accounts above the present $10,000 figure. Incidentally, we believe that the increase in insurance coverage, if it is upheld in the Senate-House Conference, will probably produce more additional funds for the mortgage market than any of the other actions taken to date.

Overall, we have the feeling that there should be some gradual improvement in the supply of mortgage funds available from savings and loan associations next year, principally as a result of some improvement in the flow of savings into our associations. Savings gains of roughly two and three quarters billion dollars this year are expected to rise to between $4 billion and $5 billion in 1967. As time moves on, and unless money becomes easier and interest rates fall, we will see more and more associations moving in the direction of the maximum rate ceilings permitted by the Federal Home Loan Bank Board. Because the maximum ceiling permitted on savings certificates for associations outside California is the same as the maximum passbook rate permitted for California, probably the gains across the country will be relatively uniform, although this depends, of course, on savings rates paid in various localities and on local mortgage demand.

To some extent, the increased gain in savings will be offset by the fact that we expect little additional expansion in funds through the Federal Home Loan Bank system, in part because this system, just like Fannie Mae, must have Treasury Department clearance in the amount of obligations it can float in the general money market. Treasury Secretary Fowler, as most of you know, indicated recently that in order to relieve the pressure on interest rates, there will be some slowdown in the amount of Agency offerings. Most savings and loan associations, therefore, are not counting on much in the way of additional money from the bank system beyond the "roll-over" of existing advances. With bank advances now bearing a 6% interest rate, some savings and loan people would be reluctant to borrow even if more funds from the bank system become available. Of course, any developments in the direction of easier money and lower interest rates would probably mean some improvements in the supply and the cost of Home Loan Bank credit.

All in all, however, we are more optimistic than we have been for some time as we look forward to 1967. It is true the housing start statistics early next year may prove considerably worse than in recent months because the recent slowdown in loan commitments then will be indicated in new starts. Nevertheless, we feel the stage is being set for an improvement in the housing and real estate prospects in the second half of 1967. This optimistic forecast, again, must be qualified, as all business forecasts must be qualified today, by the course of the war in Viet Nam.

Every American looks forward to the end of the war and everyone in our business believes that the cessation of hostilities would improve savings and loan prospects and prospects for the mortgage market. We believe the end of the war should usher in lower interest rates and easier money but this optimistic view is clouded to some extent by the fact that peace in Viet Nam does not necessarily mean an end to the chronic problem of a deficit in the balance of payments and a continued drain on our gold supply. If this balance of payments deficit continues, if our gold reserves continue to shrink, the Federal Reserve may feel compelled to maintain high short-term interest rates in order to avoid a retreat in foreign investments from the United States. If short term interest rates continue at a high level indefinitely beyond the conclusion of the war, then this poses some serious and permanent problems for the savings and loan business and for the

housing industry in general.

There have only been two periods in our lifetime when short-term interest rates have been higher than long-term rates: one period being the 1920's and the current period in which we are now in. If this is a permanent problem, it means that the cost of long term mortgage credit may be maintained at its current high levels or may even increase still further although there is already some resistance to high mortgage rates on the part of American home buyers.

Those of us in the housing business today are concerned with the immediate problem of trying to develop some recovery out of the current recession in which we now find ourselves. While this immediate problem will continue to be uppermost in our minds, it does no harm to suggest some thinking about what the longer-term impact on the housing business would be if the cost of mortgage credit is maintained at current abnormally high levels. There would then be involved questions of customer and borrower relations as well as statutory limitations on mortgage interest rates. Establishment of a permanently higher plateau of interest rates would also require complete studies of our mortgage instruments so as to open the way for automatic upward or downward revisions in mortgage rates.

Very possibly these considerations may be theoretical; possibly, too, they may not. For better or worse, Federal Reserve monetary policies and interest rates are interwoven with American foreign policy and international relations, including economic and military assistance. American home buyers may find it difficult to understand that the interest rate they pay on their mortgage is influenced by foreign policy decisions, but there is a connecting link.

Today I have tried to sketch broadly the outlook for housing and mortgage finance. As these remarks have indicated, the outlook is for some slow and gradual improvement—barring an escalation of the Viet Nam war—and for possibly some substantial improvement if the war is concluded. Whether the recovery from the 1966 housing recession is slow or swift, all of us can draw comfort from remembering that every house or apartment not built this year will build larger and stronger markets for tomorrow.

"AH, WILDERNESS"

By LLOYD HUGHES

Chairman, Council of Past Presidents; Sr. Vice President, Transamerica Title Insurance Company, Denver, Colorado

You all know by now about Don's not wanting the word "report" to appear on the program of this Convention. The day his letter arrived advising me of this, the Wall Street Journal carried a Front Page Article under the headline "Ah, Wilderness". It struck me as an appropriate title for my remarks on the Past Presidents' Council. I sent it in, and ever since, I have been realizing that it's going to take a little doing to work up to that title, but I will — and Don, I'll do it within ten minutes.

The Past Presidents' Council sends greetings to all and our thanks for your continuing support of ALTA — and its outstanding President this year. Don and our other officers and other good friends here in Florida have certainly provided an excellent program for this convention — both business and social. In reverse, so to speak, I can describe the Past Presidents here in Florida as being as sprightly a group as you would ever want to see.

Now, if you will bear with me, I want to try to lead up to my chosen title with a few coincidents that are responsible for my speaking to you this morning. In the first place, like David Copperfield, I was born — Not a coincidence, but coincidental with the founding of ALTA in 1907. We will both be 60 in '67. Secondly, I was elected Chairman of the Abstracters' Section here in Miami Beach just ten years ago, which led to the honor you gave me of becoming President of our Association in 1959, just before the 60's. In the remaining few minutes I want to talk about the Surface, the Substance and a Slogan of the 60's.

In the fall of 1959, the anticipation of a new decade prompted a look to the future, and a publisher invited several presidents of national associations to write on the subject "A Preview of the 60's". The consensus of the articles submitted was that the next decade would go down in history as "the fabulous 60's". There was a feeling that, after the first 59 years of

the 20th Century, during which we put two world wars to bed, survived a great depression and spawned the atomic age, it seemed possible that at last we might begin to reap the rewards of our trials and get some good out of what we hoped we had accomplished. What happened? Things were on the fabulous side for five years. Everything that was big got bigger — populations, corporations, private incomes and even the United Nations, and what didn't get bigger in size, grew bigger in quantity — televisions, transistors, horse power, etc. The beginning of the 60's was great, but we know now, that what we wrote in 1959 was really only a preview of the Surface of the 60's. The Substance of the 60's appears different.

What had been boiling up from below for a few years before 1960 has now broken through the surface and has spread itself over everything. We have heard it referred to many times during this convention. It is, of course, the revolution of automation —data processing, if you please. Automation that is supposed to help you think, not do away with thinking. Brains have to learn how to use these machines. The 3 Cs of computers — Communication, Computation and Control cannot do away with the 3 Rs anymore than the Industrial Revolution did away with muscles. This revolution is the Substance of the 60's. It makes the difference between what is behind us and what is ahead of us. Most of us benefit from the use of these machines every day, more than we realize, yet their use is only getting started.

Youngsters know this — youngsters like we had on the program here Monday afternoon. They have studied these machines, learned how to operate them and learned from them. Those on our panel Monday referred to automation with knowledge. I wish more of you could have heard them. It's youngsters like these, who have grown up with these machines, that have come up with the Slogan for the 60's: "I am a human being; do not fold, bend or mutilate". One bright high school senior last year put it another way to his teacher, but with respect: "I know where I'm going, it's you who don't know where you're going". "Ah, Wilderness" when it was first written as a play in 1930 was aimed at youth — it may be that in 1966, it is still aimed at exactly the same people, but we are older now.

Thanks for putting youth on our program, Don, and others besides me hope they will stay there. As for you, Sir, you're darn soon eligible for our Council, and we want you to know that you will be most welcome.

"THE POWER OF A GROUP MIND"

By VICTOR W. GILLETT

Chairman, Meeting of Affiliated State Title Associations; President, Stewart Title and Trust of Phoenix, Phoenix, Arizona

Ladies and gentlemen of ALTA. The human brain. We have seen the functions that the human brain can perform here, as illustrated by Shorty Powers this morning. It is the most magnificent bit of miniaturization in the world. It only weighs three pounds. To equal the many functions that the brain performs, you have to have an electronic computer that would be equal in size to the entire surface area of the earth. When people try to solve a problem, the brain functions by using past experience or stored knowledge, and a solution is usually found which seems to many to be very obvious. Some call this using common sense. One time there was a truck stuck in an underpass, and many of the onlookers had ways to advise to remove the truck from the underpass. One man said "Get a truck in front of this one, hook a tow rope on it, and we will pull it out." This didn't work.

Another onlooker said, "Let's chip away the top of the underpass." This was not allowed because it would weaken the underpass.

Finally, a little child that was standing there watching all this went up and said, "Say, mister, why don't you let the air out of the tires?"

We can see where the brain and the functions of the brain stores knowledge deep down. And when groups of

people are quartered together in brainstorming sessions, ideas that no one thought of are unleashed.

In our meeting of the state association held last Sunday afternoon we had a real good brainstorming session. Fifty-one people from 30 affiliated states and two regions were represented at this meeting. Time will not permit a detailed report of what we discussed at this meeting, but very quickly I will summarize for you.

A question was asked "which days are the best days for having our state title convention?" It was a clear consensus from all those present that the latter part of the week was the best time.

The Model ALTA Title Code. Different states have been trying to get these introduced in their own states. The consensus of the group on this subject was that it is difficult to get the entire Code as an entirety introduced in the legislature and passed, but if you took it part by part you were much more successful. Also, education of your legislators as well as education of our own industry is very important to see a successful passage of state legislation.

People from Pennsylvania wanted to know how often our state bulletins are sent out. About half said they sent them out monthly, and about half said they sent them out bimonthly.

Pennsylvania is attempting to get a title course started in the different schools in that state. The University of Idado has a full curriculum, which is the first in the country, in a school of business administration at the University of Idaho.

People from California tell us that the University of California in Berkeley is working on correspondence courses that will be available to the general public in both California and any of the other states, and this should be ready in 1967.

Institutional advertising we found was being done, some by the state associations and some by individual companies. Also the subject of unauthorized practice of law was discussed by several states. In this group of title men representing your different state associations we had a good interchange of ideas from all parts of the country. It was certainly an honor for me and for my company to be asked to preside as chairman of that state officers meeting on Sunday.

I would like to call for just a second on your group minds here in this room to think about the future of our title industry. One of the most frustrating jobs today is to be a title officer or an escrow officer operating in your community. You have the buyer and the seller, the real estate man, the attorney, the mortgage man and the builder, all asking you to hurry up and close this deal, waive that requirement, cut the fee, cut the corners. In our own state of Arizona in the last two years I am very unhappy to say we had an underwriting company and an agency for a nationwide underwriter go out of business. This was because they cut the corners. With the Bar-sponsored title funds as a threat to us, the government increasingly getting more and more into our industry, I think that we all certainly should be alert to changes and should continue to move rapidly when we see a problem approaching. And I think that out era in the title business today is very much like pioneers who sat around a campfire when the calvary scout said, "Listen, it's too quiet!" Thank you.

"CONFESSIONS OF AN ORGANIZER"

By ANDREW A. SHEARD

Chairman, Committee on Membership and Organization; Vice President, Title Insurance Corporation of Pennsylvania, Bryn Mawr, Pennsylvania

I should tell you this morning that I feel I am on a platform under false pretenses. The extra effort directed towards increasing ALTA membership was not made by the Membership and Organization Committee and not by me but by our national president, Don B. Nichols. Don established the formation of the Affiliated State Title Association and a stimulation of membership applications as one of the principal goals for 1966. In fact, you have already heard from Don regarding the most encouraging success in launching the Carolina State Title Association and the Dixie Title

Association, both of which have adopted constitutions, elected officers, and have applied for affiliation with ALTA.

In spite of my apparent inaction, however, I welcome this opportunity to speak to you briefly about ALTA and its members because I feel it is vital to emphasize the importance of membership in this association. Perhaps you will remember, it was not too many years ago that membership in ALTA was almost automatic. Certainly in those states where there was an affiliated state title association, every applicant was routinely accepted by the Board of Governors without question. At the annual convention in Philadelphia in 1964 the Constitution and By-laws of ALTA were amended to provide that every application for a membership must be presented to the Executive Committee and to the Board of Governors and must meet certain rather rigid requirements.

Finally, after all these years, ALTA membership has become more meaningful; and this is as it should be. The extent of services provided by ALTA to its members has expanded tremendously in recent years. The prestige and influence of the organization has been greatly enhanced by reason of its transfer to the nation's capital, by its close cooperation with government agencies and related professional groups; by the vast expansion of individual services to the members, with which you are all familiar.

This establishment of rigid standards for membership has had its impact. Abstracting firms and title insurance companies having little enthusiasm a few years ago regarding ALTA membership are now clamoring to get in. Not all of these are successful. For example, the recent mid-winter conference in Chandler, Arizona, where the applications of 24 individuals and corporations were presented to the Board of Governors for action. Only 17 were approved. The others were either rejected or deferred pending further investigation.

At this 1966 convention, 26 membership applications were approved, 11 were rejected or deferred; two new regional associations will be approved for affiliation, if constitutional provision amendments are adopted.

You may be interested to know that every application for ALTA membership undergoes the scrutiny of the staff, each member of the Executive Committee, and each member of the Board of Governors. When an application is received at the national office, it is reviewed by Jim Robinson; and if it is not complete in every detail, additional information is requested from the applicant. Five references are contacted by mail requesting information about the applicant. If the applicant is domiciled where there is an affiliated state title association, the secretary of the state association is asked to verify the applicant's membership. A financial statement which is appended to the application is reviewed. Xerox copies of all applications and supporting documents are sent to each member of the Executive Committee approximately one month in advance of the committee meeting, then approved by the Executive Committee and the Board. Bill McAuliffe writes a letter of welcome, enclosing a membership certificate, current copies of *Title News*, samples of association material, and an invitation to participate in the affairs of ALTA.

His name is added to the mailing list and of course to the dues book, and he begins to receive frequent communications from the national office.

We have come a long way from the days when membership in ALTA was accepted with a shrug. It is now a valuable device in the firm's business life. I recommend that future chairmen of the Membership and Organization Committee strive to keep it that way.

PROPOSED AMENDMENT TO THE ALTA CONSTITUTION AND BY-LAWS

Submitted By Chester C. McCullough

Chairman, Constitution and By-Laws Committee; Senior Vice President, Chicago Title Insurance Company, Chicago, Illinois

It was moved and seconded that Section 2, Article III of the Constitution and By-Laws of the American Land Title Association be amended to read as follows:

AFFILIATED ASSOCIATIONS:

With the approval of the Board of Governors any state, regional or territorial association of abstracters or of title insurers, or of both abstracters and title insurers but not more than one such association representing either such group in any state, region or territory may affiliate with this Association. (Region, as used herein, shall mean two or more states forming a continuous geographical area.) Its application for affiliation shall be accompanied by a certified copy of its constitution or articles of association or incorporation and of its by-laws, together with applications of those of its members in good standing who or which have applied for membership in this Association and a certification of their eligibility for membership therein. Any affiliated association may, at its option, undertake to collect and remit membership dues in this Association of those of its members who are or become members of this Association, and may also, at its option, require as a condition for membership therein or in this Association that a prospective member having his or its principal place of business in the state, region or territory represented by such association be or become a member of both associations, but such requirement shall not affect membership in this Association of any existing member or of any prospective member who, by reason of multiple state or territorial operation, may be eligible to apply for membership in this Association from another state, region or territory. A member of such affiliated title association without full voting right therein may not, unless otherwise eligible, be elected to active membership in this Association.

CARRIED UNANIMOUSLY.

REVIEW OF THE PUBLIC LAND LAWS

By H. EUGENE TULLY

Chairman, Special Committee on Public Land Laws; President, Washington Title Insurance Company, Seattle, Washington

Public Law 88-606 (approved September 19, 1964) established the "Public Land Law Review Commission," the broad objective of which is to report to the President and the Congress with recommendations of those actions, administrative or legislative, which should be taken to assure "that the public lands of the United States shall be (a) retained and managed or (b) disposed of, all in a manner to provide the maximum benefit for the general public."

Under the Act "public lands" are defined as including all of the public domain of the United States, reserved

or unreserved (but excluding Indian reservations), all national forests, wildlife refuges, game ranges, mineral interests reserved to the United States in land transferred to private ownership, and mineral resources of the outer continental shelf. The study therefore involves well in excess of 700 million acres and it has been estimated that approximately 5000 statutes (and the manner in which they have been administered) are thus brought within the scope of the Commission study.

The Commission is made up of nineteen members. Six are appointed by the President of the United States, six by the President of the Senate, and six by the Speaker of the House of Representatives. The nineteenth — the Chairman — is selected by the first eighteen.

Congressman Wayne Aspinall of Colorado is the Chairman of the Commission and Mr. Milton A. Pearl is the Staff Director.

An Advisory Council, appointed by the Commission, is composed of 25 members representing diverse groups having an interest in public land use and adminstration. Federal departments and agencies, and the governors of the states, have also appointed representatives to work with the Commission and Advisory Council.

The report of the Commission is to be filed by December 31, 1968. Congress has provided a budget of $4 million to complete the work.

Mr. Pearl has said that the Commission's "first job is to see where we've been, then to see where we are and the final stage of the study is to decide where we ought to go." In connection with the first step, Dr. Paul Wallace Gates of Cornell University has been commissioned to write a history of the development of policy relating to the public lands.

The Commission and the Advisory Council met in March in Washington, D.C. The presentations at that meeting produced a number of suggestions of topics warranting detailed study by the Commission staff. Similar meetings have since been held in Salt Lake City, three cities in Alaska, Boston and Denver. Additional regional meetings are scheduled.

The work of the Commission is obviously of interest to all of us as citizens concerned with administration and use of the vast public land area and public land resources of the United States. In the field of our specific interest as an industry, however, it does not appear at this stage that the work of the Commission will have great impact. Of the 27 papers presented at the Commission's March meeting, for example, only one included an express suggestion that improvement in the public land records, in the system of recording notice of rights in public lands, and in relating federal recording practices to state recording statutes were subjects meriting detailed consideration by the Commission staff. Considering the scope of the Commission's assignment, and the time and budgetary limitations imposed, it is probably proper that all other presentations and suggestions dealt with broader policy questions of classification, use, exploitation or preservation of public lands and resources.

The Committee has taken no action this year other than to gather information regarding organization of the Commission staff, its proposed procedure in carrying on the study and the results of the Washington meeting and the regional meetings. In accordance with its instructions, the Committee remains on a "stand-by" basis and will promptly report to the Board of Governors any development deemed important to the membership of this Association.

H. Eugene Tully, Chairman
Frank H. Benecke
Ernest J. Billman
Carleton L. Hubbard, Jr.
Francis J. Morrato

"A TATTERED AND TORN DOCUMENT"

By G. ALLAN JULIN, JR.

Chairman, Directory Rules Committee; Senior Vice President, Chicago Title and Trust Company, Chicago, Illinois

Many weeks ago I received a letter from President Don Nichols asking that I be prepared to address this convention this afternoon, and suggesting that on the program for the convention my talk be carried under the

title of "A Tattered and Torn Document." I immediately wrote Don, told him I would be very happy to present my report, and that I thought he had a rather interesting suggested title for it. As has probably been the case with many submitting reports to this convention, I then promptly put aside the matter of preparing my report until not too long ago.

When I finally got down to determining what I was going to say to you I began to wonder about the title that had been assigned to my report. A tattered and torn document? Checking my indispensable thesaurus, I found that other words for "tattered" are "ragged", "frayed" and "frazzled." For "torn" I found such words as "mangled", "mutilated", "divided", "disunited" and "irreconcilable". Having been active on the Directory Rules Committee for several years now, I almost felt a touch of resentment at having the Directory Rules, as a document, described as being either "disunited" or "ragged". And I know that the many members of the committee with whom I have worked on the rules over the years would equally disagree with such a description.

It is true that, as in the past, our present committee is divided, but this division is only geographical, for we have had unanimity in our conclusions in every single case. We are divided only in that the committee consists of myself in Chicago; E. A. Bowen, Jr. of the Beach Abstract and Guaranty Company in Little Rock, Arkansas; Roy P. Hill, Jr., of The Title Guaranty Company of Wyoming, Inc. in Casper, Wyoming; Frank T. Summerson, of the Summerson Abstract Company in Hoxie, Kansas; Joseph G. Wagner, of the Lawyers Title Insurance Corporation in Denver, Colorado; and Carl E. Weidman of the California Land Title Association in Sacramento, California.

Now as to the Directory Rules being ragged, frayed and frazzled, they really haven't remained unchanged long enough for this to happen! Our present rules were adopted on March 6, 1963, were amended March 11, 1964, and were again amended in March of 1965. So that each year for the past three years a new set of rules has been distributed. And what's more, I am going to propose still another amendment today. But before doing so, I would like to make a few comments concerning our directory.

The rules governing its production have to accomplish several things. First, they must have a certain degree of flexibility which permits the application of common sense to meet the many problems arising in the course of directory production. Secondly, the rules must take into consideration the very important role played by the various affiliated title associations and their right to have a voice in the manner and form of directory listings in their respective portions of the ALTA Directory. Thirdly, we had to strive for simplicity in an attempt to so streamline the rules that the ALTA Directory, an important publication of the association, could be published attractively, accurately, economically and expeditiously.

With regard to expediting the production of our directory, the most recent amendment in March of 1965 eliminated the sending of galleys each year to the secretaries of the various affiliated title associations and to the home offices of title insurance companies with many branches. I have been told by our staff in Washington that this streamlining has, indeed, been of material assistance in the production of the directory, and has helped eliminate considerable time in readying the final copy.

For the past two years the copy for the directory was stored on electronic tape which was later fed into a Photon machine which translated the information contained on the tape into standard type. You may well remember Jim Robinson's report in which he disclosed to the association the almost hilarious nightmare of problems that arose and that placed a heavy burden on our staff. In producing the 1967 Directory, standard type setting methods will be employed. While this will incur some slight additional production costs it will result in a saving in clerical time, will minimize delay and remove many annoying problems for our staff.

In commenting on the production of the ALTA Directory, you may or may not have an idea of the number of directories that are produced each year. In 1966, for example, 10,000 copies were printed. Of the 10,000 over 4,000 imprinted copies were ordered by 110 members. This, of course, requires special handling. 100 of our members ordered a total of almost 1600 directories without the imprint. Hundreds of copies were distributed free of charge by our ALTA staff to government officials, legal counsel for oil companies, and other potential customers of title services who had requested them. And, at the present time, only a limited supply of the 1966

Directory is still on hand at the office in Washington.

Our Directory is not an inexpensive proposition for the association. The total production in 1966, for example, came to almost $11,000, which included the cost of imprinting the various sets and also the cost of shipping and handling. The sale of extra copies brought in revenue exceeding $4300. So that we had a net expense to the Association for the 1966 Directory just slightly in excess of $6500.00.

Each year our Washington staff has attempted to make the current directory an even better one than those in preceding years. I think that you will agree that the 1966 Directory is the best produced yet. It's binding permits it to lie open flat, it is very readable, and for the first time has the fast finding Edge Index on the last page. We on the committee think that Jim Robinson and all of the others in the Washington office are to be complimented on the manner in which they continually improve the final product.

And now down to the real business at hand. I have already referred to the role played by affiliated title associations in determining the content of our directory. The amendment to the rules I said I would propose today concerns the affiliated associations.

You have learned that two new associations have been formed this year and that they are seeking affiliation with the American Land Title Association. These are the Carolinas Land Title Association and the Dixie Land Title Association, representing a departure from custom inasmuch as they comprise membership in more than one state. In order to provide for the affiliation of these two new associations with ALTA, this morning you approved the constitutional amendment which permits regional title associations to affiliate with the national association.

This, of course, has some implications with regard to the directory rules inasmuch as in their present form those rules refer only to "affiliated state title associations."

Your Directory Rules Committee therefore, recommends the following change in the rules and regulations for ALTA Directory listings:

(a) Section 5 presently reads, " 'Affiliated state title association' as herein used is defined as a state title association which has become affiliated with the American Land Title Association as provided in the Constitution and By-Laws of the Association."

To conform with the new constitutional amendment we recommend that Section 5 be amended to read, " 'Affiliated title association' as herein used is defined as a state, region, or territorial title association which has become affiliated with the American Land Title Association as provided in the Constitution and By-Laws of the Association. 'Region', as herein used shall mean two or more states forming a continguous geographical area."

(b) We also recommend that all other sections of the Rules and Regulations that refer to "affiliated state title association" be amended simply to read "affiliated title association".

These suggested changes, while they will appear in innumerable sections of the Rules and Regulations, are really very simple, and I think it completely unnecessary to quote each to you.

I therefore move that the Directory Rules and Regulations be amended as I have just read.

Thank you. Respectfully submitted,

G. Allan Julin, Jr., Chairman
E. A. Bowen, Jr.
Roy P. Hill, Jr.
Frank T. Summerson
Joseph G. Wagner
Carl E. Weidman

"WE'VE GOT YOU COVERED"

By RICHARD E. FOX

Trustee, ALTA Group Life Insurance Trust; Comptroller and Treasurer, Chicago Title Insurance Company, Chicago, Illinois

Since last year when I reported to you on the status of your ALTA Group Insurance Plan, the value of the Plan has been tested as never before, and its worth has been proven. It has paid claims of $128,000 to beneficiaries in this past policy year. This is more than the plan has ever paid in a single year.

As a matter of fact, claims for the policy year ended April 30, 1966 represent 30% of the total of $430,000 of all claim payments made in the eight-year history of the ALTA Plan. This sort of concentration of claims is not unusual in the insurance field and is one strong indication of the success of the program. At the same time, it

puts a plan to the test of acturial soundness and stability. Our Plan has a fine eight-year history, during which time we have paid dividends in five of those years totaling $50,000 and also had established a Claims Stabilization Reserve to guard against years of adverse losses. Because of this careful planning I am happy to report that charges to participants will remain at a low level as in the past, despite a year of excessive claims.

You understand, I am sure, that it will not be possible to pay a dividend to participating members for this past year because of the heavy claims payments.

As of September 1, 1966 the plan covered 1,016 employees of member companies with a volume of Life Insurance in force of over $8,300,000—up $400,000 from last year.

One of the principal responsibilities of the Trustees is to monitor the continuing stability and growth of your plan. A new up-to-date step-rate billing system has been instituted effective with this month's billing. We must assure new member companies and the increasing number of younger employees in our industry that the plan offers a good value. If we keep the rate low and bring in younger people the plan will continue to be successful; if not, the participants simply grow older every year and the rates go up, thereby discouraging new participants even further. Data processing has allowed us to modernize the plan by changing to steprating with individual cost by 5 year age brackets. We made this change on October 1. It is called quinquennial rating and is standard practice in new progressive insurance programs. Now, each person's charge is based on his own age, rather than a flat average rate as we've had in the past. Thus a company with younger employees pays less than a company with older employees. New young companies will join the program as a result of the low rates. Our previous average rate may have been even higher than they could buy outside the group. Conversely, companies with older employees are presumably well established and can better afford the higher cost which still saves them money.

A thorough review has been made by the Trustees of the financial status of the Trust, and the Insurance Company's Report on claims experience and plan expense for the past policy year.

An audit report submitted by Arthur Andersen & Co. was approved by the Trustees. It reflected a sound fiscal condition. On the basis of the report, it was voted to invest additional funds in Treasury Bills to reduce cash on hand and to gain investment income for the Trust.

Steps have been taken to consider and put into effect new modern coverages which will make the plan more useful to an even greater number of members.

All members have received an announcement of the new ALTA ACcidental Death and Dismemberment Insurance. You and your employees may sign up for as much as $150,000 or as little as $10,000 of special accident coverage. The low cost negotiated with the Insurance Company for ALTA members is only 77¢ per $1,000 per year. As an example, if you select a $30,000 benefit, the annual cost is only $23.10. If you prefer, you may take Family Coverage at $1.20 per thousand, which insures you for the total selected benefit, insures your wife for 30% and each child for 10% of the amount you have chosen. You may enroll for this insurance without medical examination, and you need not be a participant in the Life Insurance Plan. Enrollment has just started. We are encouraged at the response and hope to enroll several hundred employees of members within the next year, generating a volume of protection of something over $10,000,000.

At an annual meeting in September, the Trustees considered new proposals for a special Key Executive Life Insurance, Short and Long Term Disability (or Salary Continuance) Plans, and a complete Medical Insurance Plan for member companies. The plans are important singly, or as a package to provide a complete fringe benefit program. We need a conclusive indication as to the acceptance of any of these additions to the insurance program. Our administrator has been directed to survey the present participants next month to determine whether or not we should offer the new insurance.

Because of the expansion of your Insurance Trust, Mort McDonald, Bill McAuliffe, and myself, as Trustees, felt it of primary importance that the plan now be administered in Washington, D.C., where the Association Headquarters is located. An independent professional administrative firm—Mass Insurance Consultants and Administrators, Inc.—was retained to administer the plan, and to develop

and offer you new benefits. MICA (as the Company is called) established on June 1 the ALTA Group Insurance Trust office at 1616 H Street, N.W., only two blocks from ALTA Headquarters. The manager, Phelps Connell, meets regularly with Bill McAuliffe to coordinate Trust activities and provide more direct supervision and control by Bill and the other Trustees.

If you are among those who are not participants in the ALTA Group Insurance Plan, I'd like particularly to address myself to you for a moment. You probably have evaluated the ALTA Plan in the past for yourself and your employees. The Plan offers more security now than ever. The new benefits I have mentioned will make it much more worthwhile. I'd like to ask that you look it over again—and bear in mind that—

The Life Insurance coverage has established an excellent eight-year record and is tailor-made for people in the Title and Abstract business. The new quinquennial or step-rating may now result in your cost being lower than the plan you now have. I don't believe you can find a better insurance value.

The new Accidental Death and Dismemberment insurance is available to you and your employees on an individual basis in this modern, mobile world, it's invaluable protection and the rate is as low as we've found.

The package of Salary Continuance and Medical coverages being considered could offer even more for you. The plans are designed to give you the nucleus of a benefit program to enable you to better compete for new employees in today's labor market.

Costs for all ALTA Insurance benefits are not only low, but are tax deductible to your company, and income tax free to your employees.

While the ALTA Insurance coverage was designed to include *smaller* companies which may not be able to get other insurance, *larger* companies can also benefit from this competitively priced employee benefit program.

So whether you are from the East or West, whether you're large or small, take another look at the ALTA Group Insurance Plan—it may save you money and it's an excellent value!

REMEMBER—
WE'VE GOT YOU COVERED!

"AND WHEREAS . . ."

By JOSEPH S. KNAPP, JR.

Chairman, Resolution Committee; President, The Title Guarantee Company, Baltimore, Maryland

It is my pleasure to present to you for consideration the following resolutions:

WHEREAS, the Florida Land Title Association, as host of our 60th Annual Convention, in the delightful city of Miami Beach, has provided the delegation with a splendid and entertaining convention; and

WHEREAS, James H. Kidd, General Convention Chairman, and his committees, have, by diligent and thoughtful work, planned a most successful convention; and

WHEREAS, Mrs. John Ely (Ginny) Weatherford, Chairman and the other members of the Ladies Activity Committee, arranged superb entertainment for the ladies;

THEREFORE, be it resolved, that the appreciation of the officers, staff and members in attendance be extended to James H. Kidd, Mrs. John Ely (Ginny) Weatherford, the members of their committees and the Florida Land Title Association for their generous efforts and hospitality, which contributed materially to the success of this convention.

AND WHEREAS, all delegates in attendance at this Annual Convention have benefited by the excellent contributions of our guest speakers, each of whom has brought a significant message, and the presentations have been inspirational, educational, scholarly and beneficial;

THEREFORE, be it resolved, that the members of this Association express deep appreciation for appearance on the program to:

The Honorable Robert L. Turchin, Vice-Mayor, City of Miami Beach.

Dr. Edward R. Annis, Past President, American Medical Association, Miami, Florida

Dean Russell N. Sullivan, College of Law, University of Illinois; Presi-

dent, Illinois State Bar Association, Champaign, Illinois
Andrew S. Boyce, Chief, Procurement and Management Assistance Division, Small Business Administration, Miami, Fla.
Louis Leeda, Consultant and Lecturer, Coral Gables, Florida
Edwin L. Stoll, Director of Public Relations, National Association of Real Estate Boards, Washington, D. C
I. Austin Kelly, III, President, National Employee Relation Institute, Inc., New York, New York
Charles J. Waln, Personnel Director, Maule Industries; President, Personnel Association of Greater Miami, Miami, Fla.
Byron S. Cherkas, Partner, Cherkas, Rapaport and Crair, Coral Gables, Fla.
A. M. Prothro, General Counsel, Federal Housing Administration, Dept. of Housing and Urban Development, Wash., D. C.
Col. Robert Reid, General Counsel, Federal National Mortgage Association, Dept. of Housing and Urban Development, Wash., D.C.
Otto L. Preisler, President-elect, United States Savings and Loan League; President, Home Federal Savings and Loan Association, Chicago, Illinois
Col. John A. "Shorty" Powers, formerly public affairs officer, NASA, Washington. D.C.
Dr. Frank Goodwin, Professor Emeritus, College of Business Administration, University of Florida, Gainesville, Florida

AND WHEREAS, this association has enjoyed for many years the friendship and participation in our activities of the representatives of the life insurance industry;

THEREFORE, be it resolved, that the delegates again express their thanks and appreciation to representatives of life insurance companies for their continued interest and helpful contributions to our mutual problems.

AND WHEREAS, the elected officers, members of the Board of Governors and the Chairmen of the Sections have given so generously of their time, energy and talents to the direction of the affairs of the Association during the past year;

THEREFORE, be it resolved, that the delegates present, on behalf of all members of our Association, express their most sincere thanks and appreciation for their contribution to the success of this Association and of this convention to President, Don B. Nichols; Vice-President, George B. Garber; Treasurer, Larry J. Ptak; Chairman of the Finance Committee, John D. Binkley; Chairman of the Abstracters Section, Alvin Robin; Chairman of the Title Insurance Section, Gordon M. Burlingame; members of the Board of Governors and chairmen of the various committees and to all members who have contributed to the achievements of the Association during the past year.

AND WHEREAS, the American Land Title Association has again completed a successful year of operation in its Washington office;

THEREFORE, be it resolved, that this convention express its appreciation to our Executive Vice-President, William J. McAuliffe. Jr. and to Secretary-Director of Public Relations, James W. Robinson and all the staff at National Headquarters for their contributions to the success of this Association.

Respectfully Submitted,
Ernest J. Billman
Ralph Hunsche
Joseph H. Smith
F. A. Stamper

Joseph S. Knapp, Jr. Chairman

EDITOR'S NOTE: The above resolutions were unanimously adopted by the ALTA members present at this meeting.

"YOU DON'T NEED A DRINK TO BE A MILE HIGH"

By JAMES O. HICKMAN

Executive Vice-President, Transamerica Title Insurance Company of Colorado, Denver, Colorado

President Don, Ladies and Gentlemen, perhaps you will not need a drink, but it will sure help. To counteract any misinformation that may have been sent out, we *will* have drinks available.

The convention here at Miami Beach has been wonderful. The planning has

been excellent, except for one thing. I felt that to properly extol the virtues of Colorado we should be allowed at least an hour to cover the subject. But Don has given me only ten minutes to cover the subject. So, in order that you may have the information on Colorado and the western states, we have distributed literature and pamphlets to you this morning. They are available to everyone.

We in Colorado have been looking forward for a long time to the national convention being held in Denver. As a matter of fact, in checking through our correspondence, we find that our first letter on the subject was in February of 1959, addressed to Jim Sheridan. Dates were set for 1962.

Then we became fearful that the Hilton Hotel would not be available, so the dates were then set for 1965. We then found that these dates conflicted with the Mortgage Bankers Association. So, finally, after all this time, in 1967 we will be welcoming you to the wonderful state of Colorado.

We are very pleased that the surrounding states are going to participate with us in the hospitality at this convention. These states are Wyoming, Nebraska, Kansas, New Mexico and Utah. They will all be sharing in our convention plans.

Fall is a delightful season in Colorado, and we hope that you will take ample time in arranging your vacation plans to be able to visit all of our states.

As far as the weather is concerned, on occasion we have the unexpected, weather-wise. But we will be hopeful that we will have the usual clear, beautiful Colorado skies that you can all enjoy. As they say in show business, some acts are a little tough to follow, and we feel that following the Miami convention may be a tough act to follow.

However, the show will go on, and we are promising to do everything we can to live up to the wonderful precedent that has been set at this Miami convention. We know that we all have learned how to plan a convention and how to do a convention by our attendance here.

In fact, one of the things that I learned, and I wasn't sure of it until I arrived, was the proper greeting or invitation, or whatever you want to call it. So I would like to say, "You-all come and if you-all come, we will show you true western hospitality.

The latch string will be out. The dates of the convention will be September 24 through 27, 1967, and the convention hotel will be the Hilton Hotel in Denver."

ABSTRACTING IN THE JET AGE—

By GERALD W. CUNNINGHAM

Chairman, Title Plants and Photography Committee; President, Black Hawk County Abstract Company, Waterloo, Iowa

I was honored to be asked by Don, to participate in this convention. The subject, "Abstracting in the Jet Age" was recommended. It was suggested this was not to be a report. The time allocated was 15 minutes.

Well, 15 minutes in the Jet Age is a long time. I didn't get the committee's approval so this won't be a report.

Fact-of-the-matter, after I accepted I began to feel like the Frog. You have heard the Fable of the Frog in a pan of water on the stove. He had only pleasurable sensations as the water warmed. He didn't realize he was being stewed until he was too weak to jump out.

As I gave thought to the Jet Age I was reminded of the Astronaut. This Astronaut was ready to blast off into outer space, and was being interviewed by the last reporter. This reporter's question was, "How do you really feel about this spacecraft?" The Astronaut took only a moment to reply, "How would you feel? You realize there are over 70,000 parts in this craft, and every one of them was built by the lowest bidder".

To get on with my subject, and so you will know when I am in orbit; when I have rendezvoused, and when I have fired the retro-rockets for reentry; I will wear 3 hats. The first hat will be the Aviator helmet, you know the type, skin tight with goggles. The second will be the present Jet Age model, every Jet pilot and Astronaut has one. The third and last will be the hat of the future.

I'll now don the Aviators helmet and reminisce for just a moment. Abstracters were born when the Lawyers wanted out of the business. We often had a room in the corner of the Court

house, or at most an unpretentious one, with a few tract books and a file.

Everyone in the office, even the boss, spent most of his time running chains and searching files. Take-off was a matter of some penciled notes so they could be posted by a little old grandmother. Seemed as if she had been with us forever. Took lots of pride in her penmanship and wouldn't let anyone tamper with her records. No particular concern or effort was made to impress anyone with your importance to the community. Your image? Well it was not really a bad one. Public relations meant attending Rotary or Kiwanis weekly, maybe an occasional beer with one of your lawyer friends.

Employees weren't hard to come by, seemed there was always someone that wanted to learn the business, desiring *only* the opportunity to learn. Seldom if ever would they quit! You didn't really train them, they just seemed to acquire the knowledge upon their own initiative. *Hours* weren't *too* important—your people just worked with you until the job was done. Speed? Not really. A few days one way or the other didn't seem to make a great deal of difference.

Photography was just a Brownie used to shoot a picture of the kids with on a sunshiny Sunday afternoon.

And there was the 50 cents per entry and a 3 buck certificate, or thereabouts. You kinda hung your head when you gave them the bill—after you got around to making them out.

Life and business wasn't too awfully complicated. You did a job you liked, you took pride in your product, and made a buck or so, most of which you could keep.

Enough of the past! Off with the Aviator's helmet and let me put on the Jet Age model.

Some changes have taken place. A new front—even some new buildings, modern interiors, and the New Deal. Came Social Security and some fringe benefits, like coffee and insurance.

Then came FHA, GI, Withholding, Wage and Hour, Fair Employment practices, Civil Rights and Urban Renewal.

There are air rights, hi-rises, condominiums, and zoning. The tempo stepped up, so to do a more accurate and rapid take-off, you became acquainted with such terms as: Photostat, Recordak and Itek.

There was also: Micro film 16, 35 and 70 mm. unitized, roll, and strips. Silver Halide emulsions were understandable but then came the Diazo, Kalvar, Thermofax, Electrofax, Electrolytic, Electrostatic, and Electrothermoplastics. The dry silver, the Micro-fiche, Microcard, Micro-opaque, Micro-image and Micro-photography.

There are Rotary, Planetary and portable cameras, tab cards, aperture cards and key punches.

To be considered is Magnetic tape, and Electric typewriters with magnetic tape, Xerox, Micro-Xerography, Video tape systems, Computers with bits and chips. Randomatic Data and Selectriever systems. Electrofile automated card finder, Veri-visible and Super-visible.

Minutes and hours became old hat. It is micro seconds now!! The Jet Age "Help wanted ads" read: Section leader—Mathematics & Programming; Labor relations; Systems manager; Data processing consultants; Computer Systems Analyst Programmer. Hardware is not just hammer, saw or nails, but machines necessitating air conditioning and Engineers.

An expression now used is: "Sophisticated information storage and retrieval devises". How true. By now I have begun to "Pitch" and "Yaw" not being sure whether I am "On line" or have "lost contact".

If you had attended the management seminar in Chicago you would have heard this statement: "90% of all business failures have been attributed to management inefficiency. A manifestation of such inefficiency is the existence of unsatisfactory organization and the lack of proper management controls in a firm". We old dogs had to learn some new tricks.

Have you ever been around a group of Computer programmers? Take a look. 30 years of age is a ripe old age in that business! It has been demonstrated that today, in this Jet Age, it is possible for you to make automatically a Micro-film copy of a library book, while you wait.

RCA has a new Graphic system—Videocomp, which sets 600 characters a second. That is the text of a newspaper page in 2 minutes. Or about 100 times faster than present methods.

Machines are made that can read symbols; they have demonstrated that computers can recognize the spoken word; they are working on machines to read writing, and believe me, when they can put a camera on the moon and take pictures at 250 degrees above zero; when men can be shot into outer space and be controlled from a

desk in Houston. Would you believe machines can read writing? Would you believe computers will be capable of doing your job? And now the Lawyers want back in the Title business!

Now, may I put on my 3rd hat, the one of the future? Future implies predications. They are dangerous—but I will assume you expect this of me.

I must also make one other assumption, and that is, that the Great Society will have been stopped short of complete Socialism. Wouldn't a Supreme Court decision finding all Government Patents void make Title searches and policies a thing of the past?

Would you believe the Supreme Court can change the law?

Even in our Great State of Iowa, the State Conservation commission is trying to take over lake frontage without condemnation, just arbitrarily change the highwater line to suit their desires!

Mr. Peter Scott head of Microreproduction Laboratory at MIT states, and I quote: "It seems certain that eventually computer time will be a central utility, like electricity. No one can predict the nature and capabilities of computers 20 years from now".

Who am I to suggest I have greater vision—but here goes. In my hat of the future I see Region, State and Nation Title Centers tied together with interlinking computers, and "on line" to each community.

In the Regional Court Houses will be Telecommunication. As instruments and proceedings are filed, they would be televised to the Title Center and there recorded on Tape. Here the Programmers would from the tapes feed the computer.

You the Title man in Space City have an order for a title search or a binder. On your Video-Telephone you would call your Regional office. Then by dialing or speaking your request directly to the computer, would immediately receive visually on your desk screen the search regardless of where the real estate was located. If you happened to be out having coffee a hard copy print-out would emit from your receiver.

Of course the search will include the Title opinion, this having been programmed with the in-put of records. You close the deal, escrow the funds, then call the computer center for issuance of the title policy. This of course you receive immediately upon display of your credit card. The credit card will probably carry the same number as your Social Security card. Fact or Fiction? I don't know. I do know that Buck Rogers predicted the Jet Age for the year 2000—but we have it with us now. I do know that most of the components of tomorrow's system's are available with today's technology.

It remains for management to plan for and utilize the systems which will be available.

Was riding on a crowded bus the other day and couldn't help but hear an argument taking place between a man and his wife. I thought he really had the best of the argument, but the Mrs. really stopped it all with this comment: "Look George, I already know what I think—so don't try to confuse me with a lot of facts".

Would you believe fact?

Would you believe fiction?

Would you believe this is the Jet Age?

ELECTION OF NATIONAL OFFICERS

By proper nomination and second, the following officers were unanimously elected for 1966-1967:

President—GEORGE B. GARBER, Los Angeles, California, Senior Vice President, Title Insurance and Trust Company, President, Pioneer National Title Insurance Company.

Vice President—ALVIN R. ROBIN, Tampa, Florida, President, Guaranty Title Company.

Chairman, Finance Committee—JOHN D. BINKLEY, Chicago, Illinois, President, Chicago Title Insurance Company.

Treasurer—LAURENCE J. PTAK, Cleveland, Ohio, Vice President, Lawyers Title Insurance Corporation.

ABSTRACTERS SECTION

"REFLECTIONS OF AN ABSTRACTER"

By ALVIN R. ROBIN

Chairman, Abstracters Section; President, Guranty Title Company Tampa, Florida

Ladies and gentlemen: The next item on our agenda this morning is entitled "Reflections of an Abstracter." I think this is intended to be the report of your section chairman, but since our national president abhors the use of reports, I will not report to you, but will merely review the events of the passing year as our section has been affected.

In April of this year, the Abstracters Section sponsored an ALTA First Management Seminar.

It was a two-day program held in Chicago and was co-sponsored by the Small Business Administration. SBA's help and assistance contributed materially to the success of this meeting.

As many of you know, the idea for this program developed out of the abstracters region conferences which were conducted the two previous years.

I might also say that when we began our preliminary planning for the seminar, we had no idea how much interest we would generate, or what we should expect in the way of attendance.

It was therefore, with some considerable gratitude and relief, that we opened the program with 131 registrants in attendance.

You might also be interested to know that almost 45 per cent of those attending were from title insurance sections. Some of our largest underwriting companies were represented. It was, as all first things usually are, somewhat of an experiment. From this first experience, we learned a lot about planning such a program, and where the major areas of interest lie.

Should future section officers plan additional management seminars, they will not only have our experience to rely on, but also the comments of those who were in attendance.

After the seminar was over, a questionnaire was mailed to all who attended asking certain specific questions and also for general comments.

Seventy of those who attended replied, and their answers are available in the national headquarters for the guidance and information of those who may plan programs in the future.

Your section officers and your Washington staff are pleased with the results of this effort and believe that there is sufficient interest in management programs to justify the planning of additional seminars either on a national or regional basis.

Now, this does not mean that our regional conference should be discontinued; on the contrary, these are extremely valuable meetings, and we should recognize them, that without

them, as a sounding board, there might never have been a management seminar sponsored by ALTA or any section.

I am more than willing to leave the wisdom and judgment of our future section officers the decision of when, how, and if regional conferences and/or management seminars should be held, but I wanted to be certain that no one would construe these comments as an oblique recommendation that regional meetings should be discontinued.

Our section has two committees actively at work for our own benefit: One is the committee on abstracters' liability, errors, and omission policies headed by George Harbert, from whom we heard yesterday afternoon's workshop on this subject. This committee has functioned superbly and has made a supreme effort to secure for us better coverage under our errors and omission policies.

The other is our committee on state-sponsored abstracters' schools. This committee's work was severely disrupted by the tragic and untimely death of its chairman, Bob Nisker. This committee is a continuing one, however, and it will be reconstituted next year to bring us additional information on various state-sponsored abstracters' schools which will be held around the country.

In that connection. I would like to tell you that last night I received a telephone call from Frances Elstrand who was also a member of that committee and who is no longer in the title business, who advised me that to her knowledge, there had been three additional schools; that is, three new schools by states who had never produced such a program in the past this year.

They were Nebraska, Iowa, and Michigan. Nebraska, Iowa, and Michigan. At least, that is the information I received last night, and I think it is certainly fine that we have had three new states to come and join the ranks of the others who have produced state-sponsored schools.

Your chairman has attended all of the meetings of the Economic Committee and the Board of Governors since our last convention.

I assure you that the affairs of ALTA are in excellent order, and that both the Board of Governors and the Economic Committees have had an extremely active year under the leadership of President Don Nichols.

In addition, it was my pleasure this year to represent ALTA at the Nebraska Land Title Association convention in Omaha just last week.

I also want to thank and express my appreciation to the other section officers, our Executive Committee, our other committees, and all of the others who have so diligently and responsibly supported all of our activities throughout the year. It has been my privilege to work with each of you, and it has been a considerable honor to serve this section as its chairman for two consecutive years. Thank you.

"IT IS YOUR BUSINESS"

By ANDREW S. BOYCE

Chief, Procurement and Management Assistance Division, Small Business Administration, Miami Florida

Bob, ladies and gentlemen: The subject given to me this morning is: IT IS YOUR BUSINESS.

That can be given various connotations, some of which might appear rather abstract, too, but this reminds me, if I can tell a little joke about a young bride in a small community who was interested in taking part in civic affairs right away, and she decided to join the local theatrical group.

So she came home after the first meeting and she was quite elated because she had been given a part.

The part, it had been stressed with her, was very important, although she only had one sentence, and she was to practice this sentence, and she prevailed upon her husband to listen and counsel, and the sentence was: "What am I doing?"

So she repeated this with various reflections on various words such as: "What am I doing? What am I doing? What am I doing?"

She got through with all this, and the husband listened very attentively. She turned to him and he said, "I think you are making a damn fool of yourself."

I hope this will not be the case. Getting back to the subject, I would like to place the inflection on business.

It is your business, and in identifying

business or defining it here to me, probably the most appropriate definition would be the ability to meet competition today.

That is what business means. Now, I would like to speak a moment about my business in the sense of my representing the Small Business Administration, and I am always curious about one thing: How many of you have ever heard of SBA? Would you mind showing your hands?

(Various members raised their hands.)

Well, this is very gratifying because frequently we are unheard of. As a matter of fact, not too long ago, I ran across another government agency that did not know we were a government agency. This is true. This happened in Atlanta, and they would not believe it either, but to go back a minute, and I am going to assume you do not know too much about the agency. It was established in 1953.

It is one of the younger ones, and up until yesterday, it was probably the youngest.

It is a separate government agency, but it does not have cabinet status. It is in the economic part of the government, and it is responsible directly to the President.

Then the next question maybe: Why do we have SBA? Why is the SBA necessary?

Well, this sounds like a good sales spiel, and I think maybe you may see it as we do.

Let us take a look at what segment of our economic structure belongs to small business.

Now, I do not want to overwhelm you with any statistics, but I think these are rather much to the point, and it is generally accepted that in this community there are approximately five million businesses all told.

That excludes, however, agriculture and the professions, so without agriculture and the professions, we have some five million businesses.

Now, communications today do tend to become ambiguous, so it is very easy to find almost any definition to suit any convenience when you start trying to define small business, and with any of you, if you are at all familiar with SBA, you will find out we have many definitions.

I do not think that either within the agency here, or with any of the books that have been written on small businesses today, would you find a definition that is really realistic. I would like to take a different approach as to what is small business. Using as one gauge here for this purpose the number of employees. Looking at it in this way, we will start with what is really small.

This is the one proprietor with up to three employees. That represents 75 per cent of the businesses today of these five million.

If you go a little larger than that and say you have four to seven employees, this percentage increases to about 86 per cent, and then if you go on up to and including 19 people, and this, according to most definitions, is really quite small. You are talking about approximately 96 per cent of all the businesses.

Now, let us look in the other door on this and make the approach from the other end:

Take the 100 large businesses that we know today, the ones that are on the stock market, the ones that are the bywords almost in every household.

They represent less than one per cent of all of the businesses, so I think there is an injustice done occasionally when you think that this is a country of big business, and when we are thought of in that way, because small business is vital today, and I am sure it will continue to be.

There is one other thing that is very interesting coming back to the 100 large businesses, and that is, I think without exception, large business is dependent upon small business for its existence, for its continuation.

Now, another question, since we have taken this definition and we have identified the segments that small business actually possesses in the inner wall structure, two other questions frequently arise; and that is, what is the representation in the gross national profit that belongs to small business. and 40 per cent of it belongs to small business.

By coincidence, the labor force with that small business can claim 40 per cent. They are the same numbers. That is kind of interesting, I think.

Now, I would like to return to SBA and its programs, and I have and I will put on the end of the table some booklets, one of them is SBA, WHAT IT IS — WHAT IT DOES, and in that it goes into better detail, and time will provide for me as to what our various missions are or what our programs are, and I am to touch, though, on these.

There is, and we always put it first for some reason, the l o a n program, and unfortunately, I think SBA is

thought of by entirely too many as a lending agency.

Well, it is a lending agency, but is not the only program, and I do not say this necessarily because I do not belong to the lending part of the SBA.

Then there is the procurement. This is a major program with us. It is not applicable to this group, I believe, but it is important in getting the share of the dollars spent by the government in its contract work with small businesses, and we do attain quite a measure of success in that.

The third major program is the management assistance and we have various segments of that phase of it having to do with courses and conferences such as this, but I think that in all of our efforts in management assistance, probably there is one program.

It is our newest program, and I think one of our most successful programs, and it is a tangible type program, and this is one we call "SCORE".

Now, "SCORE' in this alphabet soup business is derived from Service Corps of Retired Executives.

These are retired gentlemen-successful in life. I would like to say this: What makes the program tick from that point of view is that you can do so much golf, so much fishing, so much shuffleboard, and then I think you get to the point of saturation. These people do not live that way.

They have lived a very constructive life, and they are willing to, as we put it, walk an extra mile for the small business community, and these retired executives, the "SCORE" members, assist us in counseling small businesses in their management problems.

Now, this is a no-fee type program; that is, no fee up to 90 days, and after 90 days, well, then, the cases and counseling may be closed, or they may be continued, whatever arrangement is made between the counselor and the firm.

I mention that because I think that this is one program that may be directly applicable to you.

There are some booklets on "SCORE" along with the SBA ones, and they will be on the end of the table here.

Now, in getting "SCORE" assistance, I realize that you must come from all over the country, and I suggest that you contact your small SBA offices, I mean your nearest SBA offices. The "SCORE" program is a national program.

I think we enjoy more than our share of success with it down here, because some people retire in this area.

Now, coming back to my subject here: IT IS YOUR BUSINESS, I would like to ask some questions and make some comments on that, because it is your business; and that is, how are you operating it? I hope this will provoke some thinking. I hope this may bring in or increase our attendance at our seminar this afternoon when there will be an opportunity for questioning.

One of the other things I would like to ask is how do you use your records? Do you use them actually into the purpose of progress? We have found among small businesses that there may be very adequate records, but the people do not know. They do not understand their records, and they cannot make proper use of them.

Something else that I do not think business people are fully aware of today, and that is in this country there is the greatest storehouse of information based on research studies, on progressive methods. These are outside of your business, but they are available to you, and I think, if nothing else, maybe it is well to think occasionally of what sources are you using, outside sources, to help you in your business, to meet the competition today.

You might also ask yourself whether you welcome outside guidance, or whether you prefer to keep what might be called a "closed shop." In other words, it is your business, and you are going to keep it that way.

That is fine if you can do it and you can meet competition today and you can survive, but this is a day of change, and it does not mean you have to open your books to the public, but you do need to listen, and that is something I think some people are forgetting today, how to listen and decide what sources you can use to help your business, how you can improve your competitive position in today's business world; so in closing here, I would like to say it is your business and only you can decide its future and its progress. Thank you.

"FUNCTIONS OF MANAGEMENT"

By LOUIS LEEDA

Consultant and Lecturer, Coral Gables, Florida

Mr. Robin, Mr. Chairman, I believe, ladies and gentlemen: I am one of the "SCORE" members Mr. Boyce mentioned to you.

This sounds very much like a very good commercial, how important is management. This might be the proper starting point at this time.

There should be no disagreement, at least in the commercial field, that capable and talented management is the most important and greatest asset to any business.

It has long been recognized that more than 95 per cent of all business failures are due to lack of managerial skill. The latest issue in BUSINESS WEEK just came out last week which carried an article saying that the slow growth of the entire British economy can be traced to failures of management, and that more and better management schools are needed in England to improve the overall performance of the management and the entire economy.

In the private sector of the economy, recent statistics indicate that the same lack of managerial skills are responsible for the more than 200,000 yearly reported bankruptcies among wage earners and professionals.

These findings appear to be more than adequate to support the proposition that the art of management, the art of managing our affairs, whether in private business or government, is perhaps the most important, the most complex, most challenging, but also the most rewarding of all human activities.

Some 2,000 years ago, Socrates observed that it does not matter whether man directed affairs of a city, an army, a family, or a household; he must have managerial skill to be successful.

A woman who successfully manages a household with its many responsibilities, duties, and problems, is as much a manager as the operator of a one-man business.

Managerial talent is used and needed in all human activities and is probably the least appreciated, least understood, and most neglected of all of our skills, and unless we move faster in this field, we may never find out why we could make landings on the moon and could not jump over the Berlin Wall, or were able to implant an artificial heart in a human being, and we are unable to stop mass killings in South Viet Nam.

All throughout history, we have managed somehow, but the bloody battles, and mass murders recorded in our history books, seem to indicate that we do not manage too well.

The need for competent managerial talent is admitted. In fact, some of the largest corporations in this country are now periodically hiring professional managers to teach their managers how to manage.

In government, especially on the municipal level, professional managers are more and more filling an existing gap between speech-making politicians and the essential and required functions of government.

In a management-conscious society, voters may well, some day, give considerable weight to managerial skills rather than windy and empty oratory.

Just two days ago, the MIAMI HERALD carried an article in which it was stated that there are today more wage earner bankruptcies than during the depression of the thirties; that the number of foreclosures of mortgages quadrupled in the past ten years.

Frustration encountered by many families indicates a widespread lack of managerial skill, in this case, money management.

A survey in Ohio concluded that young people should be trained in money management before they leave school. When societies becoeme highly complex because of rapid progress in the exact sciences, the great need for managerial talent becomes correspondingly more urgent.

Then, what is management? It has only been a relatively few years ago that serious attempts have been made to discipline, enlist, and understand the word "management."

In a recent article THE JOURNAL OF THE ACADEMY OF MANAGEMENT wrote the following: "The art of management, despite its great importance, has not yet been completely concepturalized and classified. The definitions of management, for

example, differ even in regard to what constitutes the function of management. There are too many contradictions yet to be resolved," so writes the journal.

What authority there is on the subject of management, states that there are about as many definitions of management as there are people trying to define it.

In one of its recent articles, BUSINESS WEEK went a step further and reported that the leading business schools have not yet agreed on how long management should be taught.

The AMERICAN MANAGEMENT ASSOCIATION wrote recently that in the past few years, nothing has happened in the field of management except a realization. This is approximately the state of development at which managerial theories find themselves at this time.

The conventional approach to management generally consists of a somewhat timeworn faulty definition, followed by a series of functions. Although this approach may be of great value to a student of management, the series are too lengthy to be read conveniently. They may not, and generally do not, contain the basic elements essential to managerial thinking.

As an alternative, it appears that an approach based on experiences and observations in the field may be of greater immediate benefit than the presentation based on a poorly-organized and inadequate theory.

Instead of listing a series of functions and principals which can be found in most any textbook on the theory of management, it may be advantageous to list those weaknesses which appear to exist most frequently and are most typical of weak and poor management.

The practical approach here, we find that there is considerable evidence to believe that one of the great stumbling blocks and perhaps the most difficult one to overcome is an apparent incorrect image of the word "management."

In school, and in our daily conversational environment, we generally speak and think of management as something which belongs to or is part of General Motors, or U. S. Steel, or some other large commercial enterprise.

Even among the educated people in the professional areas, such as doctors, dentists, lawyers, and even the Clergy, the professional rarely thinks of himself as a business manager.

They seem to be completely unaware of the fact that they, too, must satisfy at least the functions any practitioner must satisfy, at least two functions, that of the professional in his chosen profession, and that of a competent manager of his practice.

From a business point of view, he has the same problems as the candy store or the filling station around the corner.

He is bound to have problems pertaining to revenue, expenses, fixed operating expenses, break even point analysis, employee motivation problems, marketing, research, inventory, equipment, depreciation, bookkeeping, accounting, and tax problems.

They all happen, whether he is a candy store operator or a doctor.

When professional people are informed about this type of thinking, they express great amazement and will frankly admit that they never thought of themselves or their practice in that way.

Even in the field of religion, a temple or a church cannot exist without people and revenue which is a marketing problem.

This revenue must be compared with the estimated cost of operation which is a budgeting problem.

Incoming revenue and incurred costs become a control problem.

Break even analysis limits the size of facilities to be built.

As distasteful as it may be, even a spiritual leader is forced to think in terms of a business manager.

Here is part of a quote from a letter I just recently received from a professional: "At a very late hour in my eight years of medical practice, I called for managerial aid with sound management and accounting principles in addition to personal leadership." He has accomplished what I believe impossible. Only a short time ago, this sounded like some magic formula, but it is not. The entire solution is incorporated in a change of attitude of the professional. After about four sessions, he had adopted the new attitude and began to realize that he was not only a professional practitioner, but is a business manager.

This attitude approach is not new. It is completely in line with observations made by one of the early pioneers in the field of management when he wrote: "Management is an attitude, a philosophy."

It appears therefore quite correct to say that managerial skill begins, the

starting point of managerial skill, begins with an attitude; a position assumed; a conditioning of the mind, telling us that we are all managers in whatever area we operate. We are managers of our destiny.

Then, what are the functions of management? Pages, articles, books have been written about it, but it is safe to say that management must perform only two prime functions:

One is the attitude that a person in action is a manager regardless of the area in which he is active. The question will then be raised and most likely must be raised: What are the functions of management?

To be successful, management must satisfy at least two prime functions: The finding of an objective and achieving that objective.

In general, management will be graded as good and competent if it reaches or achieves its prestated objective.

Management will be graded as poor or incompetent if it fails to reach or achieve its prestated objective.

Management may frequently experience great difficulty in classifying its objectives according to the reports. Management must learn to differentiate between the ultimate or long-term objective, the intermediate and immediate objectives.

The ultimate or long-term objectives are generally fairly well known. The commercial enterprise wants to maximize its profit picture. An artist wants to create his masterpiece. A wage earner or a professional wants to retire at an early age with prestige, and the ultimate is generally known.

The great difficulty appears to lie in developing a logical sequence of the objectives which must be achieved in its proper order leading us ultimately to our final objective.

It appears that the immediate objective, the objective that must be reached first, the first stepping stone may well constitute our greatest problem.

One consumer research has claimed that people are irrational and seldom have a clear picture of what they want or why they want it.

If we want to buy a car, for instance, to satisfy our transportation need which is essential, we may be justified in paying 15 or 20 per cent interest, but if the new car purchase serves no other purpose but to satisfy a prestige item, which in most cases may be classified as a luxury, we may not be justified in paying this penalty.

The action taken depends upon the immediate objective desired, and a crystal-clear definition of the immediate objective to be achieved is perhaps the most important and most difficult area of management.

Unfortunately, there is a constant conflict between man's desire to live in comfort and security and the hostility of his environment.

If living in comfort and security is his ultimate or long-term objective, he must achieve many intermediate and immediate objectives.

The objectives are rarely within easy reach. Some obstacles or hindrances must be moved, and he is continuously faced with a problem of how to remove or overcome or bypass these obstructions.

The realization of this problem-solving activity has produced a relatively new and different definition of management.

It defines management as a mental process continuously engaged in a problem-solving activity, and this problem-solving activity is directed toward the reaching or achievement of some objective or objectives.

If, however, we accept this proposition then we must conclude that anyone engaged in this process is a manager in some area or in some activity. He may be a manager of a business or a manager of a business department, but it could be a woman managing a household, a high school student managing his own personal affairs, or even a child trying to cross the street.

The child knows its immediate objective. It wants to get to the other side of the street, but it is now faced with the problem of how to get there.

Several alternatives may be available. It may jaywalk, or run, it may go to the nearest corner and walk with the light. The problem must be solved. The decision must be made, and the immediate objective must be reached.

The achievement of the objective depends upon the success from problem-solving activity performed by management. All problem-solving activities must begin with an accurate description of the existing and immediate problem.

This is the area which contains many serious pitfalls and falsities.

The accuracy of a solution to a problem is generally a function of the community as well as the accuracy of the data or information accumulated necessary to solve the problem.

Man, however, is a creature of prejudice and his mentally-recorded data

may be seriously distorted or colored by his prejudice in favor of a race, a church, a vocation, perhaps even in favor of his wishes rather than facts.

Objectivity and realism are the most important key words in this area. Wishful thinking in this area can easily lead to a complete managerial fiasco.

If problem-solving, then, is an important activity of the manager and management, an inquiry has been made and may be made as to whether or not an individual can be tested for the skill.

Curious inquiries have been made, and some authorities came to believe that there may well be a reasonable correlation between the individual's problem-solving skill and the individual's creative ability.

Creativity is not accurately defined, but appears to be a human faculty necessary to solve problems. Like all thoughts, a creative thought must begin with some event such as the perception of a problem and directs itself into the direction of the solution to the problem.

Since creative persons are generally more sensitive than noncreative individuals, they may well proceed or discover existing or developing problems sooner than others and the sooner the problem is discovered, the sooner the solution may be found.

Unfortunately, much more is known about creation than about the creative processes, and considerable research must be done before accurate answers can be found.

In the meantime, creative talent may well be considered an important part in the functions or performance of management.

In summation, we may say that there is increasing evidence that the art of management is rapidly being recognized as a highly important and necessary skill in human behavior; that the concept of management begins with attitude, perhaps even a conviction; that the two prime functions of management are the stating of an objective, and the reaching or achievement of that objective; that objectives cannot be achieved without a complex problem-solving activity; that problems should be discovered as early as possible. The data or information pertaining to the problem should be evaluated with objectivity and realism free from prejudice, vice, and wishful thinking. At least some creative talent appears to be essential to the problem-solving activity.

If the importance of management, as well as the weaknesses and guide lines of management appear reasonable and acceptable and put into practice, perhaps we might call it the art of living. We may well change life into a comfortable breeze instead of a frustrating burden. Thank you.

"PUBLIC RELATIONS OF ABSTRACTERS"

By EDWIN L. STOLL

Director of Public Relations, National Association of Real Estate Boards, Washington, D.C.

Mr. Chairman, ladies and gentlemen: Whenever the subject of public relations comes up, it always reminds me of a particular story and one which I think will have special significance and interest to you people as title men.

This farmer, the story goes, lived on this farm near the Georgia-Florida border for many, many years, and he had always understood that his house was in the state of Georgia, but one day a survey crew came along and spent all day working out there with their transits and their other paraphernalia.

In the evening, one of the surveyors came to the door, knocked, and shook his head sadly and announced that they had discovered a mistake in the state line.

Actually, he said, "Your house is really in the state of Florida." The farmer pondered for a moment and then his face lit up and he said, "Thank God for that." He said, "I never could stand those infernal winters in the state of Georgia."

That story does not state good public relations at least in connection with the weather.

Where did public relations begin?

Some contend it started way back in the Garden of Eden when Adam was sold the apple by Eve.

Others claim it began in medieval times when the guilds put their identifying marks on their products as an indication of goodwill and of craftsmanship, but whenever and wherever it all started, it has been in the human race for many, many years.

It has been only recently that it has been identified by name as a special field. Now, today, there is not a progressive business of any kind that does not realize the value of good public relations.

What is public relations? There are literally hundreds of definitions, and I know you have all heard many of them, and the range of activity, well, countless activities. Some of them, I think, are valid, and some are not, but let us try to define this subject for the purpose of our little talk here this morning, and I will give you three definitions. Perhaps one person would say that it is doing things in the public interest and then letting the public know about them.

Another might define it as what the public thinks of you. Now, seeing an even briefer meaning, still another might express it simply as earned recognition.

Now, that is a good one, earned recognition. In any event, action, and I want to stress that action is the key to good public relations, action which brings public esteem and acclaim to the individual abstracter, to his firm and association.

What do we mean by action? Perhaps in the area of the individual abstracter in his daily business, we can substitute the word "service." In other words, if a company produces accurate abstracts in a reasonable length of time in a friendly business-like manner for the customer, he is providing good service.

So he has taken the first step toward good public relations, action in the public interest, but there is another kind of action in the public interest which also is a factor for the abstracter. This, too, is service of another kind.

I am referring to civic service by the individual abstracter, service as mayor, councilman, planning commissioner, member of the board of education, an officer in the chamber of commerce, perhaps in the Kiwanis or Rotary; all of this stamps in the mind of the public that the abstracter is a good solid community leader, and his firm is probably a good one to do business with.

I do not have to mention the other direct benefits which could accrue from all contacts made in such work.

Now that we have covered the first part of this formula for good public relations, let us take step number two, letting the public know about the things you have done in their interest.

At this point, we had better pause and describe public. In any public relations project, the first question to be asked and answered is just who are you trying to reach? In other words, which public? Are you talking about John Q. Public in general? The average man on the street who might some day make use of your services? Perhaps your activities should be directed in some detail to that man, it is true.

Certainly, the advertising, I might say, and the public relations activities of your association would be directed in a large degree in this direction to make John Q. Public aware of the services you perform, his need for them, and the fact that certain companies have integrity and quality to their membership in the American Land Title Association, and here again, I might reiterate that the individual and his firm should never neglect notifying the newspapers of newsworthy events concerning the firms, concerning unusual or historic facts on transactions, promotions of staff people such as officers and the like.

It seems to me, however, that the individual abstracter would want to concentrate his attention primarily on the smaller public, the people who will specify for the buyer of your abstract policy where he should go to purchase your products.

I refer, of course, to the realtors, other brokers, real estate salesmen, building subdividers, developers, escrow officers, b a n k e r s, mortgage lenders, and lawyers.

If you have scored A on this first step to good public relation services, you are already on your way to accomplishing the second step, letting the public know about it, because your reputation will spread through recommendations and direct referrals.

Realtors, about whom I know considerably more than abstracters, are well aware of the importance of reputation and direct referrals. Some of their experience and techniques can be adopted by you.

One realtor, Edward C. Holmes of Summit, New Jersey, reported shortly after World War II that his agency de-

cided to make a little study as to where their customers were coming from, and they were amazed to learn that a great percentage of their business came by direct referral, by people who they already served, and from their contacts and from their friends.

A few years later, Mr. Holmes and his associates made a still deeper study, and their first conclusions were verified with emphasis.

This study revealed the astounding fact that 82 per cent of their business and their sales came from direct referrals.

Now, you can bet that realtor Holmes is well aware of the personal public relations of his firm. He fosters goodwill by such events as sending anniversary cards every year to everyone who bought a home through him, and by opening up his office as an information center to all of his prospective customers.

Does this suggest a course of action to you in your relations with the public?

Harrison L. Todd, Camden, New Jersey realtor uses a similar technique.

Whenever his firm sells a piece of property, the names of the buyer and the seller, the price, and the amount of commission are carefully recorded, and on the anniversary date of the sale, he calls on the buyer and says something like this: "Just a year ago we made an X number of dollars commission because you used our services in buying this property, and we want to thank you again personally for it."

Now, invariably, this, Mr. Todd reports, the buyer invites him in and they talk about the improvements that the buyer has made to this property, and Mr. Todd compliments him on his good taste and judgment.

This is a courtesy call, Mr. Todd admits, but the buyer frequently gives him valuable information on property in the neighborhood, and he gets good listings.

Now, are there not some suggestions here, too, for you are to the desirability of an occasional "thank you for past business," and a reminder that you are still available?

Leave the techniques and the matter of adopting the ideas up to you. In doing my homework for this speech, I came across some pertinent suggestions from one of our own members. One paragraph in particular I would like to read to you, and this is a quotation: "When a title examiner or escrow officer receives an order and he realizes there will be an unusual delay on delivery, do we call the interested parties and explain the reasons for this delay, or do we just let them wait wondering? When was the last time you picked up a telephone or sent a card wishing a customer a happy b i r t h d a y? How carefully do you scan through newspapers and send congratulations to a customer or potential customer? How often do we drop into a customer's office or send a letter of thanks or even make a call to him for placing a nice order with our firm? Too many times in dealing with human beings, we fail to realize what excellent impressions can be made by giving attention to small details affecting an individual."

Those words of wisdom would apply to any business, but these words were written by one of your own members, so they have a particular application to your field, too.

I was fascinated, too, by the public relations' program recited by an abstracter in a small city.

Here are just a few things which he has done and he continues to do. Number one, he designed a scratch pad carrying the association seal, and he gave copies of this to his customers and spread them generously throughout the courthouse.

They became so popular that some of his customers asked him for four copies of this scratch pad regularly.

Number two, he maintained a library of law books pertaining to real estate for use by the county attorneys, and these volumes are borrowed frequently.

He purchased ten copies of a popular and recent book on title opinions and standards and placed them in the offices of some of his examiners.

Number three, he buys a hundred copies of the American Land Title Association directory each year, imprints his name and mails them to forwarders and others.

Number four, he maintains a supply of distinctive lighters in his office, and this he has done without his name or advertising message and presents these with a good psychological movement. Maybe about the time the man is ready to make a complaint about his bill or service, then it works.

Number five, b e c a u s e he likes to travel, all the train, bus, and airline schedules are available in his office.

Most of the p e o p l e in the community know this and they call him up and ask about arrivals and departures,

and reading the schedules is a hobby with him, and so he gets real pleasure providing this information, not to mention the mushrooming benefits of having his name and service constantly before the public.

These are a few of the progressive public relations' activities of this one abstracter.

I do not know him or how successful he is in business, but I will bet with that ingenuity and drive, he does not have much to worry about, but now let us dwell for just a few minutes on a problem which I feel that realtors and title men have in common:

The bad public relations we both suffer so often in connection with closing costs in a real estate transaction.

Now, I know both realtors and title men could say with a great deal of self-justification, "That closing costs are not my baby. Why should I get mixed up with that kind of work?

Technically, we can both make a good case. Realtors and salesmen can say that their part of the transaction is over when they have delivered a seller, ready, willing and able to buy, and they do not have to sit down at the closing necessarily whenever it takes place, but they will if they are as aware of their public relations and their responsibilities as I would like to think they are.

But what I am driving at is this: Realtors conduct cries of outrage that sometimes occur when the buyer suddenly discovers he has to fork up $500, $575, $600 or even more for some mysterious things called "closing costs."

Even though he may have escaped the actual stages of protest, the realtor's image is bad if during the transaction he failed to alert the buyer to the charges and explains them. The title man can say, "I suppose that only one or two of these charges really are, so why should we take the rap?"

In many cases, the fact that the closing may be taking place in your office is enough grounds for the irate buyer to blame you for all of the charges and all of his distress, or perhaps the fact that the buyer, all too often, does not know until long after the closing that the title policy he paid for covers the lender and may send him in a tirade about the closing costs.

I do not think either the realtors or title men if they place half the stock they should in good public relations should neglect or shrug off the problem of closing costs.

Both groups in my mind should do something about it, preferably in concert because we are both innocent victims of bad public relations because of sensible omissions rather than any conscious effort to conceal pertinent facts.

Possibly the best approach would be for a joint committee of two groups to review the problems and then recommend a program, probably one of education for the home buyer and the realtor and his salesman and the title man.

Possibly one approach could be for state title associations to conduct classes for real estate salesmen on just what closing costs are and the desirability of passing this information along to the customer, plus the approximate amount of money they will need at the closing.

Perhaps on the other hand, such a committee might determine that this is not the best course and they should go some other route. Maybe a joint pamphlet on closing costs for home sales, but I am just suggesting this, tossing this out as an idea for our two associations to possibly work on it together, because I think we both are in the boat together on this.

Now, I do not want to infer by this that all realtors and salesmen are guilty of negligence in informing customers about closing costs.

I know in many cases they are not, but I do want to imply that all abstract and title companies receive a black eye because of the mysterious surrounding closing costs, but enough of a problem does exist to warrant a serious joint effort for a solution.

Since I represented 85,000 realtors in the nation, I cannot resist this little opportunity this morning to enlist you in helping solve one of our chronic problems, and that is the misuse of this term "realtor."

Too many people believe this is synonomous with real estate agent. They erroneously refer to a broker or salesman as a realtor, as a friend of the court, so to speak.

You, as abstracters, undoubtedly know, however, that this kind of term is registered in the United States patent office under the trademark laws and may be used only by members of the National Association of Real Estate Boards who are pledged to a strict code of ethics.

Since "realtor" is a coined term and

a trademark, it should always be capitalized to denote its distinctive character, and I urge you and your staff to use the term correctly.

If you do, you will impress the realtors in the segments of your prime public who are proud of their designation and its connotation. This little gesture can be important plus in your public relations' program.

Now, to sum up, action is the key to good public relations; that is, action and service in the public interest.

Then the second part of the formula, reminding the public about this action, and I have recited a few examples of how this can be done, so let me reiterate once more: Do things in the public interest and let the public know about them, t h e n you will have achieved earned recognition.

Best of success to you.

"THE ABSTRACTERS LAW IN NEBRASKA"

By MYRON YOUNGBLOOD

Hastings, Nebraska

We in Nebraska had the first *l*aw requiring a bond for abstracters. That was in 1887. Only a few of our "middle-aged" abstracters don't remember that day. And we still don't know if they were afraid of us or were just an extra bright bunch. Anyway, they had us in mind at the time and we are glad. We'd have been particularly glad if we had known that that bit would have to last us for 78 years!

But Nebraska now has a new Abstracters Licensing Law. It became effective November 18, 1965. It was tagged LB 133 in infancy, and now is cited as Sec. 71-506 of our 1965 Cum. Suppl.

It provides for a five-man Board of Examiners appointed by the Governor of whom at least three of the initial Board have been actively engaged abstracters for at least three years immediately preceding t h e i r appointment. Geographical distribution of the members is provided for. Terms after the first Board are for five years, and no member may be appointed to succeed himself.

A "grandfather clause" exempts any person *actively* in the business at the time of passing from the examination, although each is still required to fill out a detailed application to qualify.

We have "Registered Abstracters". When a registration certificate is issued either under the grandfather clause or by examination, it becomes a lifetime status—unless revoked for cause or voluntarily turned in. And we have "Certificates of Authority" issued to individual firms, companies or corporations—*providing* each firm has either a registered abstracter or a registered attorney in its employ. This is an annual renewal, for an annual fee.

Attorneys are admitted without the examination if they submit a proper application and pay a nominal fee. We think it helped to have the Bar on our side. And in the sparsely populated areas of our State some attorneys *have* to abstract! There aren't enough people to induce an abstracter in there—even with insurance, real estate, and maybe a mortuary on the side! So now you may see an angle on how one of our sandhill, beef-raising counties not long ago was designated the most wealthy "per capita" county in the U.S.A.!

Back to the Bill. Provision is made for temporary certificates of authority; procedure is set out for revocation of either certificate with adequate safeguards requiring due process.

The Nebraska Attorney General is the attorney for the Board of Examiners. Noncompliance is made a misdemeanor. With established criminal penalties for violation, injunctive relief may be sought in the State Courts. The 1887 Bond provision is still effective. And our law does not include a "plant law".

Perhaps we may have time for your particular questions after this wind dies down.

It is alleged that this Nebraska statute is the first to be shaped after the Model Code promulgated by the ALTA, and we are proud to have it so classified. We all here know what an

enormous amount of devoted work went into that Model Code.

But you are interested in the EXPERIENCE we had in obtaining our law. Half of our states still do not have one. So how did we get ours?

Well, this takes us back to the "Three Rs", but slightly re-arranged. Reading, 'Rithmetic, and 'Ritin.

READING the products of some of our abstracters certainly showed the need for upgrading, even if it took regulation. READING also made it clear that our industry was standing still in a pretty primitive way while most of the others were advancing. READING reflected also that we could plod on for years, coping with occasional curbstone competitors, somewhat appreciated for our good work by a very limited, informed clientele, but never recognized for the professional people we had to be in order to consistently deliver the kind of goods most of us were trained to deliver.

Our Nebraska boys had tried time and time again to get their bill — At least as far back as 1927. And in 1941 we suffered our fifth failure! You may remember when in the national publications Nebraska was advertised as the "White Spot of the Nation." And it was true in our department, too. We drew a blank every time. Then in 1963 our committee didn't even get the redraft of the last defeated bill filed in time.

Anyway, at our October, 1963 State Convention a bunch of us got together and agreed that we'd subscribe to "professional help" to get the bill across. This was early — before the sessions commenced — d u r i n g the good-fellowship hour.

So by a good selling job to those in attendance, the Convention authorized our new Board of Directors to investigate the hiring of professional help in drafting and selling our Bill. And this is a prime message I would like to leave with you who still seek professional status. I quote from one of our messages to the membership:

> "It has long been apparent that no active abstracter can take upon himself the big job of shepherding this work in addition to his daily grind. "Time utility" is one of the products of our mill, and most of us run constantly behind as it is. So we must hire the kind of help which can translate our desires into reality. And this means a professional firm.
>
> "These Pros get their jobs done! It is their *business*, just as yours and mine are abstracting and/or law. Sometimes they 'lobby'. More often they get you good press-picture your functions, disseminate the good things you are striving for, the tough problems you daily surmount. In short, they build up your 'public image' which creates understanding, appreciation, and support of your collective needs in the public mind. It is a skill, a fine art. And to do it effectively takes a PRO."

A city was staging a mock air raid and the Boy Scouts had been called on to act as wounded persons to be picked up and tended by members of the civil defense organization.

The first-aid people got behind schedule considerably and one little Scout lay awaiting his rescuers for over an hour. When they finally arrived at the spot, they found a note in a childish scrawl.

"I bled to death," it said, "and went home."

The best conceived campaign can bleed to death if it isn't tightly coordinated!

So we went right to work. At our December Board meeting we interviewed two professional applicants, and later another. We learned that their services would run somewhere from a low of $3,000 to a high of $8,000 per year. We gulped hard and took up the next of the "Rs". 'RITHMETIC made clear that without a new dues schedule for our State Association we never *would* be able to reach our goal. For a time, then, the three "Rs" meant "Raising Rates Realistically".

This we did by a series of Presidents Letters to t h e entire membership, outlining our problem, promising them a vital program including a Training School and a regular publication, as well as a strong effort on the Licensing Bill. Our Board resolved the rate setup on the relative population of each county in the State, of which there are ninety-three. We grouped them into six arbitrary classifications, then submitted two proposed rate schedules — one higher than the other. Believe it or not, over 60% of those responding voted for the larger increase! However, the smaller scale was adopted by the Board, and the expected revenue therefrom together with accumulations resulting from several years of very little activity by the Association promised to finance us through the vital campaign. And I must add that over $250.00 of "go-

gettum" money above the regular membership fees was sent into headquarters. All this took from October, 1963 to April, 1964.

Meanwhile, with some money in the bank, we engaged a fine firm of Omaha attorneys as our general counsel to draft our bill and to carry the ball. We immediately got the existing statutes of numerous states, the ALTA Model Code, and Professor Eckhardt's fine analysis of existing laws in the area. Each member of our Board was asked to study this last, and carefully. Every line of source material was immensely valuable, but as you approach the problem don't overlook Eckhardt. It will give you depth perspective!

So by our October, 1964 State Association convention we had a bill, and we had, with our professional help, a plan of procedure. Once the convention heard our planned pep-talks, formal and informal, it ratified our bill, our new membership rate schedule, and our employment of the particular professional help.

For strategic reasons — both to encourage understanding of our legislative program and to involve prospective new members of our Association, we opened up that Convention to every abstracter in the State. And we sent each of them a summary of the Bill. These invitees were not allowed to vote — but we picked up eight new members and heightened the interest and shaped the attitudes of all those who did attend.

At the convention our professional experts distributed the "Action Plan for 1965", specifically outlining the function and responsibility of each member. In our State we have the unicameral, and the races are nonpartisan. The two high-vote primary aspirants run it off in the fall and the high man wins. This gave us the double advantage of a non-partisan approach, and a single house legislature to cope with.

Under the well-devised action plan the State was divided into the various Senatorial districts and one man or woman from each district given the responsibility of reaching the particular candidates in his district, working for their commitments, and coordinating the efforts of all the other abstracters in that district. We used both State Association members and nonmembers. This gave us support in some quarters we might not have received otherwise.

Our legislative district coordinators sounded out the various candidates in the primary and stayed in touch with the victor, regardless of his expressed attitude toward our bill. These contacts, expressions and attitudes were all funneled into our headquarters, giving us valued clues into what we were contending with. Likewise our friends, clients and competitors were kept abreast of these attitudes and expressions, in order that our needs and hopes could be communicated to a particular candidate by many persons and in many tongues.

Likewise, we made local contacts with realtors and attorneys to secure their sympathetic attitude, and so far as possible, their support. But it was not all peaches and cream. Some people simply *can't* be impressed.

There was this fellow who could be moved by nothing short of dynamite. It was infuriating. Finally some of his friends got him to go duck hunting along with a rather special retriever. When the first duck was downed, the dog jumped out of the boat and walked across the water; he picked up the bird and returned the same way. This happened many times but the fellow didn't even raise an eyebrow.

Finally his exasperated friends could take it no longer. "For crying out loud, didn't you notice anything unusual about the dog!" said one.

"Sure, the stupid mutt can't swim."

Meanwhile, we had a bang-up committee working up a course of study and a manual for an abstracters training school, which was held in the capital city in November, 1964. So when we wrote follow-up letters to the legislators in the fall we could say with conviction that we were not leaving the whole responsibility to the legislature — that we were doing our own part toward self-improvement. And indeed, as we also related in those letters, this training school was open to *all* abstracters, Association members or not!

Our Board also created an Associate Membership, which opened the door to a number of interested supporters who had not yet attained the five-year background necessary to full status. I mention these in passing only because both were overdue, and they were also sources of strength to our campaign. Both the training school and the associate status, I trust, will be permanent. Likewise, our Association by-laws were amended to admit, in the event of the adoption of our Licensing Bill, all Registered Abstracters

as defined by the Act.

At our fall, 1964 convention pretty much the same officers were elected to preside for another year. That is the penalty for too much enthusiasm, I guess. We persuaded a very capable young man with a lot of git-up to become the Secretary. He's an abstracter, as all of us are, and the Secretary's job is a part time engagement because we're not yet financially able to hire an executive secretary full time. Nevertheless, in December, 1964, he got the "Nebraska Title News" started off.

Now for the Third "R". We've touched on the Readin' and the 'Rithmetic. At this juncture the 'Ritin' started off in earnest!

It would be unfair of me to proceed much further without a couple of credits. They both bear on the strength and the resources of our own ALTA in time of need! At our 1963 fall convention in Lincoln, Nebraska we had one Clem Silvers in attendance. Ever hear of him? He's from the neighboring State of Kansas and one of the best doggone salesmen I've ever met. As national A L T A President he was given time for a few remarks. When he had finished every soul at that meeting knew in his bones that a Licensing Bill for Nebraska was attainable, (we already knew it was desirable), and that if we'd stir up the team we could get it! His enthusiasm was catching. And both during and after his tenure as ALTA President his personal correspondence and materials were of great help in every area. Thanks again, Clem!

And then when I frantically wrote to Jim Robinson for some background data from his files, what do you think I got? The whole blamed file—about five pounds of it—with annotations, red checkmarks, numerous Title News pegged and flagged for particular materials! That's what I got. Talk about co-operation. And Jim, we'll always be grateful, and state here that your thorough help had a hand in our success, as did Clem's.

Anyway, after several long hours of digging, plagiarizing and revising, we got out a two-page letter to everyone entitled "Reasons to Rember", followed by "Cons and Answers". Felt we had to sell and firm up our own membership and prepare them for the rough and tumble of engagements on the street, with their local clients, bar, legislators, and any skeptics they might meet up with in our own ranks.

I have supplied Jim Robinson with a few copies of this material, and of our LB 133, and if you feel it might be helpful I'm sure he'll give his usual fine assist. I'll add that some of you experts here who have addressed this assembly in years past may run into some doggone familiar phraseology here and there!

So the 'RITIN' began in earnest! Memoranda and Newsletters from the Secretary; Membership letters and wires from the President; Memos, Digests and Communiques from the attorney staff started to roll out in a mounting tide. When you have to impel people to action you must build up the pressure as you go along and approach every aspect with no consideration of possible defeat. This psychology can be, and was transmitted to the membership.

On February 17, 1965 the Association entertained a number of Senators and the entire Judiciary Committee of the legislature at luncheon—just an hour before a number of us and our legal counsel appeared before this Committee in the initial hearing. We made it a point to have an abstracter friend from his district there to introduce each Senator who could attend. The Governor of our State, an attorney and former small town abstracter, was there and made some mighty helpful remarks to our cause.

At the Judiciary Committee Hearing the Legislative Committee of the State Bar Association also appeared in our behalf. We cleared the Committee with only one dissenting vote.

Meanwhile four fine Senators had been prevailed upon to sponsor our Bill, L. B. 133.

More 'RITIN'. Some by Letter, some by Wire. Yes, and some phone calls. We sent out 20 wires to strategic abstracters on March 22. On March 25 at the first vote, the b i l l was advanced to general file, 31 to 1. Obviously, not all 49 members were present and voting.

With some minor modifications, required to keep the peace, the Bill soon passed the second or "voice vote", of which no record is made, and was advanced to final reading.

Then, on April 6th, WHAM! Shades of Olsen and Johnson. All of a sudden, "Hellzapoppin!" Organized resistance started to roll, succored mainly by some very large and very strong savings and loan associations in Omaha and Lincoln. Letters went out to all their associates and members. Numerous phone calls were made to senators. Mass letter-writing projects were undertaken. Our bill was "monopolistic"

—it would result in "higher costs"—it was "engineered" by a small handfull of selfish interests. These were the principal baits for any fish who would bite on them.

We had some tense days, and our own battery of letters, wires and phone calls. At a time like this one we were grateful to have the strong professional guidance we had employed. A few of our own members waivered. One in particular even went so far as to do everything in his power to scuttle the bill. This for two reasons: His biggest account was with a large savings and loan association to whom he was giving a large discount. The other was that he saw he could steal a lot of other accounts in the two metropolitan cities in which he was operating by "fighting" the bill, which his principal competitor was supporting! As President, I wrote suggesting this recreant's resignation from the Association Board of Directors, but not demanding it. We had to preserve the over-all image of a united front. And this was true. A number of our supporters caught hell and one or two really suffered, but they didn't give up.

What these characters were really fighting was the Unfair Practices Section (15) of our bill, specifically prohibiting the "giving or allowing of any undisclosed discounts for services . . ." The disclosure is what irked them. Some of us have reason to believe that certain ones of them likely were pocketing amounts annually runing into hundreds and even thousands of dollars. They had some cause for resisting the fact and amount of the discount appearing on the statements submitted by the abstracter.

A letter from the Federal Home Loan Bank Board bearing on discounts, and certain straightforward calls by a wheel in the State Loan Association helped clear the air. Both these strategies again were secured through our hardy professional counsellors.

Our affirmative fight continued through midnight prior to the final reading of our own bill. Yes, in a smoke-filled room, where several of us made call after call outstate to insure that last vital communication from the abstracter to his senator. And our professional helpers were doing yeoman's service with personal contacts at the same time. They worked at least as hard as we did.

Well, we were vindicated April 22nd. Rising early for breakfast with some of our senator friends, we then walked to the Capitol and soon heard our bill pass on final reading by a vote of 34 to 12. Two of our strong supporters were away on serious family emergencies, or the vote would have been still better.

Then on April 28th, our Governor signed the bill into law. It became effective on November 18, 1965. On November 15, 1965, the Governor appointed five of us to the State Board of Examiners — three abstracters and two attorneys. Politics is strong because one of these appointed was, yes, our dissenting Association member! But he has since passed on to his Maker—a young man, too—and his place has been filled with a strong, capable, Association-minded member from the same city.

Thus far, 140 Certificates of Authority and 300 Certificates of Registration have been issued under the grandfather clause.

Jointly, on September 9th and 10th, the Board of Examiners and the Nebraska Land Title Association conducted a training school and then the first examination of applicants for registration. Both organizations are feeling and learning as they go along. Because of our late appointments by the Governor, we have been deluged with work, but have devised a rather thorough application form with which to analyze an applicant's qualifications, and a set of examination questions which most of us—especially the abstracters—can answer.

ELECTION OF SECTION OFFICERS

By proper nomination and second, the following officers were elected to serve for 1966-1967:

Chairman—THOMAS J. HOLSTEIN, La-Crosse, Wisconsin, President, La-Crosse County Title Company

Vice Chairman—DON AITKEN, Chattanooga, Tennessee Vice President & Manager, Tennessee Title Company of Chattanooga, Inc.

Secretary—O. M. YOUNG, JR., Hot Springs, Arkansas Vice President, Guaranty Title Company

EXECUTIVE COMMITTEE

LOUIS G. DUTEL, JR., New Orleans,

Louisiana President, Dutel Title Agency, Inc.

P. J. SULLIVAN, Salt Lake City, Utah Manager, McGhie Land Title Company

LLOYD FINCH, Marion, Indiana President, Grant County Abstract Co., Inc.

KEITH R. TOLLIVER, Cape Girardeau, Missouri President, Cape Girardeau County Abstract & Title Co., Inc.

CARRIED UNANIMOUSLY

TITLE INSURANCE SECTION

"THEY DIDN'T TELL ME IT WOULD BE LIKE THIS"

By GORDON M. BURLINGAME

Chairman, Title Insurance Section; President, The Title Insurance Corporation of Pennsylvania, Bryn Mawr, Pennsylvania

Yesterday, our President described to you his experiences during the 541,440 minutes immediately preceding his address. Now, if 541,440 minutes represented that period of time starting with his election at the Chicago convention last year, I am going to try to tell you a little of what has happened to me in the last 542,860 minutes.

First, they certainly didn't tell me it would be like this—in fact, I am completely convinced there is a conspiracy of silence among those who, in the past, have occupied this position. Now I know why, when I asked them what my duties and obligations would be, they only smirked and said, "It's easy—nothing to it—just relax". Relax? Every day the volume of communications from national headquarters is so large and the contents so frantic, all or nearly all requiring immediate action and answer. My filing space is exhausted. The correspondence of meetings and so forth, that I have retained, are at least three feet in depth. I will say this, however, in the American Land Title Association, we have a perfect example of the operation of Parkinson's Fifth Law, which is that if you have 1,000 or more people in your organization, you can become so involved in inter-office memos and letters, that you need never be bothered by customers. I can hardly wait for my successor to inquire, naively, "What am I supposed to do?" I have learned my lesson—and with the suspicion of a faint smile crossing my lined and haggard face, will reply, "It's easy—nothing to it—just relax".

Seriously, however, this has been an exciting year, and if we keep moving in the present direction, the Association and particularly this Section, will continue its dynamic growth with just enough bellicosity to be recognized as a fairly important group in the business of promoting the security of ownership of real property.

You will recall, no doubt, that at this year's Mid-Winter Meeting at Chandler, Arizona, the Board of Governors, on recommendation of the Executive Committee, gave the President authority to appoint a special committee to work with a committee of the American Bar Association, provided the American Bar Association invited the American Land Title Association to do so, and further provided that in the judgment of the Executive Committee of our Association, the committee appointed by the American Bar Association is a high-level committee, representative of all responsible groups in the American Bar Association. It would not appear that the same overall homogeneity exists in the American Bar Association as exists in this Association, for you heard our President sadly report yesterday on the lack of progress apparently being made in the ABA toward the appointment of such committee. I appreciate and share his

feeling of frustration. It was with some misgivings that we made the first overture toward a cooperative venture, and now we feel somewhat akin to the scorned suitor.

Perhaps our differences, if there be any, can best be resolved, or if not resolved, at least recognized, on a plane other than that which causes different segments of the title assuring function to criticize the ethical standards, knowledge or responsibility of the other. I do not believe all wisdom has been vested in those educated as engineers or in any other profession. It may be surprising to many to find among our engineers and accountants, many who have the ability to read and reason, and who have and portray a great sense of responsibility for their neighbor and his quiet enjoyment of his home.

Of importance however, is the need for ever-increasing realization of the community of interest existing between members of the two components of our Association, abstracters and title insurance underwriters. May I gently remind those of you who at this time should be over in the French Room listening to Al Robin, that while in promoting security of ownership the title insurance underwriter must be sure the insurance is to be based upon a complete and precise abstract, the kind which the abstracter members of this Association produce. It is not title insurance members of ALTA who claim the abstracters are engaged in unlawful practice. For an insurer to criticize an abstracter is as foolish as an abstracter sniping at an insurer.

Once having rid ourselves of the nonsensical notion that only a member of a particular segment of our community has the ability to guide his fellow man properly, we can approach the real basis for conflict, if there be one. In the public interest, we are required by law to prove that we have the financial assets to respond to our liabilities or to obligations assumed by us, and we must prove further that we carry our business forward on sound principles. If others wish to engage in the business of title assurance, let them, in the public interest, be so regulated. It seems to me that we should, at all times, therefore, be encouraging the adoption of the model title insurance code, for in that instrument is found the real source of our protection, if we need one. Platitudes in stained glass attitudes won't provide the protection a home buyer needs, nor should he be expected to rely on the assertion that as a member of an organization with ethical standards, all members are therefore ethical. I seem to recall that the majority of losses sustained by title insurance underwriters in recent years have been caused by embezzlements or frauds perpetrated by members of a group who, surrounded by an imaginary cloak of ethical standards, look askance at those of us who stain our hands in the dirty sink of commecialism.

Due to the impetus created by members of this Section, the Board of Governors has specifically directed the Standard Forms Committee to study and devise a joint protection title insurance policy. I have every reason to believe that, while perhaps not at this Convention but in the reasonable future, the Committee will make a formal report on this subject, which is in itself an indication of the forward thinking of our Association. Incidentally, another indication of our forward thinking is that as soon as our fine Standards Forms Committee produces and we approve a new form, our noncommercial professional friends seize upon it and adopt it as theirs. I am somewhat surprised that such an erudite group indicates its inability to produce anything better.

The President, at the direction of the Board of Governors, has appointed a committee to study the problem arising from the practice in some states of basing premium tax upon total billing, including the cost of securing an examination of title evidence. The committee is hard at work and shortly will report.

In this tight money market, we must be always on guard against devices used to collect that which, in other times, would be illegal interest. It will be recalled that the exclusion in Schedule "B" of the current approved form of loan policy only applies to usury or claims of usury not shown by the public records. While in many areas, we know that corporations cannot plead a defense of usury, there is growing thought that a corporation formed merely for the purpose of borrowing money at a higher effective legal rate will be looked at rather carefully.

May I urge that executives of the title insurance companies represented in this Section make every effort to attend the regional conferences. These are most enlightening and provide a forum where problems, and often criticism of each other, can be discussed without fear of any but good result.

I could go on and on with a detailed explanation of our activities since last fall, but I am sure they have been or will be adequately covered during this Convention. And since we have a great program, not only in this Section, but in the General Sessions, I think we should move forward. As I finish this term of office as Chairman of your Section, may I say I would not be surprised if you felt that I typified the description of a woman preacher who was said to be like a dog walking on its hind legs. It is not done well, but you are surprised to find it done at all.

"EXECUTIVE COMPENSATION FOR YOUR KEY MEN AND YOU"

By I. AUSTIN KELLY, III

President, National Employee Relation Institute, Inc., New York, New York

While I am working on this equipment, trying to get it set up, I want to take this opportunity to thank Mr. Burlingame for being of so much help to me in giving me so much information; also Mr. Rogers. of Home Title, Mr. Weiland, of American Title, and Mr. Alberts, of Inter-County.

I feel that before making a talk of this type I should find out some of the problems which specifically interest you. I have talked to some of the key men, the key employees, not only in those particular companies, but many of the smaller companies in New Jersey and Connecticut, in the hope of getting some information that would prove to be both helpful and serve as a guide for you.

My talk basically today will be concerned with the medium and small-sized company. When I say that, that also includes, of course, some of the larger companies in this industry that are beginning to, let us say, spread all over the country. It also should include—this will give you an idea of the broad scope of this—it should include those companies outside this industry that are starting to buy in.

Now, many of the small ones have said to me, and I run into this all the time, "This whole problem or matter of executive compensation is just too rich for our blood. It just doesn't fit into our program. We're tied down to the rates by many of the superintendents of insurance, and it just doesn't seem to fit in."

And yet it's the key men of these companies that I talk to, many of them who are anxious to go to the smaller company, I work very close with the executive recruiters. The main executive recruiters today are not necessarily limiting themselves to a particular industry, taking a man from here into this one, but they are going into other industries, and many of these young men that I have talked to in your own industry who have confidence and ability, they feel they are going up, and they are sort of restless, shall we say, inside, and they are really just ripe for this type of thing.

Why do they want to move? Some of them have told me, "Maybe if we go to another company we will have a stock option. We can accumulate some sort of capital reserve on a long-term capital gain." Others have said, "We want to make some contribution. We want to feel we're part of the company."

I think you will all agree that no matter how you look at your records, these three-quarters, no matter how you pay them, you're going to come back to the proposition of what Joe did, what Bill did, and what Sam did. You come back to the old problem of evaluating these people.

I don't have to tell you that the market is awfully tight for key executives. It has been continuing to get tighter and tighter. There are a lot more jobs than there are executives to fill them. I am not talking about an ordinary man now, understand, but a top flight man, a man that goes after all the angles. There is a great

difference between that man, that exceptional man, and the ordinary man, a difference of thousands of dollars.

Many medium-sized companies today realize that in order to get this man and to hold him, let's say stir his soul, get him really interested and enthused, you simply have to give him some sort of executive compensation, because there eventually comes the time, as we all know, when an increase in salary does not answer the question.

Now, you have to ask yourself this. Have you got that man? Have you got a man like that? If you have that man, what are you doing to keep him? If you don't have that man, why should he work for you? Why should he come in the industry?

I work very close with the Harvard Business School, and I know the Harvard Law School came out not very long ago and said, "Don't take a job unless you get nine thousand dollars." Think of it. But certainly you are going to have to apologize if you go lower than seventy-five hundred.

This is what is happening to the legal profession. We are trying to recruit this type of man. If you have a man, and no one in the world wants him but you, and that is something you must work out for yourselves, but if no one else wants him but you, I have one suggestion to make. Fire him.

Now let's go to the second problem, and this is one of the problems, but before we go any further, let's get to the question of sales. I think sales in this industry are going to be more and more important.

So let's take the sales, because our tightest market is sales and management. Let's take sales for a minute. We get the man. If we're honest, we have interviewed a great many of them, maybe we went to the different colleges, and tried to bring them in. It might cost us. from the time we get him in, and have one of our other men go out with him, introduce him, if he leaves and we have to get another, that could easily cost seventy-five hundred, eight thousand dollars, just to get this man in training.

This man we are paying two dollars a unit, and he is giving us a dollar fifty, then all of a sudden he starts to give us two and a half. We have a problem. We're proud of him.

Now, I follow that man, because that's my job. What does it take to get him? And he invariably says, "Well, I feel I'm moving ahead, but my company isn't."

I say, "Let's get a little more specific. What do you mean you're moving ahead, but your company isn't?" And it always gets down to the basic fact that there is no executive compensation type of plan. So I think that is one of our first problems that we're going to discuss today: how you get him, how you keep him, and how you really get him enthusiastic. How can you reward the man that has given you extra production towards the goal of your company?

Your second problem, I think, is more serious than that one, and that is you, the forgotten man, who owns the company.

I have talked to some of you. I talked last night quite late to quite a number of you. They started in quite a small way. Business gets to the point where they are in their late fifties or early sixties, they would like to pull out, and the accountant says, when they ask him about what money they can get out of the business, he tells them that there is very little left.

Now, for this man, the larger his salary is, the more important these executive compensation plans become, because it's almost impossible, as they told me time and time again, not only in this industry but in many, many others, it's almost impossible for him to say, with progressive taxes, inflation, the standard of living, contributions to charities and other contributions, and so forth and so on, so the end result is that I must give every benefit that the law allows to this top man.

I think all of you will readily agree that these are the two most important problems that any business has to face today. The question is what to do about it.

Now, let's be realistic about it, any plan that is designed has to be very practical about it from the cost and design point of view. There are different methods, and what are some of the methods that companies just your size are using today? But before we go into those, let's stop for a moment and consider what happens with some.

Last night several of the men I was talking to said, "We have done nothing," and I said to them, "Why don't you so something? "

They said, "Frankly, we're simply too confused. We're too confused. We hear people talk the same as you do, we read articles, and the end result is we're too confused."

Others say, "We don't know how conditions are. We don't know how conditions are going to be. Look at conditions right now, the very serious condition we are confronted with right now. How do we know where we're going to be? We don't want to put a noose around our neck."

That's the way they feel about it, that's the attitude they take, and as a consequence of that they do nothing.

Most of the companies I have examined—not all but most—your age group is getting older and older, and I am more than a little concerned about middle management, and it's getting to the point that as soon as Joe gets out there, you can't just say to him, "Joe, goodbye."

You have to do something. You're going to give him three dollars for every dollar that he produces. Call it what you want, but it boils down to the fact that it's a form of pension plan, and I just don't feel that that is quite the answer. I have felt that way for some time.

So what are the answers? First, we have to set up certain ground rules. The ground rules today, I think you will all agree, are altogether different than what they were ten years ago. We shouldn't take a move today until we see what the tax concept is. On the face of it it might sound very good, but by the time we get through taxes, it might turn out to be the worst move we could take.

Now, what are some of the basic ground rules that we must insist on no matter what sort of executive compensation plan we have? Let me show you a few slides that I brought along to further illustrate the point.

Any plan you put in must insist that no matter what money you put in, it is corporate income. Let's call it a fifty-one percent, fifty-two percent dollar.

In the case of your key men, you don't have to charge additional income as we would a bonus or an increase in salary; and, thirdly, there is no income tax as this money is accumulated no matter where it is as it would be if you tried to take, say, some of your salary and put it in a savings bank at four percent interest, you still have to declare the interest of four percent.

This is really the ideal tax situation. So then what are some of the other problems?

The first one I want to start off with, to go into slow gear here for a minute, the first problem you are confronted with is to review the plan that you've got.

If any of you have a plan that is over three years old—I repeat—over three years old at this time—and you haven't reviewed it, then your review is already long over due, because there have been a tremendous amount of improvements and variations in these plans, in this type of plan.

A top employer today has to give the picture a pretty cold look to see if they are using their corporate dollar the fight way, in going to the man who is really responsible for profit, going as far as you possibly can go, and, what is even more important than that, do they understand and do they really appreciate it?

So I think any plan that we have, we must see that it is given constant review, because this whole field of executive compensation is getting far more complex as time goes on, and just to have a plan and sit by it, it's not, frankly, the method that would be used most profitably.

Now, we will go down and take a quick look at these others. There are several that I want to bring out.

I want to bring out one that so many of you have, your own plan. In reviewing plans we often find, Number One, the reason they took this plan in the first place was because maybe an investment man had it, or a trustee of the bank had this plan, or an insurance man, or a mutual funds man. Or, secondly, they took the plan because some other company had it and was satisfied with it.

Put down what you want to accomplish, what you have set as your goal, and let's see how close we can get to it.

Thirdly, have this plan as flexible as you can, because there is no one sitting in this room here today who knows what their business will be ten years from now. Have it set up in such a way that you can change it, you can alter it, or you can throw it out, if need be.

Last of all, have it simple. As the president of one company said to me, "Have it so simple that even I can understand it. Then," he said, "I know all my men will." These then are your basic, elemental ground rules.

With these ground rules to guide us and to go by, now let's set up our program and see the actual tools we have to work with.

The first type of plan I want to discuss is what I call the government plan. This is the situation where you

don't do anything at all, and the government comes along and the government says, "Well, this is fine, we will just take these taxes." And after five or six years, they have succeeded in collecting a lot of money.

Before I get into this government plan, I went down to Washington years and years ago, it must have been some thirty years ago, and I said, "I'm trying to work out something that I think is terrific for the medium and small-sized company."

Incidentally, the accountants today are coming more and more to this. They say these are the only legitimate gimmicks left, because all these have to be approved by the Revenue Department, but they are sound, and there is no gimmick to them actually.

The Revenue Department said this to me. "We'll go along with you. There are two bridges we build over the river." I remember this, and I have always used it. "One is you do nothing, and we take the toll. The other bridge is the rules and regulations that we have established, and you can go over the bridge." And it's not tax evasion, it's tax avoidance, and this is what we are going to be talking about here today.

Let me show you this situation where a company did nothing (putting slide on screen). I call this Plan A here. Plan A, let's say the corporation is thirty thousand dollars in the fifty percent bracket. I know it's forty-eight, and I think it's going back to fifty-two, but let's work on the fifty percent arrangement for simplicity's sake.

With the fifty percent corporate deduction, we could have deducted that, but in this case the government takes it, this is the toll, so we have fifteen thousand left out of that thirty, we you can see on the slide.

Now, we make out some money for ourselves, it has been a good year, so we either increase our salary or give a bonus, or in some way or other we get it out; but we are in the fifty percent bracket, and the way we end up we have to pay fifty, so we end up with seventy-five—fifty percent, see, is what we show there.

Now, for fifty-five, over a ten-year period, we can collect exactly seventy-thousand. That's how many people no doubt are doing it in this room. Some of the people I was talking to last night told me this is exactly what is happening in their company.

Let's take the next plan we have, Plan B. First they take the fifteen thousand dollars for the owner. This is a family-owned company, let us say, to an extent, or they can spread it among the owners. But take at least fifty percent out. Now what does that mean? Just this. It means that over a period of time they have collected a hundred and fifty thousand dollars rather than seventy-five.

This is very easy to figure out, there is a difference there of seventy-five thousand dollars, but there is actually more to the difference than what meets the eye, because this fifteen thousand dollars over here, you don't declare income tax on the return of it as you are going along.

If you compound that over a period of time, the result is that you really have a differential of almost, well, a little over a hundred thousand dollars, and yet the other fifteen to a certain degree, a great degree, let's put it on to the key people that we are trying to encourage to work a little harder because of our policy, because of the definite policy that has been laid down by the company.

So I think, gentlemen, it is quite obvious the point is that doing nothing isn't quite the answer.

Let's see what the other methods, the other alternatives, are. Another method is to simply increase the salary. Let's say that when we get it we will increase the salary of Jones and Smith and maybe ourselves. It's a simple way. We don't have to have any approval of Revenue, and we simply increase the salary. Let's see the end result of that.

This man is fifty years old. He wants a pension of seventy-five hundred. He is making a salary of twenty-five. He is pulling it out himself, he is trying to invest it, and in order to do that, he has to put $6777 away each year.

But he is in the fifty percent bracket, so he has to declare income for himself in the amount of $13,554.

Here is the way you do it. You set up a simple plan, knowing that all he has to put aside actually is $6,777 and he can write it off with his corporation, which brings it down to $3,389, or, in other words, a saving in one year of $10,165. Bringing that out, and I am bringing it out simply to show that increasing the salary of an individual I don't think is quite the answer.

So it all boils down to what other method can we use that is more to the point and, I think, more satisfactory

to the men? Now, here are all the methods listed.

We have taken the government plan; we have taken the increase in salary. Besides these ten methods there are others. They aren't used very much, but they are available. For instance, the savings plan, where the employee puts in a dollar and the employer will put in a dollar, or match it, or half, and with his dollar the employer might buy stock back in the company. We have that.

We have new ones that have been developed lately; we have phantom stock sales, which pretend to have the stock, set it aside, pay the dividends, and when you get out there they can go into the market and see what the stock is.

You don't pay for it, they put it away, and that's the way that operates. There are also other methods which might seem irrelevant, but they should all be given consideration.

For example, a new name on the calling card, a new name on the office door, a key to the executive men's room, a parking space with your name on it, a key to the executive luncheon, and you could go on and on, but these I have enumerated, I think, are the basic ones.

Let's slow down for a minute again on this bonus problem. I know it is used in some companies. I talked to some of the key executives here about it, not the owners but some of the others, and we got into these bonus systems quite thoroughly, but I have always found a lot of trouble with the bonus system.

I am not criticizing any individual company now because I don't know why it's done, but let me give you an example.

Not long ago we had a company and about November they called up and said they felt these bonuses were all going down the drain, that the people got this money each year, and it looked like a deferred compensation part of the salary, and God help them if they didn't pay it, and where are they getting it?

I say this to you about bonuses. If you feel that it's here today, why don't you do one thing with it? Why don't you defer the amount of the bonus, put it aside, at least save income tax on it, and then if necessary that you do it, withdrawing it under certain situations, like a mortgage on his house, or educating his children, or certain necessities. At least we can defer it.

But you pay a bonus three, four or five years, and I questioned some of these key men, and they said, "We don't look at it like a bonus." God help the company if they didn't pay it, forgetting this three or four hundred dollars every year.

An example that comes to mind, I would like to talk to you very quickly about it, where we paid out sixty thousand dollars. I told the owner of the company it was too late to set up any pension plan, or anything else, it was already late in November, and these men had already spent their money, they had ordered the new car, they had put the addition on the house, they just couldn't get away from it.

I said, "Be honest. Tell me what actually happened to the bonus later on. Let's try and see where our sixty thousand dollars went."

One man came and said, "Boss, this is awful nice of you to give me this five hundred dollars, but you gave that fellow Bill across the aisle three hundred dollars. That's only two hundred dollars difference between us. Divide that into a year, and it's only about four dollars difference a week. Now, believe me, if I'm not worth more than four dollars a week more than that bird who has only been here a few months, thanks for letting me know where I stand."

The superintendent said, "Look, I have five thousand dollars. You told me when I cut this pie I was really going to get some money. We had a terrific year. I got five thousand dollars." He said, "I'm coming in to say I appreciate it. I waited for a year like this for years. I know we won't have another year like that, and I just want to tell you one more thing. I got a job somewhere else, but I wanted to wait until I got my bonus, I didn't want to leave the day before, I wanted to leave the day after." This is the problem you get into.

The owners, when they declare a bonus to themselves, are paying most of it in taxes, and again employees say, "There's no real valuation, it's an emotional thing." You give this fellow the money because the boss's wife and his wife play bridge together, and this and that.

Again, you are not playing up a long-term program, it's short-term, you are pushing out on your own. OK, enough on bonus. I think I have said all there is to be said on bonus.

Now, with respect to insurance, I think most, if not all of you, have some

sort of insurance. This insurance program is getting higher and higher and higher. Many of you are reviewing your plans, and you simply have to ask yourself one thing. Did I buy this insurance from scientific bid? What I mean by that is specification. Or did I give it to a broker? Who put it in the most convenient place? Who gets his commission? Or do I get actuary service, and scientific and accounting service, and research service, all these different things that are so necessary in tying the plan down.

Because in these different plans that are being used today, companies with high competition are getting in, they are getting more flexibility and getting new ideas, and there is a terrific difference; and in talking about this problem of funding, we are going into this whole matter of funding any executive problem with a great deal of depth, because there are a great many methods being evolved, so that we can save a quarter of a percent return in any method of funding, that the five percent deduction in your cost, or one percent, is, well, it would be about twenty-one percent reduction, so this whole problem of investment has the spotlight on it today, no matter what type of plan we have, whether it be an insurance plan or any other type of plan.

So I say, and I repeat to you, gentlemen, that is something that should be looked at and that should be reviewed.

Now let's get into the stock option, and I would say that outside of the pension plan and probably outside of the bonus, the stock options are by far the most important, not necessarily in this industry, because as a matter of fact I haven't found very many of them in this industry, I have been looking for them, but I do have the feeling that there is a big opening for this.

Why the stock option? You know, I used to say that it's a terrific thing. Just very quickly, in the old days, you could give a man a stock option, he would watch the market, if it's going up, or even in its evaluation if he feels there is no market, if he feels the company is dumping the assets, he can play along for six months, and then bail out if he wants to, so that is all he is doing. On the loss side, he never takes a loss.

The government says nothing doing, you have to wait three years. Before we used to give him a ten-year option, he had ten years in which to play this market, any way he wanted, and sometimes in this ten-year period he decided to spot it.

Now, today that is down to three years. We used to give him eighty-five percent of the value of it so he couldn't lose. Today it has to be a hundred percent, and the stockholders have to approve of it now, because some of the inside employees used to get together and work out these deals.

In addition to that, if you have more than five percent stock, you can't have a stock option. These stock options do allow the man to feel that if he can get this company off the ground and really working, he is going to benefit by this stock option. Of course, it gives him his long-term capital gain.

Now, getting down to basic essentials, the stock option in the small company, and all of a sudden a hundred shares are issued, say there's a thousand shares, and a hundred more shares are issued, and the company doesn't increase its assets, you can see what it did to my stock. My stock went down, through no fault of mine, because of the value of the present assets. This is one of the disadvantages.

However, there are certain places, like bringing a young man into a growth company particularly, when you bring a young man in, this is one of the baits that he likes to nibble at.

Now let's get into stock sales. What is your difference?

Some companies are tight for cash. If we make a stock sale, then we get money back in. Who are you trying to sell? Basically, you are trying to sell this key boy who is coming out ahead of the crowd a little, he has a little more imagination, he has a little more sound judgment, he has a little more guts probably, and he's hungry. This is the boy you want to give the golden handcuffs.

So you say to him, "Bill, we're taking you into this."

Bill says, "That's wonderful, but I'm already up to here (indicating). I have a mortgage on my house, I ran into two thousands dollars worth of orthodontist work on my kids, and I have a lot more payments to make on my car. The fact of the matter is I just haven't any money."

So often you go out and try to borrow, and sometimes the bank will lend you money. Lord help you then if this stock goes down!

One of the people I interviewed bought it for forty-three, and it was then down to eighteen, so I don't think that helped the morale of any of

those boys either, because it didn't. He still has to pay on the forty-three.

So I say to you stock sales can be done to lock the boys in, you can even loan them the money, but in many places I'm afraid you may find it is a disadvantage.

Now let's go on and say that the fellow's compensation should be considered very carefully, but you do have to watch one thing about it. It does not hit the three ground rules.

Number One, you cannot write it off as a corporate deduction. When do we use it? We might have a pension plan of X dollars, but this formula doesn't hit these three key boys, so we make a special deal with them.

Now this can be stated very simply. We simply say to our boy, "Don, if you die, we continue your income for so long, and if you stay with us until age sixty-five we will give you an income of X dollars. Any money that you put into the plan, you don't have to fund it, you can just have an agreement, what is in back of the assets of the corporation. If you want an agreement, all right, or you can fund it."

Put some money into it to show that if anything does happen, at least he got that much out, but remember, you cannot write that off as a corporate deduction until you pay it out.

Now, stockholders are coming in again. I am a consultant for the advertising industry in New York, J. Walter Thompson, and a lot of these used to make deals with a man, bring him over here, because they never had any time to grow their own, so they just steal from one to another, and they all promise them pensions, and different things.

What actually happened was if they promised him a thousand dollars a month, that cost a hundred and sixty thousand dollars, and this was not shown in the financial statement that here was an obligation.

So I say that the thing you have to watch very carefully is that if you do create these, you are creating an obligation of the corporation, and perhaps one fine day one of the stockholders will come along and ask, "Why isn't this reflected on the financial statement?"

There are two answers to that question. One says this man is very important, we are going to freeze him, and we have said to him that if he leaves at any time he doesn't get a nickel.

The second thing is, and I am saying at my age, because the physical and chronological ages are sometimes different, I am always shouting this, because I am getting pretty close to retirement myself now, so you say this man has to get out at sixty-five. If he knows this thing is coming, he may help to drain that middle management group, and therefore he must be available so often even after retirement; and if those things are put in, it justifies the criticism of the stockholders.

Let's go down now real quickly to the profit-sharing and pension plans. The profit-sharing plan used to be very popular in many of our different industries.

It was popular because the conception before the development of the penision plans today—I t h i n k they have gone into the last stage of development—but the profit-sharing plan simply said you put it in when you've got it, and you don't when you don't. Now, anyone that has that says there is no commitment on anything, you can't lose on that deal.

Here, actually, is the situation. Here on this next slide are three men, twenty-five, forty, and fifty-five. You will notice the one that's fifty-five is getting a little bald and fat, and this is what he pays for working for the company for that length of time.

Here you have three men. The most you can put in is fifteen percent of the salary, so let's assume that we do that.

As far as that is concerned, there you have it, there's the fifteen percent straight across the board. The key man, the owner, says, "This is a lot of money going in for me," but what he is doing, he is deferring it and using it for a pension plan, so then all of a sudden he comes along and says, "Well, now, how much pension will that give me?"

And this is the really startling thing. It gives him 10.5 percent for the man that started in the plant at fifty-five.

He says, "I can't even live on my salary. How in the world can I live on a ten percent pension?" And the reason, as you can see, is he only had the ten years in which to put it aside, whereas the man here at twenty-five, he has forty years, so he gets a fifty-five percent pension.

So what we want to do then is just turn that right around, because your key man is usually your fifty-five-year-old man, so let's take a look and see what we can actually do.

This last tool—and then I am going to give you the ten methods of how to use these tools—the last tool is try to combine some of these methods

so that we get our deductions, we hit the ground rules, and still we have some sort of a plan.

Now, the first thing in any type of plan you have, stock option, deferred compensation, sales incentive, no matter what it is, you should sit down and say, "Now, just who do I want in this plan? We want a corporate deduction on this, so Revenue comes in and says, "We'll let you go out to five years, you ought to know your man at least for five years, we'll let you go out to thirty."

Then the next one I learned the hard way. I used to say don't put any man in any kind of plan that is fifty-five or over, because it costs too much money, and in those cases I noticed that I wasn't asked to come back as a consultant, I wasn't asked back a second time.

So finally I said, "Sir, and how old are you?"

He said, "I hit fifty-nine."

So by this time I was smart, so I said to him, "The maximum age in this particular one I had in mind was fifty-nine."

You can see it costs you money to learn some of these things.

The next thing to do is to have some type of formula. I am going to run through this real quick, since I see time is running short, but I am very much against the banks and insurance companies on one type of formula, and that says past and future formula. I say that any company today, the more business they do, the tighter their position becomes, and I don't want to be in the position of throwing out a lot of money for this man who has been here twenty years, you've set up the plan, you can't get it back.

I want to simply say this, "We will take care of this man but we're not going to take out a lot of our cash reserves, throwing it in and leaving it there for him." So I am very much against this past service formula.

I like a flat salary. Sometimes you might say, "What do you give a man?" Stock options. "How do you determine what the amount of stock options should be?"

Well, that's about—following a rule of thumb—two and a half percent of his annual salary that you give him as a stock option, but you want to set up some sort of formula to base it on, if you can, and I would say that naturally we want to have that formula based on salary because that designates the importance of the man in the organization.

One man told me, he interrupted me when I was explaining this formula, he said, "Unless it's my son. His salary is according to his standard of living."

I also like to tie it into that, and then give some credit for years of service. But I say, work out a formula. Even if you have a deferred compensation, work it out in your own mind, so there won't be too much criticism, and you won't be accused of making a deal under the table.

Now, here's the death benefit plan. He is going to be asking you two things in this plan. One, what happens if I die? Two, what happens if you have a fight with your wife the night before and I get fired at sixty-four?

These are the problems, so let's take first, in case of death, you can give him nothing, you can give him the amount of deposit, or you can give him some protection, some protection from insurance, because you can buy protection of corporate dollars, and he is paying, even the owner is paying, a great deal, because he had some extra dollars in his pocket and he paid the premium.

Sometimes he takes a bit of that money, if he wants to do so, to set up a death benefit, and I am very strongly in favor of these death benefits for the family.

Now, what happens if he leaves or quits? I have done a lot of arbitration work, and I used to try to figure out if he left the day before he quit or if he quit the day before he left. I'm just passing that one over to you fellows, because I gave up on that long ago.

Of course, as you know, they don't refer to it that way any longer. Today it's termination of employment.

You can give him all the money, and you know what he's going to do. He's going to leave and thank you for giving him a lot of money for leaving; on the other hand, if you give him none, that is very difficult.

I had a case in Stamford, Connecticut, where a large company was moving out of town, and they did everything they could to try to keep their men. They moved to Pennsylvania, I think it was, and a lot of these man, they couldn't go, their roots, their grandfathers had lived there, all their family and relatives were still living there, and they just couldn't leave.

It wiped out the whole thing, everything they had, and I was called in by the bank because it got to be a community problem, but in the agreement it said clearly enough that with ter-

mination at any time you get nothing. I think it gets to be pretty rough when you run into a situation like that, so I say to you there is something in between.

We finally worked out a five percent proposition: give him five percent of the amount of money, as it is deposited in the plan. For instance, suppose he has been there for eight years, set an amount that he has to get into the plan in eight more years, say eight years at forty percent, it would take twenty years for him to get this money, so you may be sure he is not going to leave to get it, and yet as this money comes along, it's more than he ever had, and this helps to act as an incentive.

Now, that's about all there is to any type of an executive plan. Decide who you want to have in, what sort of benefits you want to give, whether you want to get a death benefit or not, and what happens if he leaves or quits.

Now you get to the question of should they contribute or not? Well, I reversed myself on that one. I got to learn the facts of life. It was only about sixteen years ago in the coffee industry that I said I believe in contributions, because I believed that no matter what type of plan it is, the man doesn't appreciate it.

Today I have reversed my stand, and for two reasons. The owners have to put in most of the money, based on the percent of salary on a dollar basis, but when the employees put in part of the money, my question is, and I am judging this based on my experience in these arbitration cases, and the question comes up, has the employer the right to change that because he made a deal with that employee that he would give him something if he, the employee, made a contribution, so a lot of that money then belongs to the employee; so I feel very strongly about the no contributions on the part of the employee.

One employer said, "Do we have a right to contribute into these plans, because," he said, "I want to contribute into these plans, I want to contribute because I understand if I put money in here, there is no income tax while I'm saving my money," and the answer was, "It is true."

So you can put down no compulsory contributions, but with the right to contribute."

Bearing these things, in mind, let's turn now to what is presented in this, the next slide. Those are our tools. Now let's see how we can work with them.

The first case I pulled out of the file presented this question, which comes up quite often—and I didn't want to have any arm chair cases—was this question which seems to come up quite often nowadays. Business is good, there is the proper accumulation of surplus.

In other words, this company got to the point, as you know, the Revenue came along and said, "Under 102, we're going to tax you," so all we have to do there is set up a simple plan where the folks who didn't want to pay income tax because of being in a high bracket, set up a simple plan where he can save this money on the side, write it off, and get it off that way. Not only that, but it would save money.

Our second reason—I am going through this very quickly, because I have already run over my allotted time—is this absent owner, where some companies now, I know it's a block, but they are sold on it, and so many times these men think, or should think in these terms, but they don't.

Something suddenly happens, and the widow has this stock, and she's getting twenty-five or thirty thousand dollars from her husband every year, he told her she would be getting that much, but he didn't tell her anything else. Here it is, over here (indicating). she owns the stock, and she wonders why she didn't get it.

A couple of the key men in the company are going to say, "We're not going to declare that type of dividend, and now that the old boy is out of gear we have some things that we want to do." We want to get this in here, and now we'll put this money in, there won't be any dividend, so this way we siphon off the money, we siphon it off, and let the man buy for her, if necessary, gilt-edged securities, which is better probably than the operating company, particularly when you haven't got the type of middle management to come through.

Now, taking a third one, a man came up to me just last night, and he said, "I'm sixty-one years old." He said, "I have a partner who is seventy-one, and another one who is forty." He said, "The seventy-one year old one is never around, but I'm there, and the forty-year old one is on my back all the time, he wants us to have some sort of plan, but we're not going to do it, because it would cost us just too much money if we were to put it in."

This is a fallacy, because today one of the problems we are all living with, that accountants are constantly looking

for is a long-term capital gain. That's the way the water boils.

The older man comes in, siphon off the money, let it accumulate, income tax free, and then take it off as a long-term capital gain.

Along the same line more or less he says, "I'm pulling out my salary, and 'Im investing it in gilt-edged securities," and my answer there is simply this. Why don't you have one of these plans? Name yourself trustee, invest in the same securities, because the way you're doing it you are paying fifty cents on the dollar to get it and then you're paying income tax on the return.

If you name yourself as trustee, you can invest in the same securities, and accumulate it income tax free.

Another one we don't have too much of in this industry is the partnership one, which they couldn't before incorporate with the business, but there is a very, very important one that I am excited about and that is in case of death, any money in the plan, whether it be insurance or anything else, any money in that plan in case of death there is no estate tax, and this must be borne in mind.

This seems a rather stupid statement for me to make, but the reason there is no estate tax to the widow is that they do not inhereit it from the individual, they inherit it from the trustee; he might be the individual or he might be a corporate trustee, so there is no inheritance tax, which is really a terrific thing in many a medium-sized or small corporation. You get the spin-off idea, you get where there is more than one corporation, you set up two or three plans, you get this idea.

You get a course of bonus problem where you go to the top people and you show them, tax-wise, how very little they really get out of it, as I say, defer it, and allow certain withdrawals from it, show them how much more income tax free they will be, and what they will be able to accumulate with the bonus that is deferred.

We get these men, we get the men that, of course, are always saying, "This is a union situation, of course."

Now, isn't it smarter business to set up some modest plan, design it and control it, from the management point of view, because you're going to be paying for it anyhow.

We get into the competition problem; we get into the problem of the old-age employee who has been there all his life, and you have to take care of him.

These are some of the methods, and the biggest method, I would just like to tell you, it doesn't apply so much to this industry, but then in the electronics industry, they have this constant problem of trucks, and every time he gets any money he puts it in another truck, because he figures he can make fifteen percent on a truck.

Today we are confronted with this s i t u a t i o n, and it's extremely important, I think, is that the money we put aside here, we can borrow this money, we can borrow it from the bank and use it in the operation of the business.

Here you can write it off and still borrow it back, which makes a great deal of flexibility in these types of plans. You can actually buy stock. This means there is a market for the stock, you can buy s t o c k back from the corporation into this plan.

These are the methods that are actually being used.

I would like to sum it up by saying this, we always say that there are three types of companies, one the fellow that has nothing at all, that goes over the toll bridge, and I couldn't do anything to change him and neither could anyone else.

The second is the group that every year makes these studies, and every year it's more, because the man is older, so naturally all you can do is continue to go up.

Then, you have the third group, and they are right here in this room today, some of them have already told me so. The third group is the group that comes right out and says, "Look, it isn't a question of whether we do this. It's a question of when. That's what it boils down to."

You might say that good management has to make hard decisions, but this isn't a very hard decision to make, because, frankly, the difference between good management and excellent management, if we can get this man, it's actually very little in cost between the two—don't take my word for it, just compare the two some day —the cost between these compared to all you other overhead costs, it's really negligible when all is said and done.

So begin to build up the second management team, and in building it up say, "We've got to have a plan, such a plan as to make this fellow really get excited about it," and go about it in such a way that it is not an expensive investment.

I say to you men here, you've had losses in sales, you've had losses with

insurance companies, you may have lost it through banks or through mortgage companies, you've built the man up, you've given him what you thought was all you could, you've worked with him heart and soul, and, lo and behold, one day away he goes.

You have tried youselves to pull money out of these companies, and from a practical point of view it's well nigh impossible, but everyone here in this room today owes it to himself and owes it to the company, to really search around and probe, and they can get this.

You can, if you try, get up, you can get your man, and get him to refuse other offers that may come his way, and they will come his way, and get him real excited and enthused about the prospects that lie ahead, but what is even more important, he will take care of you, the forgotten man who built the business up in the first place to begin with, to where it is today.

Thank you very much.

"THE LAWYER'S ROLE IN A REAL ESTATE TRANSACTION"

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Attorney-at-Law, Harrisburg, Pennsylvania

A Lawyer's Role in a Real Estate Transaction is as varied as the different nature of real estate transactions themselves. His first duties and preparation come long before hearing from or of the particular situation in which he is engaged to render services. I would only bore you to enumerate the items on the long check list that is prepared far in advance of any real estate deal by a lawyer whose client proposes to buy or sell land. Because we are here to discuss aspects of the title insurance business, we should be concerned with the representation of client's buying real estate or interested in real estate. The end product of this transaction, hopefully, would be the insurance of title to the real estate by an ALTA Member for the purchaser and his mortgagee, but this comes near the end not the beginning; although in the initial stages, an application for title insurance should be made. More about that later.

The most important document in a real estate transaction is the Agreement of Sale. In this Agreement the rights of the parties are defined. This must be prepared with particularity because in most jurisdictions once the agreement is reduced to writing and signed by the parties to be charged, all the negotiations and agreements of the parties are deemed to have been merged and incorporated in this single document. This is a document that should be drawn by lawyers after negotiations between the parties, in the final conferences leading up to which the lawyers themselves should be present. But before this is drafted, the premises should be inspected and inventoried in order to assist in a more comprehensive and accurate agreement and understanding of the parties.

Lets briefly look at some of the elements that should be included in the Agreement of Sale that must be the concern of the Attorney who is drafting or approving this document.

I. The parties must be defined with particularity. If they are individuals, their marital status must be disclosed and if married, the joinder of the spouse. The competency of the parties must also be disclosed; is a party a minor or under some other legal disability? If the parties are Corporations the exact Corporate Name, State of Incorporation and in many jurisdictions the authority of the Corporation to do business in the State where the real estate is located recited.

II. What is being sold must be defined explicitly as to a description of the land. If at this state of the proceedings there is not an adequate description available, it must be defined so that there can be no mistake as to what is being sold, either by metes and bounds, references to markers, physical boundaries, adjoining property owners or other monuments and a survey called for so that at the time of the conveyance which will be

the culmination of the terms of the Agreement of Sale, the premises can be explicitly bounded and described in accordance with a survey to be produced. The improvements on the real estate must be enumerated both as to personalty and fixtures and a catalog made of any personalty and fixtures.

III. The purchase price must be agreed upon both as to how much is being paid and in what manner it will be paid, namely, the down payment and the balance due and at what time and in what manner, whether in current, guaranteed or immediate funds or by purchase money mortgage. I say current, guaranteed or immediate funds for the final payment rather than by certified check because a most peculiar and almost unbelievable situation arose when my office was called upon to represent a purchaser where in the Agreement of Sale it was provided that the balance due would be payable by certified check at the time of closing. I received a puzzled and embarrassing call from one of my associates from the Court House where the closing was being conducted stating that the Attorney for the Seller would not make settlement because our client had taken a cashier's check drawn on a very bank rather than a certified check as stated in the Agreement of Sale. After I had gotten over being stunned and the realization finally having seeped through to me that the Attorney was serious, rather than fight about the type of funds we post-poned the closing until the next day so that our client could trade his cashier's check for a certified check at the same bank. As an aside I might state that the Attorney for the Seller was a little upset because we were representing a former client of his, but all he did was solidify our new representation of this client. We must determine how much of the purchase price is allocated to personalty, to land, to improvements and to fixtures because serious and severe tax implications could arise by an improper allocation of the purchase price to any of these items not only as to the possibility of State Sales Tax and transfer tax but also as to future Federal Tax ramifications as to write-offs, obsolscence, depreciation, etc. If financing is to be a problem and the purchaser is imposing a duty on the Seller to secure the financing as a part of the purchase price either by way of a purchase money mortgage or financing to be secured through an independent source by the Seller for the purchaser, this must be set forth in detail stating at whose expense the financing is to be secured, on what terms and in what amounts. This is especially significant in these times of a contracted money market.

IV. The next item that must be set forth is the use for which the property is being bought. This will enable the purchaser's attorney to determine whether or not the property complies with the applicable building code, zoning Ordinance, State Department of Labor and Industry requirements, restrictive covenants running with the land, easements, rights of way, access, availability of water, sewer, power and other utilities. On one occasion my office represented a purchaser of real estate that was bought for a specific use and in securing title information the Abstractor failed to disclose the existence of a sewer easement running through the center of the ground which rendered the property unusable for the purposes for which it was acquired. This led to the client's taking title to real estate that could not be used for the purposes contemplated. Under use we must also determine whether or not the land itself is adaptable for the use contemplated; for instance, are the soil conditions such as to render the property unusable, is it that close to airports receiving Federal Funds which would prohibit the erection of a building above a certain height or for certain purposes, can the building contemplated be built on the ground without costly and extensive subsurface supports. Is the ground of such a nature as will assimilate a private sewer plant; is the ground of such a nature that a private well, for industrial or cooling purposes, could be installed without drilling a prohibitive depth? To determine all of these questions the agreement should explicitly give the purchaser the right to make soil tests and test borings, to investigate the building code and zoning ordinances, to make applications for site approvals to the appropriate municipality, State and Federal Agencies having regulatory control thereover, to make applications for site and sub-division approval to the Federal Housing Administration, Veterans Administration, or other Governmental Agencies, and in furtherance of all of the above and in addition thereto to enter upon the ground to cause to be made a perimeter survey and topographical survey of the premises.

To do all of these things takes time and resources. A sufficient amount of time should be allowed the purchaser

to make these investigations and explorations. The Seller is entitled to a progress report regularly on the matters that are being investigated by the buyer, particularly if the sale is contingent upon certain findings being made as to adaptability for the use contemplated and the securing of the appropriate governmental approvals.

V. The time for payments and time of closing and possession must be specifically set forth.

VI. There should be an agreement as to risk in the case of loss by fire or other casualty after the signing of the Agreement but before Settlement. There should be a provision saving the seller harmless and appropriate insurance coverage therefor in the event of entry by the buyer prior to closing for investigation, exploration and engineering work, further protecting the seller against any claims by virtue of damage, injury or casualty to individuals or property whether employees, servants or agents of the purchaser or to strangers which would include but not be limited to workmen's compensation insurance coverage, unemployment compensation Insurance Coverage and Liability Insurance Coverage.

VII. There should be a statement as to the quality of title to be conveyed: is it a leasehold, is it a fee simple, is it by special, general, fiduciary or no warranty Deed. It should state that the purchaser is to receive a good and marketable title free and clear of all liens and encumbrances (with whatever exceptions are appropriate in each case) and such that an ALTA Member would insure at regular and normal rates.

VIII. The Agreement should state who pays the costs of transfer.

IX. There should be a provision as to what happens in the event the purchaser does not complete the closing at the prescribed time through no fault of the Seller. Should the Seller have the right to forfeit the down payment as liquidated damages; can he hold the purchaser for the value of the bargain in addition thereto; is the down payment so forfeited the total damages and neither party have any further rights or liabilities against or to the other; whose responsibility is it if certain representations made by the Seller as to uses and adaptability are incorrect and the purchaser shall have made substantial expenditures of time, money and effort in the explorations; what is the method of compensating for such misrepresentations; who pays all of the costs if the seller is unable to convey the type and quality of title contracted for; what happens if an investigation by the purchaser discloses, through no fault of the Sellers, that the property is not adaptable for the uses contemplated. All these and other alternatives so suggested must be dealt with in the agreement.

X. There should be a provision as to rights of the parties in event the property is affected by the proper exercise of the power of eminent domain by any body lawfully exercising that power. Who gets the damages? Must the purchaser complete the transaction? Etc.

XI. The parties signatory must be designated, spouses must join and some proof of Corporate Signatories' authority to sign and bind the Corporation must be furnished. Is the contract assignable? To whom and under what conditions? If so, is the original purchaser released from liability on the contract? The above is merely an outline to be used on a very broad base as to some specific elements of a contract which the Attorneys in a real estate transaction must direct their attentions. In addition they must specify what parts of the contract shall survive the passage of title, if any. There must be some sort of provision for escrows in the case of non-clearance of transfers by a corporation. Who pays the Broker's Commission? To whom? How much? All of the above are elements for negotiation between the parties and must be dealt with in the contract or Agreement of Sale.

The next item of concern after the execution of an Agreement of Sale is to see that the purchaser does the things required of him in the Agreement of Sale. Among other things, the attorney should require that he order title insurance. Suffice it to say again, it should be from an ALTA Member. Upon receiving the title binder it is the attorney's obligation to examine it and to determine the quality of title he is receiving and to confer with the Attorney for the Seller and the Title Company as to the requirements of the purchaser for the removal of objections in accordance with the terms of the Agreement of Sale.

After this shall have been completed the Attorney has reached a state of preparing the documents necessary for the closing, whether it is an Indenture of Trust, Deed, a Lease, a Ground Lease, a Mortgage and appropriate Corporate resolutions and certificates

from State Agencies, having to do with Corporate clearances for sales of real estate. The Attorneys for both parties should of course be present at the time of closing, see to all of the things that are required of both parties and see that the objections which are to be removed are properly removed. The Attorney for the purchaser and mortgagee must see that he receives for his client the type of title policy in the form contracted for. He must see that the tax records have been changed at the appropriate taxing offices. He must see that not only the recording was done properly but that the transaction was properly indexed in the Office for the Recording of Deeds. In many cases the Title Company sees to the performance of these matters. In order to see that the client is properly protected with a good and sufficient title policy, he should in my opinion secure title insurance from an ALTA Member. By a reference to the myriad of details that must be taken care of by a lawyer in a real estate transaction, how then, should he presume to arrogate to himself the additional functions of a title insurer which in themselves are voluminous. At this point I am not digressing but really getting to a subject in which I am most interested and with which this Association should have more than casual concern.

In the last few years there have arisen title guaranty funds under the aegis of local, state and the American Bar Associations. Such an activity of the organized Bar is in my opinion an improper one and an invasion into a business by a profession, a dilution of the professional character of the practice of law by its unwarranted entry into a business enterprise, and one that is only a small step in the direction of the further commercialization of the practice of law.

Perhaps this is not the proper forum in which to raise this question or to express a criticism of these funds, but if not here, where? In the writer's opinion the apologia for the establishment of these funds are based on specious reasoning and are justified merely for purposes of attempting to invade a Corporate business practice on terms which are not even fair competition to the tax paying, plant maintaining, reserve established Corporate Title Companies.

To understand better my criticism of these funds or abstract companies I would like to explain to you how the Lawyer's Title Guaranty Fund of Florida operates.

It is a perpetual trust administered by trustees elected from Florida's 16 Judicial Circuits by the members in the respective circuits. Members (lawyers only) make an original capital contribution of $200.00 and each time they issue a Title Insurance Policy they contribute approximately two dollars for each thousand dollars of the face amount of the Title Insurance Policy. Each member has an account in which his contributions are listed. At the end of each calendar year he is credited with his share of income from the fund's investments. Then he is charged with his share of the expenses, including losses because of claims, a Member's share of income and his share of expenses are directly in proportion to his additional contributions for that year.

Since title by adverse possession can arise in Florida seven years, the probability of a valid claim being made on a guarantee or policy after seven years is not likely to occur. So the declaration of trust gives the Board of Trustees discretionary authority to return to members all credit balances that are over seven years old.

The fund started business in January, 1948. Beginning with 1956, returns of credit balances have been made each year. Unfortunately, I was unable to obtain any profit figures more current than 1960, but even these figures just twelve years after the fund was originated are very interesting.

Refunds to members through 1960 were $209,300 on total deposits of $373,700, made from 1948 through 1953.

This represents a mere 56% net profit.

Staggering, isn't it?

This is indeed a substantial profit percentage. In 1964 the Lawyer's Title Guaranty Fund of Florida had an operating income of $800,000.00 from lawyers for title underwriting to rank second among the title insurance companies operating in Florida. It had total assets in excess of $3,000,000.00. If we apply the 56% net profit percentage of the 1948-1960 period to the $800,000.00 underwriting figure for 1964 we come up with a phenomenal $448,000.00 net profit without considering any investment income. Compare this with the consolidated net profit of a Major Title Insurance Company for 1964 which was 1.5 million dollars and covered operation in

33 States, and was based on assets in excess of twenty-three million dollars.

For many years the American Bar Association was bothered by the problem of Lawyers owning and doing business with their own title insurance companies. On February 16, 1962, the ABA Committee on Professional Ethics released its Formal Opinion 304, delineating the proper extent of participation by Attorneys in such bar-related title assuring organizations. The significant sentence in the opinion states as follows: "The *financial interest* in such a transaction (referring to the issuance of an insured title opinion to a client) is so *remote* as not to be a violation of the Canons of Ethics." If a $448,000.00 net profit is remote then any poor mortal earning a mere $100,000.00 could be considered not only a marginal operator but almost be qualified as a recipient of Federal Anti-Poverty Funds. The Florida Fund is clearly a Commercial Enterprise and is a profit making organization of the highest order. Its operation places attorneys in the same position of a group of physicians forming a drug store where and only where, their patients are permitted to have their prescriptions filled. As many of you undoubtedly know some members of the medical profession recently have been criticized severely for this exact practice. If we would project this activity of the Bar we could have lawyers under Bar Association sponsorship organizing their own insurance companies for insuring only Attorneys against errors and omissions, for insuring their libraries and office furniture against loss by fire, organizing their own stationery supply houses and office furniture manufacturing operations. There is no end to the peripheral businesses lawyers could initiate under the guise of a necessary adjunct to the practice of law.

I am not to be understood as being critical of those lawyers who have seen fit to become engaged in the title insurance business. A lawyer is at liberty to engage in any legitimate business which he sees fit as an individual, but not as a bar sponsored project. I share the views of a great many lawyers, however, who deplore the image of the *Bar*, which is created by ill-advised efforts to commercialize the practice of law and bring the legal profession to the level of the tradesman.

I feel that I am being no less loyal to my profession when I express the preference of a vast number of lawyers who steer clear of entangling alliances which conceivably can result in a conflict of interest with their clients, who prefer no personal interest which might influence advice to clients in the selection of a title insurer, who have no personal interest which might lead to the minimizing of the risks to be assumed by the Policy, and who, when a claim arises, can sit on the same side of the table with a client without a personal interest at stake and collect the maximum damages for his client.

Now back to the subject of the Lawyer's Role in a Real Estate Transaction. The Attorney has gotten a client through the negotiations, the agreements of sale, has supervised and approved of the matters that had to be attended to prior to closing, at closing and post-closing. There still awaits the most important aspect of the real estate transaction. That is the rendering of an opinion which includes among other things, the interpretation of the title policy issued to the client advising and certifying to the client as a professional and in a professional manner what the client purchased or sold and what his rights, privileges, duties, liabilities and obligations are thereunder. There still remains one minor matter after all of the above shall have been completed. The magic moment, when the Attorney can render to his client, his statement for professional services rendered.

DATES TO REMEMBER

ALTA Annual Conventions

1967 Denver, Colorado, September 24-27, Denver Hilton Hotel

1968 Portland, Oregon, September 29-October 2, Portland Hotel

1969 Atlantic City, New Jersey, September 28-October 1, Chalfonte-Haddon Hall

ALTA Mid-Winter Conferences

1967 Washington, D. C., March 1-3, Mayflower Hotel

1968 New Orleans, Louisiana, February 21-23, Roosevelt Hotel

1969 Chicago, Illinois, March 5-7, The Drake

COMMENTS ON 1966 COMMITMENT FOR TITLE INSURANCE

By RICHARD H. HOWLETT

Chairman, ALTA Standard Title Insurance Forms Committee Senior Vice President and Secretary, Title Insurance and Trust Company

In 1962, the American Land Title Association approved the principle of uniform coverages to be afforded owners, lenders, and lessees by the adoption of Owner's and Loan Policies. The four policies so approved are now in general use throughout the country and are the coverages required by most lenders and investors. The Standard Title Insurance Forms Committee was then directed to formulate and recommend a uniform preliminary title evidence.

Many different forms of preliminary title evidence, Reports, Binders and Commitments to Insure are used by our member companies. Many of the forms in use grew out of local customs and contained much information not necessarily within the coverage of the title insurance policy to be issued if the transaction was completed. Many forms were incomplete, leaving much to conjecture. Most forms attempted to limit liability, but usually in ways that experience and judicial decisions indicated were not proper. I recommend that you review the Panel Discussions of those problems contained in the Proceedings of the 1965 Chicago Convention.

This report to you is made at the direction of the Title Insurance Section at the Miami Beach Convention and contains the portion of the Report of the Standard Title Insurance Forms Committee that covered the American Land Title Association Commitment-1966, adopted as an approved form at the convention.

The approved Commitment is enclosed with this memorandum, and it is hoped it will become as widely used as the ALTA Owner's and Loan Policies. If there are questions concerning the use of the Commitment or problems raised by your customers as to its usage, they should be referred directly to the Standard Title Insurance Forms Committee. The Committee will use its best efforts to help solve those problems as quickly as possible. The Committee's action is based on several principles that determined the final form:

That the Customer is entitled to rely on the preliminary title evidence issued by a title insurance company as an accurate reflection of all matters affecting the estate or interest or mortgage thereon covered by the Commitment as of the effective date of the Commitment;

That the liability of the company under the preliminary title evidence should be only for loss arising from an act in reliance on the Commitment or preliminary title evidence in complying with the requirements, if any, set forth in the Commitment; in eliminating exceptions set forth in the Commitment; or in acquiring or creating the estate or interest or mortgage thereon to be insured;

That the company should have no liability arising under the preliminary title evidence until the transaction to be covered by the policy of title insurance to be issued has been revealed to the company together with all factors affecting the transaction. It is the opinion of the Committee that the Commitment approved by the Convention meets these requirements.

The Commitment, in the second paragraph on the cover sheet, states that it shall become effective only when the identity of the proposed insured and the amount of the policy or policies committed for have been inserted in Schedule A. By this method, the proposed insured must disclose the transaction to the issuing company so that the factors affecting the transaction may be evaluated and, if satisfactory to the company, the Commit-

ment would then be completed and it would become effective.

The Committee recognizes that commitments and other forms of title evidence are issued in many different forms and many different methods of execution. The execution provisions of the Commitment can be modified to conform to the usage of the company using the Commitment, this being a matter of format.

The third paragraph of the Commitment must be completed by the issuing company to give the duration for the Commitment. This should not be an unreasonable short period of time but should be a period of time sufficient to accommodate the normal real estate transaction in the area where the property is situated. In some jurisdictions, there are statutory or regulatory requirements that must be met in this regard.

Schedules A and B have several numbered paragraphs. The order or the numbering and the arrangement of the information required may be changed by the issuing company to conform to local practice and custom. Any such change will not be deemed to be a change of the standard form.

The notes and explanations contained on each of the pages of the Commitment are to indicate the flexibility with which the form may be modified without changing the substance of the form. As an illustration, the first paragraph of Schedule B makes provision for requirements to be complied with. In many areas of the country, the preliminary title evidence makes no reference to requirements and in that case the paragraph should be completely omitted.

The Conditions and Stipulations of the approved Commitment define with certainty the circumstances under which liability arises. Paragraph 2 of the Conditions and Stipulations permits the amendment of the Commitment to show a defect or encumbrance which comes to the knowledge of the proposed insured or of which the company acquires actual knowledge subsequent to the effective date of the Commitment. However, if, prior to such amendment, the proposed insured has complied with the provisions of Paragraph 3 of the Conditions and Stipulations and sustains a loss, the company would not be relieved from liability as to such loss by the amendment.

If, after the issuance of the Commitment, the proposed insured acquires actual knowledge of any defect or lien or encumbrance on the title and does not disclose that knowledge to the company, the company is relieved from liability as to such defect, lien or encumbrance to the extent that the company is prejudiced by the failure of the proposed insured to disclose his knowledge.

The liability of the company arises under three circumstances: Actual loss incurred in reliance upon the Commitment in undertaking in good faith (a) to comply with the requirements of the Commitment, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by the Commitment. It is the opinion of the Committee that these limitations on liability are reasonable.

If you have questions in the use of the Commitment, please feel free to submit them to the Committee at any time.

American Land Title Association Commitment—1966

Number

COMMITMENT FOR TITLE INSURANCE

Issued by

BLANK TITLE INSURANCE COMPANY

Blank Title Insurance Company, a corporation, herein called the Company, for a valuable consideration, hereby commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the proposed Insured named in Schedule A, as owner or mortgagee of the estate or interest covered hereby in the land described or referred to in Schedule A, upon payment of the premiums and charges therefor; all subject to the provisions of Schedules A and B and to the Conditions and Stipulations hereof.

This Commitment shall be effective only when the identity of the proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A hereof by the Company, either at the time of the issuance of this Commitment or by subsequent endorsement.

This Commitment is preliminary to the issuance of such policy or poli-

cies of title insurance and all liability and obligations hereunder shall cease and terminate (here state the time)* after the effective date hereof or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue such policy or policies is not the fault of the Company.

IN WITNESS WHEREOF, Blank Title Insurance Company has caused its corporate name and seal to be hereunder affixed by its duly authorized officers on the date shown in Schedule A.**

BLANK TITLE INSURANCE COMPANY

By

President

Attest:

Secretary

Note:

*The time to be stated is optional with the company and should conform to local usage.

**If the Commitment is to be executed by a validating officer, then prior to the "In Witness Whereof" there should be inserted: "This Commitment shall not be valid or binding until countersigned by a validating officer or authorized signatory." The manner of execution will conform to the company's practice and will of necessity require some modification in the language identifying the manner of execution. This is deemed a matter of format.

SCHEDULE A

1. Effective date:
2. Policy or Policies to be issued: *Amount*

(a) _____ Owner's Policy (Identify form used) $_____
Proposed:
Insured:

(b) _____ Loan Policy (Identify form used) $_____
Proposed:
Insured:

(Note: The company, in printing, should set forth and identify the form or forms of policies of title insurance to be used. If Commitment is printed showing more than one type of policy, the amount of such policy or policies should be completed and the box checked as to all forms proposed to be issued. The manner of setting up and identifying the policy or policies to be issued is a matter of format.)

*3. The estate or interest in the land described or referred to in this Commitment and covered herein is _____
(Identify estate covered, i.e., Fee, Leasehold, etc.)

*4. Title to the _____ estate or interest in said land is at the effective date hereof vested in:

5. The land referred to in this Commitment is described as follows:

*Items 3 and 4 may be combined or item 3 eliminated completely in instances where the estate to be covered has already been created and is the same as the estate reported on as of the effective date of the Commitment. If, however, the estate to be covered is less than a fee and has not yet been created and the estate being reported on at the effective date of the Commitment is the fee, then it would be more appropriate to set forth both items 3 and 4 in the language suggested or in such language as is appropriate, these being matters of format rather than substance.

Note 1: The Committee recommends that separate commitments be issued when a fee and a lesser estate are to be insured simultaneously in favor of different Insureds.

Note 2: At the option of the company and to conform to local practice, an additional paragraph may be added to Schedule A:

"The mortgage and assignments, if any, covered by this Commitment are described as follows:"

SCHEDULE B *

I. The following are the requirements to be complied with:

(Note: Appropriate language should be inserted to set forth the requirements of the company. In many areas, a subcaption may be used such as: "Instruments in insurable form which must be executed, delivered, and duly filed for record:")

II. Schedule B of the policy or policies to be issued will contain exception to the following matters unless the same are disposed of to the satisfaction of the Company:

1. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.

Note: There should be set forth in paragraph numbered II of Schedule B all matters that would be shown in Schedule B of an Owner's Policy issued on the effective date of the Commitment, including those general exceptions such as rights of parties in possession, survey matters, etc., which in many instances are printed as part of Schedule B of the Policy. It is proper to note than an exception shown may be omitted from the Policy as outside of the coverage of the Policy to be issued, or for some other reason.

* In areas where it is *not* the custom for title companies to state requirements for insurance, the Commitment would be printed without paragraph numbered I of Schedule B and only paragraph numbered II would be shown as a caption for Schedule B.

CONDITIONS AND STIPULATIONS

1. The term mortgage, when used herein, shall include deed of trust, trust deed, or other security instrument.
2. If the proposed Insured has or acquires actual knowledge of any defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act of reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions and Stipulations.
3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of policy or policies committed for and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount

stated in Schedule A for the policy or policies committed for and such liability is subject to the insuring provisions and the Conditions and Stipulations of the form of policy or policies committed for in favor of the proposed Insured which are hereby incorporated by reference and are made a part of this Commitment except as expressly modified herein.

4. Any action or actions or rights of action that the proposed Insured may have or may bring against the Company arising out of the status of the mortgage thereon covered by this Commitment must be based on and are subject to the provisions of this Commitment.

Editor's Note: This Commitment for Title Insurance Form was presented by Chairman Howlett to the membership in attendance at the General Session Wednesday October 19, 1966. By proper motion and second it was unanimously adopted.

A REPORT FROM THE ALTA STANDARD WRITEUPS SUBCOMMITTEE

By JOHN P. TURNER

Member, Standard Writeups Subcommittee Vice President, Chicago Title Insurance Company

In 1964, a subcommittee of the Standard Forms Committee was appointed denominated the Standard Writeups Subcommittee. Bill Thuma, Jim Schmidt, John Weatherford, Tom Dowd, and I have been members of the subcommittee both years. John Mills was a member during the first year but was replaced during the second by Bill Wolfman. The Subcommittee understood its function to be to devise Schedule B exceptions which could be used without reference to state boundaries and which could be used interchangeably in both Owner's and Mortgage policies. During the first year all of the Committee's efforts were devoted to the subject of restrictive covenants, and an attempt was made to devise writeups reasonably necessary to cover the multitude of situations where the covenants were based on race, creed, and color, where the covenants contained an express forfeiture provision, where the forfeiture provision was subordinated either automatically or otherwise to mortgages, where the convenants had been released in whole or in part but the insurer could not determine the effectiveness of such release without examination of the title to all of the properties affected, etc. While I am sure the subcommittee members learned a great deal in this effort, it was the judgment of the entire committee that this was too comprehensive an approach and that the subcommittee should attempt to devise writeups for five limited areas, namely, rights of parties in possession, questions of survey, unfiled mechanic's liens, unrecorded easements and a basic restrictive covenant exception. As a result the committee has approved four such writeups. Although considerable work has been done on the survey writeup, it is not yet ready for submission.

The four writeups which were concluded are quite short and, with one exception, are substantially the same as those which many of us are using at the present time. The fact that no new phraseology was developed does not indicate, however, that the committee's activity was fruitless since considerable effort was expended in being reasonably certain that the usual and customary language says what we intended it to say.

For a variety of reasons, it might be desirable for me simply to read the recommended writeups and conclude without further comment, and we had substantial discussion within the committee to this effect. It was finally decided that unless some explanation was given as to the reasoning which led to the recommendations, the individual association members really

could not judge the desirability of the writeup. At the same time, the committee has neither the intention nor the power to state liability in a given factual situation. We are only trying to say that it was our combined judgment that the writeup ought to apply to certain situations. We certainly are not saying either that the writeup is limited to these situations, or that any writeup is necessary, or that our particular language in the writeup is required. There are many many ways to achieve a result, and our writeups are suggested only as one of such ways.

The first writeup is concerned with possessory rights and is as follows:

Rights or claims of parties in possession not shown by the public records.

The writeup is primarily directed at situations involving the rights of tenants and contract purchasers, the owner who has moved into possession without recording his deed, the adverse possessor, etc. The expression "public records" is used rather than "record" because "public records" is a term defined in the ALTA owner's and mortgage policies. It was recognized by the committee that some underwriters do not now limit the possessory exception to matters not of record but it was the consensus that the writeup suggested for general use should require the policy to disclose record matters.

The second writeup is:

Easements, or claims of easements, not shown by the public records.

This writeup may duplicate, in part, the possessory exception and the survey exception which a great many of us use but emphasizes the exclusion of the underground easement or claim thereof not visible from an inspection and not disclosed by the usual survey. The committee was aware that some underwriters insure over such hidden easements as a calculated risk, but did not feel that it should recommend such assumption on an industry-wide basis. Note again the use of the term "public records."

The next writeup is in the alternative and reads as follows:

(a) Covenants and restrictions contained in instrument recorded in Book , page , which does not contain a reversionary or forfeiture clause.

(b) Covenants and restrictions contained in instrument recorded in Book , page , which contains a reversionary or forfeiture clause.

This is intended as a writeup which can be used for the great majority of the situations where the instrument in question contains restrictive covenants. Alternative (a) or (b) is to be used depending upon whether the instrument contains an express forfeiture provision.

While it was believed that the writup would cover most instruments, it must be recognized that it cannot be used without an analysis of the contents of the instrument in question. Without intending to act as a court and judicially define the exact limits of the writeup, the committee believed that the following recommendations and illustrations might be helpful as guidelines for the use of the writeups:

(1) The forfeiture or reversionary clause referred to is intended to be express. If the instrument contains language which may imply a forfeiture, such as by the use of the term "condition" in a state where this word carries with it a right of reentry for condition broken, it is suggested that the above writeup not be used, but the underwriter phrase his own.

(2) If the instrument contains an express reversionary or forfeiture clause, but also contains provisions which subordinate the rights thereunder to those of a mortgagee, it is suggested that alternative (b) be used and that additional language be supplied to show the existence of the subordination language.

(3) The writeup is intended to be broad enough to include restrictions against use, ownership or occupancy based upon race, creed or color. If therefore the underwriter wants to indicate that no such restrictions are contained in the instrument excepted, he should do so by additional appropriate language.

(4) It is suggested that the writeup be supplemented by additional language or by a separate exception if the instrument, in addition to restrictive covenants, contains

((a)) any right existing in others to use all or part of the land described, such as for utility or other easements;

((b)) any right to assess liens for services rendered, as is provided for in some neighborhood or homes association agreements;

((c)) any right to the creation of a lien for liquidated damages in the event of a violation of any of the covenants and

((d)) any right in the nature of a first refusal to purchase or to approve subsequent purchasers of the land before a sale is consummated.

The last writeup is concerned with unfiled mechanic's liens and is as follows:

Any lien, or right to a lien, for services, labor, or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

This constitutes a different approach than most of us presently are using and a detailed analysis of the committee's reasoning ought to be of interest, and is this:

(1) "Any lien, or right to a lien"— the writeup basically is intended to exclude liability for the lien which may result from work or material done or commenced prior to the policy date. The committee was not sure that, as of the date of the policy, this could be classified as a "lien" and consequently included the additional clause.

(2) "services, labor or material"— the term "services" has been included in recognition of the present trend to grant liens to architects and others, and that "labor" might not be broad enough to embrace the activities performed by such persons.

(3) "heretofore or hereafter furnished" — this is suggested by the provision in the conditions and stipulations of the mortgage policy which appear to impose a liability upon the underwriter for "a statutory lien for labor and material . . . arising from construction . . . commenced subsequent to" the policy date, provided the same is financed in whole or in part by the mortgage proceeds.

(4) "imposed by law" — adopted in lieu of the classification "statutory" in recognition of the fact that, in some states, the lien in question originates in constitutional provisions. The committee was also influenced by decisions similar to *O. H. Thomason Builders Supplies, Inc.* v. *Goodwin* (Fla. App. 1963), 152 So. 2d 797, which seem to recognize an equitable lien, apparently based on the principle of unjust enrichment, even though the statutory lien is not available. Here let it be emphasized that the writeup is intended to exclude liability for any rights that may be asserted because of recent construction and repairs. By the same token, if the exception is eliminated from either the owner's or mortgage policy, such equitable lien may be insured against unless the policy provision as to the acts or knowledge of the insured apply.

(5) "not shown by the public records" — for the reason already stated.

As I have already mentioned, a considerable amount of work has been done on the survey exception. I think some of the results of that work will be of great interest and benefit to the members of this Association and I hope that next year's committee will continue and conclude it.

ELECTION OF SECTION OFFICERS

By proper nomination and second, the following officers were unanimously elected to serve for 1966-1967:

Chairman—GORDON M. BURLINGAME, Bryn Mawr, Pennsylvania, President, The Title Insurance Corporation of Pennsylvania

Vice Chairman—RICHARD H. GODFREY, Oklahoma City, Oklahoma, President, American-First Title and Trust Company

Secretary—ERNEST J. BILLMAN, Los Angeles, California President, Security Title Insurance Company

EXECUTIVE COMMITTEE

G. ALLAN JULIN, JR., Chicago, Illinois Senior Vice President, Chicago Title and Trust Company

STEWART MORRIS, Houston, Texas Executive Vice President, Stewart Title Guaranty Company

E. D. MCCRORY, Houston, Texas Executive Vice President, American Title Guaranty Co.

RAY L. POTTER, Detroit, Michigan, Vice President & Chief Title Officer, Burton Abstract and Title Company

WORKSHOP SESSIONS

"A JOINT TITLE PLANT OPERATION"

Moderator:

ROBERT T. HAINES

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

Panelists:

E. GORDON SMITH

Senior Vice-President, Lawyers Title Insurance Corporation, Dallas, Texas

PHILIP D. McCULLOCH

Executive Vice-President, Hexter Title & Abstract Company, Dallas, Texas

JACK EDWARDS

Executive Vice-President, California Land Title Company, Los Angeles, California

STATEMENT BY E. GORDON SMITH

In my opinion, a majority of the members of our industry are not yet sufficiently sophisticated to enter into a method of title plant maintenance jointly with a competitor. It is true many of us have joined with our competitor in making a takeoff of all instruments filed daily, but when I refer to "joint plant maintenance", I mean more—specifically, when two or more competitors use only one set of title plant records. Ordinarily, this type of joint plant operation results only from some degree of desperation. The proposed participants may find it absolutely essential to reduce operating overhead or improve their service to the public. A properly created joint plant will enable a participant to do both.

Since this is a work shop session, and because I have been asked to discuss the joint plant operation in Denver, I am taking the liberty of going into considerable detail in the hope that in addition to stimulating your thinking on the subject, the contents of this paper may prove helpful to some now ready to develop a similar program in their own locality. For the sake of simplicity, I will divide my remarks into three parts. First, factors leading up to the establishment of the joint plant in Denver; second, how the deal was put together and some pitfalls to be avoided and, third, how things have worked out and details of some advantages which accrued to the participants. I shall not discuss the type of title plant or methods of maintenance.

Sometime during the later part of 1959, or early in 1960, Drake McKee, President of Dallas Title and Guaranty Company, and I flew up to Denver to attend a meeting of title underwriters doing business in Colorado. After the meeting, we casually entered into a discussion of abnormally high costs encountered in either building or maintaining a title plant in Denver. These high costs are directly attributable to the fact the metropolitan area of Denver lies within four counties. Denver County itself is quite small. Many years ago, a segment of the population of the City of Denver expanded into Jefferson, Arapahoe and Adams Counties. Denver County now is completely built up and virtually all of the new residential construction is in one of the three adjacent counties. The two old, established title companies in Denver, The Title Guaranty Company and Record Abstract and Title Insurance Company, had complete title plants for all four counties. The "Johnny-come-latelys", such as my Company, Dallas Title, Kansas City Title and Stewart Title, commenced doing business in Colorado after 1945,

and none of our agents had complete plants for all four counties. At the time of my discussion with Mr. McKee, Stewart Title's agent had a fairly complete plant for Jefferson County. The Dallas Title's agent had a similar plant for Denver County and these two agents had entered into a joint venture agreement to build a 15-year stub plant in Adams and Arapahoe Counties. Kansas City Title had commenced some two or three years earlier to build a very modern title plant covering all four counties, but it was not built backwards and only covered a two or three year period. Lawyers Title had acquired some microfilm copies of the daily filings and was about to embark upon a plant building spree. All of these companies were buying from competitors a considerable amount of title information in order to provide title service in those segments of the city where they had no title plants. During the course of my conversation with Mr. McKee, I made the idle remark that it seemed foolish for all of us to be spending so much money in plant building and there should be some way in which we could reduce such expense to our mutual advantage. Mr. McKee then took the ball and called a formal meeting to discuss the feasibility of a joint effort. A year prior to this time, Mack Tarpley, Bob Haines and I had discussed the possibility of a joint plant, so we attended this meeting with enthusiasm. Many other meetings were held during the succeeding 18 months and legal counsel was employed to assist the group. Mr. Bob Haines, the moderator of this panel and a fine lawyer in his own right, became the leader of our group and largely as the result of his personal efforts, a workable plan was devised and success achieved. All of us were subject to the "desperation factor", which I mentioned earlier as prerequisite to this type of cooperation. Our plant costs, actual or projected, had wiped out our profits. Record Abstract and Title Insurance Company and Title Guaranty Company of Denver had merged, giving the surviving corporation a title starter on every tract in the four counties. Now they were beating the pants off us on service and we had to do something to survive. This made it much easier to develop our plan.

The participants in our plan were Security Title Guaranty Company, agent for Stewart Title; Titles, Inc., agent for Dallas Title and partially owned by Dallas Title; Kansas City Title and Lawyers Title. It was decided all four entities would pool all of their title records for all of the four counties involved, after which the best records and systems would be retained for use in the single joint plant and the remainder discarded. Obviously, those participants with complete plants were contributing more to the joint plant than those of us with meager records; therefore, it was mutually agreed the two companies with complete plants should be compensated in cash by Kansas City Title and Lawyers Title, which had meager records to contribute, so we then set about to devise a scheme to achieve this result with a minimum of tax consequences. Early conclusions were to the effect the joint plant would be housed in quarters separate and apart from each participant. A new corporation would be organized to own and operate the plant. An amusing sidelight is the name first selected for the corporation—S-K-D-L, Inc., the "S" standing for Security Title, "K" for Kansas City Title, "L" for Lawyers Title, and "D" for Dallas Title. SKDL could be taken as an abbreviation for "skedaddle", meaning to spill, scatter or run away. We changed to S-K-L-D, pronounced "skilled" which we felt was more in keeping with our business. Our corporation was organized with 100 shares each of Class A, B, C and D capital stock, all of each class ultimately being acquired by one of the participants. Each class elected one director, so each participant was equally represented in the corporation. A three-fourths majority vote of directors was required to transact corporation business. A provision was included to permit retirement of any single class of stock, at appraised value, if a participant wanted to get out of the deal.

Concurrently with organization of the corporation, the participants entered into a written agreement. This was the most important and controlling document. Some important items included therein were: (1) Provision for organization of SKLD, INC., with paid in capital of $200,000.00. This agreement specified the price each participant would pay for its stock. SKLD then used its entire cash capital to purchase the title plant and abstract records of the four participating companies. Perhaps it should be pointed out here each participant sold its title plant and abstract records to SKLD for a price which probably was far less than could have been demanded on the open market. By selling for a

figure approximating book value instead of market value, the seller paid little, if any, capital gains tax. He could afford to sell at a low price because he retained what was, in effect, an undivided one-fourth interest and virtually unlimited right of use of the records being sold. (2) Required each participant to contribute $2,000.00 working capital. (3) Gave each participant the right "to make from the combined plant, belonging to the corporation, chains of title, copies of instruments, copies of title information and such other memoranda, extracts or data (in this article collectively referred to as "records"), which the respective party may deem useful or advisable for the conduct of its respective title insurance abstract business" and to "issue from such 'records', or based on such 'records', or partially on such 'records', title insurance commitments and title insurance policies, and if properly licensed to do so, abstracts and extension of abstracts, which commitments, policies or abstracts may contain copies of instruments obtained from such 'records'." (4) Each participant shall pay, by the 15th day of the next succeeding month, one-fourth of the cost of maintaining the title plant, irrespective of the fact of unequal use of the plant by the participants. As additional capital may be needed for equipment or expansion, each participant will contribute one-fourth of the amount needed. (5) The penalty for a participant's failure to abide by the terms of the agreement and the rules and regulations promulgated by the SKLD Board, was denial of access to the plant records. (6) If participant sold his abstract and title business. the participant's stock in SKLD could be transferred to the purchaser, with no loss in rights of participation in the joint plant, providing purchaser consents to be bound by terms of the agreement, rules and regulations. (7) Any participant may withdraw at any time, upon notice in writing to the plant manager and other participants. Upon tender of his SKLD stock for cancellation, he s h a l l concurrently have the right to reproduce, at his own expense, all or any portion of the plant for his *exclusive* use in the future. Said reproductions shall remain and be the absolute property of SKLD for a perod of ten years. (8) Participants may not give or sell, either as a participant or within ten years after withdrawal, any title information derived from the plant except to regular customers purchasing title policies, abstracts and certificates. It was necessary for this restriction to be imposed since title to all of the information in the title plant is vested in the corporation. Of course, with three-fourths favorable vote of the corporation's directors, either the corporation or a participant could sell information derived from the plant to anyone. (9) Restrictions against sale or mortgaging of SKLD stock. (10) Participants are not liable to each other for loss resulting from errors in plant. Such losses now are covered by insurance.

Next, let us consider what has been accomplished and what benefits, if any, have accrued to the participants. The plan went into effect April 24, 1961. The success of the plan is evident when I tell you the plant has been extended from the original four countries to cover eight. The joint plant has been constantly refined and improved and now is far superior to the plants with which we started in 1961. Efficiency of plant maintenance has been drastically improved and our total costs now are less than one-fourth of what they used to be in the four county area. I estimate plant maintenance costs have been reduced approximately $18,000.00 per month in the aggregate. Exact savings cannot be determined because of the change in methods and enlargement of the scope of the plant. You can easily see we achieved our first goal of reducing overhead. Our second goal was to improve service. We accomplished that also. Our better plant aided in improved service, but the real factor was that we furnished SKLD, Inc., a photocopy of all title policies issued by each participant. These policies were indexed geographically into the plant. We continue to furnish policy copies as issued. Each participant is entitled to rely, at his own risk, upon these policies as title starters. We were entitled to examine each participant's office title files, if we needed more information than could be gleaned from inspection of the policy copies. This is a free exchange of information which has decimated the time and cost of producing preliminary title reports. A long range collateral advantage of our plan is that it is helping the four relatively small participants achieve competitive equality with the domiant company by spreading the fixed cost of plant maintenance over a larger number of orders. We now have become so 'spoiled' it would be hard financially for any single participant to withdraw and singlehandedly

bear the full burden of cost of title plant maintenance.

Today the plant company has a staff of twelve employees. It pays average wages and has provided the customary fringe benefits, except for a retirement plan. 18,000 instruments are posted per month. From 1100 to 1200 entries are posted each day at a cost of 42¢ per document, which includes management, taxes, rent, telephone, insurance, equipment and all costs of every kind and character except the takeoff. Two employees can post and check 120 entries per hour on our modern semi-automatic posting machines. We are participants in another corporation which makes the takeoff. In 1965, this cost 14.4¢ per document, averaging $2,394.49 per month or $28,733.88 for the year. Total expenses of SKLD, Inc. for twelve months ending April 30, 1966, were $84,519.23, or an average of $7,043.27 per month. June, 1966, expenses amounted to $6844.93, indicating further improved efficiency. Don't overlook the fact each participant in SKLD pays only one-fourth of this amount.

Now, consider a few tips for those of you who may wish to try this plan. Of first importance is employment of a manager who knows the abstract and title plant business and who can manage people. He has to be a diplomat and a considerable amount of SKLD's success is directly attributable to its excellent manager. He must contend not only with SKLD's employees, but also an additional twenty or more persons who are regularly present in his office, but who are employed by the participants. These employees must be subject to discipline administered by the management. No one is permitted on the premises except the employees of SKLD and the regular searchers employed by the participants. Searchers cannot furnish title information directly to customers. All information must be relayed to the customer through the company office. Each participant must certify its authorized employees to the manager. There are twenty or more other rules and regulations drafted and promulgated jointly by the SKLD Board and the manager. Each new employee in the plant must study these rules and be examined to assure knowledge of them. One of SKLD's problems, which was not solved for more than two years after inception of the plan, was the friction among its employees and the employees of the various company participants, brought together under one roof. Patience and understanding of the manager brought success. Without sacrificing the competitive spirit between companies, these employees now cooperate with each other and when one group is not busy, it may assist another group, which is overloaded with work, in making its searches. Another troublesome item involved cases where searchers found real or imagined errors in the title plant. Because errors could not be corrected except by SKLD employees, there arose bickering between such employees and the searchers as to whether an error existed and when it would be corrected. This problem was solved through use of a form in which errors were reported in writing to the plant manager and the person reporting was advised in writing concerning disposition of the matter. (READ FORM).

You can see I look with much favor on joint plants. So far as I know, this was the first venture of this magnitude. Now, I am trying to create additional joint plants in which our Company will participate. Several of these ventures are underway and we are trying to put together some others. We think it is a great idea and that it truly represents a feasible means of substantially reducing overhead and providing better service. It is too bad your competitor is an ornery old so-and-so, who will not go along with you in a joint plant program.

Thank you very much for your kind attention.

STATEMENT BY PHILIP D. McCULLOCH

If I were to select a title for this portion of the panel, I would pick the rhetorical question, "A Joint Title Plant Operation—Is This a Prelude to Disaster or Is It a Foundation for Success?"

The mere mention of the term "Joint Title Plant Operation" at any given point in this vast nation of ours will immediately produce wide and wild response from members of the industry we so proudly call "ours". We, in the title industry, are indeed a strange group of people. While we ply our trade, we endeavor to show all people that we are united in a common cause. Namely, we strive to produce the best type of title evidence and protection possible, at the lowest "reasonable" cost, for the user of our product. While "united" we stand, we practice as individuals. And what

individuals we are! If you think that we are not filled with petty jealousies, false pride, and complacency to the highest degree, then seek out three of your competitors and call an initial meeting for the purpose of discussing a joint title plant operation. Drop me a line six months after this meeting and let me know the results of your discussions.

Late in the year 1961 this country boy migrated to the City called "Big D", to follow my chosen profession as an abstracter and title insurance man. I joined my new employer, then one of nine companies doing business in Dallas County, Texas. Having been active in the title industry in Texas for several years, I was personally well acquainted with the executive officers and managers of my competitors. Fortunately for me, this acquaintance was of excellent standing and we shared a mutual respect for each others abilities and knowledge of common problems.

Three problems exist on a nation wide basis which are common to us all. Each of you assembled here are faced with these problems. The first problem, and perhaps the most basic one in our industry, is that of the daily take off of the instruments filed which affect title to real estate. It will not be my purpose here to discuss methods of "take off", or the preference of one system over another. The problem I think of is concerned with people, equipment, available space at the courthouse, availability of original instruments, time, and not the least in importance — money. It is p r o b l e m enough where one is concerned, but multiply the problem by nine or more and the problem becomes one of magnificient proportions.

The nine companies in Dallas faced up to this problem in the year 1954 long before I ever dreamed of going to Dallas. A "joint take off system" was organized by the nine companies under the supervision of one of the major companies. The purpose was obvious, by the use of one take off crew to furnish microfilm and card take offs for each of the participating companies. It worked! Each company received daily the necessary film and card take off to permit daily maintenance of the individual title plants. Without fully realizing it, the companies had started the foundation for future expansion and growth of the title industry in Dallas.

The second problem, which is common to us all, is that of "posting", or daily maintenance of our title plant. Again, it is not my purpose to discuss different methods or systems, and the merit of one over the other. You are familiar with your own system. You are well aware of the amount of money it costs you for this portion of your operation. What you probably have not thought of, and probably could care less about, is that your competitors are each spending a like amount for the same job. Now I know you don't give a tinkers damn about what it costs your competitor to stay in business, but only what it is costing you. But, pause for just a minute, multiply your monthly takeoff and posting expense by the number of competitors you have. Surprised!

The third problem common to us all is the over all growing cost of operations. DOLLARS—OUTGOING DOLLARS—that like the sands of t i m e continue to sift through our fingers at an increasing rate of speed. The more metropolitan your area becomes the more the cost of your operation will increase. Does your Chamber of Commerce tell you how big your City will be within the next 10 years? Will your City grow by 25%, 50% or more during that time? If so, then you have a magnifying glass super-imposed over your operating statement!

In December 1961, three Dallas companies, including the one that issues my pay check, began the operation of a Central Abstract Plant, or what we call here a "joint title plant". The plant maintained was a ledger type of tract book, machine posted, operated under the supervision of my company. Each participant still received the microfilm and take off cards from the joint take off system which we have previously mentioned. Information when needed was furnished by telephone to the other participants.

One of our participants grew and purchased one of our competitors, thereby acquiring the oldest and probably the best title plant in the County. We moved our operation to facilitate the use of the newly acquired plant. We continued the operation of our joint title plant with the addition of a title searcher for each participant in order to obtain supplemental title information for our own plants retained in use in our individual offices.

The light began to shine and the full picture began to come into view. Here in our joint plant operation were represented the three companies which had for years handled the bulk of the title business in the County. Why not bring in the fourth company and set

up a true joint title plant. Between the four companies we had at one point or another probably issued on the greater percentage of the individual parcels of real estate. Each of us had in our storage vaults thousands upon thousands of guaranty files representing title examinations and policies issued. Why was it not feasible to exchange title information for mutual benefit of decreasing the time required for abstracting and examining titles. Why not continue our efforts to eliminate as much duplication of effort and expense as possible! The theory was sound—we felt we could put it into operation. The fourth member concurred, and there came into being on June 1, 1964, a joint venture to be known as THAN Data Processing Center. The participants in this venture were Texas Title and Abstract Co., Hexter Title and Abstract Co., American Title Company of Dallas, and National Title and Abstract Company. The first letter of each participant's name when grouped formed the word THAN, hence our name came into being.

Our four remaining competitors have grouped together into a joint title plant operation known as Index Corporation. They reap the same benefits and are as successful in their operation as is THAN. We differ only slightly in our mechanics of operation. Index does not go as far into the exchange of information as does THAN. THAN does not employ the same type of arbitrary system as does Index. THAN does not bring the individual plants retained in the home office to date as often as Index, but Index does not maintain individual participant employees for supplemental search as does THAN. Both joint Title Plant operations are successful. We are using different approaches, but are reaching the same end. It is not beyond the realm of imagination to visualize ten years into the future when one joint title plant operation may well exist in Dallas with the eight remaining companies being joint venturers. There are in our midst dissenters, skeptics, prophets of doom, and those who say we are insane. But there are also in our midst, those who are pledged to cooperation and coordination of effort, who have faith in the concept that a joint title plant operation can be successful in operation, and who are in positions to see and realize that we are living in changing times, and who are going to stay "on the road" rather than letting the road pull away from them as the right of way changes.

Problems—they are manifold! But the first problem to be solved is within one's own mind. You must become thoroughly convinced in your own mind that your competitor is really a decent sort of a chap and not out to slit your throat if you blink your eye. You must realize that you will face problems you don't even know to exist. You must face the fact that you will make mistakes. You must be fully aware that you will not have an immediate or automatic net savings, for what you save you will spend while solving problems. You must realize that it will not be done over night. Eventually, savings will be realized by reason of speed and better service to our customers.

Our organization is a joint venture. A management committee composed of one representative from each participating company meets monthly, or as often as necessary. All decisions require a vote of ¾ majority. The actual supervision of the operation is performed by a manager selected by the management committee. He has all the duties normally associated with the office of a general manager. Each participant bears ¼ of the operating expenses incurred each month. Each participant contributed operating capital in sufficient equal amounts to provide for the operation of the plant for one month. Our actual joint venture agreement is lengthy and quite complicated. It is binding, exact, and more than adequate protection for all concerned. Obviously, its minute details cannot be divulged, but we feel that it covers all eventualities. At least, it certainly covers all that we have thought of to date, and I assure you that all participants have very vivid imaginations.

The joint venture cannot be terminated except by agreement in writing executed by all of the joint venturers. In event of termination, the assets shall be liquidated and distributed according to the interests held by the joint venturers. The management committee shall continue in existence to supervise the liquidation. We believe this to be a necessary precautionary clause to the agreement, but one which will never be used.

Any party to the joint venture may transfer its position to another person, firm or corporation, provided that such other person agrees in writing to become a joint venturer and to accept all the terms, provisions, etc. of the joint venture agreement, the same as if he had been an original party to such agreement, and that

such transfer shall be a part of a complete transfer of the entire abstract and title business of the transferring party.

Any party to the joint venture may withdraw upon giving the other parties 30 days written notice. Upon withdrawal the retiring joint venturer has the right within six (6) months to make one copy of all material held by the joint venture provided that such copy work shall be done at such times as not to interfere with the operation of the joint venture, and further provided that such right to copy does not include the right to copy the base files, opinions, or starts of any other party. During such six months period the retiring joint venturer shall make payments in a timely manner as if he were still a joint venturer. At the end of the six months period the other joint venturers shall pay the retiring joint venturer its proportionate share of the book value of the joint venture less any sums owing to the joint venture.

In the event of disagreement between the parties to the joint venture as to the meaning of any provision of the agreement, or its effect upon any given situation, a means is provided for the appointment of a single arbitrator, a hearing to be held by such arbitrator and giving authority to such decision as he may make exactly as if his decision was judgment of court of record having jurisdiction over all of the parties.

Liability of the parties is several and not joint or collective, each party being responsible only for its own share of the obligations of the joint venture.

The joint venturers recognize that the personnel of the joint venture will make errors, but each party accepts the fact that each party alone will be responsible for any error affecting such party and that none of the other parties will have any responsibility for any such error. Furthermore, no party shall be responsible for any error, whether or not negligent, in any information (such as starts or base files) furnished by such party to the joint venture or any other joint venturer.

You may have noticed a remarkable similarity of the tone of my discussion with that of the previous speaker, E. Gordon Smith, as he dealt with Denvers SKLD Inc. This is not mere happenstance for as I have indicated the basic problems facing each of us are the same. In all honesty, I must tell you that our participants made a thorough study of SKLD Inc., and spent a couple of days on location with SKLD in Denver. In the final analysis they formed a corporation and we entered into a joint venture agreement. We of THAN have entered into what we consider a little more sophisticated system employing a computer and having an ultimate goal of automation in preparing the title chain. We have automated our miscellaneous index and can accomplish our miscellaneous name search now by use of the computer. Our guaranty files or starts are indexed for the last past 10 years and will be integrated into our land index sometime about the first of the year. We have our land index for the past 14 months in the computer. This is a growing thing, and by the time we have reached automation, this operation may well revolutionize our industry. Our gain, we feel, will be fully realized within a ten year period. Our vision is that the next ten years will demand the fastest service humanly and mechanically possible. We hope that we will be ready to meet this demand.

For the prophets of doom, let me say this. Almost five years have passed since we began the operation of our joint plant. Our competitors have a similar operation. There have been mergers within our Dallas segment of the title industry. From a percentage of the whole stand point there has been no change in the individual ratings of our now eight companies. I have said eight, but in reality, there now are seven for National has merged with Dallas and Texas to form the firm of Dallas Texas National Title Company. Man, doesn't that cover the field! That gives them two votes in our operation and so long as Bill Knight of American and I don't get a divorce, we can always tie them. Lest any of you make an erroneous conclusion as a result of that remark made in jest, let me assure you that while we are still competitors, we do not distrust each other. Very frankly, our joint ventures in Dallas have greatly upgraded the ethical conduct of our industry.

In Dallas, whether you look at THAN or INDEX, you will find an answer to my questionable title for this dissertation. We do not believe that we are in any sense of the term going through a Prelude to Disaster. Quite the opposite, as Gordon Smith indicated his favor and endorsement to a joint title plant operation, we firmly believe that we have indeed built our faith on solid rock and

figuratively speaking all other ground is sinking sand. We must think and act positively, for we have indeed laid the foundation for Success.

STATEMENT BY JACK J. EDWARDS

A wise man once said, "It's what you learn about a subject after you know everything that really counts." We are still learning and having new experiences in our joint plant venture in Los Angeles.

In a few minutes I'll take you from the beginning — share our original fears of "holding hands" — examine the methods used — what needs to exist — costs — and, in part, answer "why"?

A few years before our joint venture I remember well one of our men saying, "I once owned a mountain cabin with my brother-in-law, and it didn't work". (Neither did the marriage, but that's another story). You might say we were loners. I'd-rather-do-it-myself types. We then had 60% less competition, a very active real estate market . . . what I'm trying to say is, we were making money. Times have changed. Our industry is different today. We could no longer accept the fact that a title plant is a "fixed cost" center.

They say failures are divided into two classes — those who thought and never did, and those who did and never thought. Fortunately, another group of men were giving the same thought and consideration to plant building. With a hand shake, and some hesitancy on both sides, the two companies—Southern California Title and ourselves—began a joint daily take-off together. Let me stop here and examine for you what elements were present at the start.

Both companies had the same *need* and a basic *desire* to build a title plant in Los Angeles. Certainly, present and future *use* vs. current monthly plant costs was considered. While the cost will vary based on methods used, it is an accepted fact that a daily take-off in Los Angeles will exceed $25,000 a month. Pooling efforts, with full use for all, made sense.

Secondly, and I think most important, all parties had a *mutual business respect* for one another. Some of you may say,"Jack, that's impossible . . . you can stop right now." Well, I promised to talk twelve minutes, so I'll go on. Seriously, based on the need for compromise of ideas and thoughts to reach an understanding, I believe mutual business respect is vital to the success of any joint venture.

As a third consideration, we arrived at an agreement on plant building methods and the technology to be used.

The sail was up—we took off. That was about four years ago. Each company had their own abstract IBM keypunch section. The document volume of recordings at that time averaged 5,700 daily. It is less than that today. Mechanically this was done by producing two separate sets of microfilm. In Los Angeles the documents are numerically arbed each day, starting with the number "one". A predetermined schedule of document number series allows each company to index approximately one-half of the daily recordings. The total production is then joined together and machine audited. A duplicate deck of cards is made, which allows each company to have their own on-site plant.

About two years ago Lawyers Title Insurance Corporation and Stewart Title Guaranty Company asked to join. After many meetings we were able to reduce the now four-way joint venture into a *written* agreement. This was not easy. They say a camel was first created by a committee intent on making a horse. We all walked down a few camel paths, but managed to resolve our differences because all parties negotiated in good faith. "Fair play" prevailed—eventually.

Our plant agreement first covered the recovery payment paid by the two new participants for their fair share of completed plant work.

It spells out the responsibility for future methods, maintenance and storage of title plant records. On the subject of storage, the IBM 360-with data cell-is scheduled to be installed sometime in December of this year. We agreed that the computer site would be located in a separate location—easily accessible to all companies.

Storage has been our big problem in Los Angeles. With a card index plant files push out the walls in a hurry, and the battle rages to keep two levels merged and ready for searching. We are excited about the installation of the 360 System and what it will do for us. The storage ability of the data cell is tailor made for massive storage—rapid retrieval—and that's what we need.

It was further agreed that the sharing of expenses would be limited to expenses of *development, construction, storage,* maintenance and, in gen-

eral, making available for use the title plant and all materials such as CC&Rs, plat maps, etc.

It now appears that we will work out a method of sharing some retrieval costs. A good example of this would be the production of prints from the microfilm. Also covered was the responsibility for all costs and services in the required programming of the System 360. A separate contract was entered into with the Planning Research Corporation. Preparation for the System has been extensive. It has been a year and a half effort on the part of Planning Research. In addition to this, some of our own employees have spent many weeks in special training at IBM school. The data from 7,000,000 index cards will be in storage *on line* for immediate retrieval. No more sorting and collating. Certainly this system lends itself to multiple use. Simply put, size of plant is no longer a factor. With the open end design of this System the future can hold remote retrieval and image storage. This last item will complete the cycle of full data retrieval.

Most of the program has been completed. Testing and other refinements are being made at the present time. After the System is installed, a parallel operation with the card plant will be required for two months.

It was further agreed that the plant would be developed and maintained in compliance with the standards required by the California Land Title Association. In our State we have plant requirements set forth in the CLTA by-laws as a qualification for membership.

The right to duplicate or copy part or all of the title plant by any one party to the agreement is well spelled out. For example, the right to withdraw and copy requires one year notice, all bills paid, with a single use clause for 25 years. It covered the control of all cost centers and how this should be done and reported.

Frankly, some thought has been given to creating a separate corporate entity, with equal shares of stock, etc. I believe we will find in the future that this will be done.

In summary, I'm suggesting to you—times have changed. It may be time for more companies in our industry to consider pooling efforts in noncompetitive areas. In the September issue of "Nation's Business" a short article under "Executive Trends" captioned "How to Make a Pool of Yourself" indicates other industries, particularly smaller firms, have indulged in this practice. If you do decide to consider such a program, be prepared to give and take a little, and at first spend more time than would seem necessary. However, if you are willing to really apply yourself and do your part to make it work, you could well be on your way to reducing your previous plant costs without loss of use or benefit.

A VALUABLE SALES TOOL

"THE PERILS OF AFFIRMATIVE COVERAGE"

Panel:
ROBERT KRATOVIL
General Counsel and Secretary, Chicago Title Insurance Company, Panel Moderator

JOHN P. TURNER
Executive Vice-President and Counsel, Kansas City Title Insurance Company; also Vice-President Chicago Title Insurance Company

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MR. KRATOVIL: Our panel topic today is entitled "The Perils of Affirmative Coverage." Distinguished panelists have prepared an excellent discussion. I shall do them no discourtesy if I omit protracted introductions, for they are well known to all of you and highly respected in the industry. Our first panelist is John P. Turner, Executive Vice President and Counsel of Kansas City Title Insurance Company and Vice President of Chicago Title Insurance Company.

MR. TURNER: My part of the program requires me to state what the panel means by the term "affirmative coverage," how such affirmative coverage (when it is given) might be phrased and where it might be inserted in the policy.

As all of you know, this Association has adopted a basic form of owner's title insurance policy and a basic form of mortgage title insurance policy. In each policy form, the insuring clauses define the coverage afforded, and the conditions and stipulations provide some general exclusions from the coverage. On the premise then that these policy forms represent the insurance coverage normally provided in our industry for owners and mortgagees, our primary definition of affirmative coverage is insurance against perils or hazards which would not be afforded by the policy forms referred to. But this definition must be extended to recognize that each of the policy forms contains a Schedule B, in which the insurer further excludes liability as to matters which do, or may, affect the land and estate described in Schedule A. It is a little more difficult here to specify a norm or average followed by the entire industry as to matters which normally would be excepted under Schedule B, but the panel assumes that the insurer ordinarily would except survey matters unless (1) a survey was furnished or (2) an inspection was made, and then any adverse matters shown by either would be noted as exceptions; that rights of parties in possession would be excepted either generally or specifically; and (3) that easements, restrictive covenants, unreleased mortgages and deeds of trust, etc., would be excepted. We, therefore, include within our definition of affirmative coverage insurance given against a matter which usually would be a Schedule B exception.

Our definition, therefore, actually includes three forms of affirmative coverage, (1) that which goes beyond the insuring clauses of the two basic policy forms, (2) that which lessens the effect of the general exclusions in the conditions and stipulations, and (3) that which insures against matters ordinarily excepted under Schedule B. Examples which will illustrate these three different categories should be helpful.

In the first category, two examples should suffice. Suppose in an owner's policy the insurer has deleted the

usual printed exception as to questions of survey in Schedule B. This then would obligate him for loss or damage occasioned to the insured as to survey matters which are included within the normal insuring clauses of the owner's policy. Suppose, however, the insurer goes a step further and insures against loss or damage in the event that the survey furnished by Henry Jones, surveyor, dated June 5, 1966, is not an accurate and correct survey of the land described in the policy. Obviously, there are matters shown by the survey which may be of importance to the owner but which would not normally be insured against by the title insurance policy. To illustrate, assume that the surveyor describes the residence located on the property as a two-story brick residence, and actually it is a two-story frame residence. This might cause loss or damage to the owner, if he purchased on the strength of the information given by the survey, but unless the insurer had insured the accuracy of the survey, he would not have any liability under the regular form of policy simply because he had made no exception as to survey questions. Another example would be the case of a mortgage policy where the debt secured by the mortgage is also secured by (1) an assignment of rents or (2) an assignment of a lease. If the insurer wants to insure the validity, enforceability or some other matter in connection with either of these assignments, then he would do so by language which would extend the normal insuring clauses of the mortgage policy, since these insuring clauses do not relate to the enforceability of either assignment. We might redefine our first category then as insurance granted by the insurer against perils which would not be insured against by either the basic owner's policy or the basic mortgage policy, even though there were no exclusions of liability in the conditions and stipulations and even though the policy issued contained no exceptions under Schedule B.

The second category of affirmative coverage relates to the exclusions of liability under the conditions and stipulations. These are found under No. 2 of the owner's policy and under No. 3 of the mortgage policy. I suppose the most common example of affirmative coverage, in connection with these exclusions, is with reference to the zoning exclusion. Particularly in mortgage policies, some insurers are willing to grant some kind of protection in connection with zoning matters, but normally the insurer is not willing to delete completely the provision in the conditions and stipulations. He, therefore, attempts to insure against loss or damage arising from a particular matter which is connected with zoning and for which he would have no liability if he did not make some affirmative insurance in connection therewith. Probably the most common form of this coverage is the so-called Worcester endorsement, which affirmatively insures that the land in question is both zoned and used for residential purposes, and that the zoning provisions relative to area, setback and site dimensions have not been violated.

The third category of affirmative coverage is in connection with Schedule B exceptions, and this usually involves lessening or decreasing in some degree the full force and effect of the exception. I suppose the most common example of this type of affirmative coverage is in connection with covenants, conditions and restrictions. Suppose, for example, the insurer excepts under Schedule B "Covenants, conditions and restrictions contained in the instrument recorded in Book , page ." In some states, the simple use of the word "condition" is sufficient to create a right of reentry for condition broken, and in such a state and if the exception is not modified in any way, the insurer would have no liability of a breach of the provisions of the instrument would result in the loss of the title. The insurer, however, wants to insure against this possibility; so he affirmatively insures against loss or damage in the event that a violation would result in a forfeiture of title. This, of course, leaves the other provisions of the instrument in effect as an exclusion from the coverage but does obligate the insurer as to one particular facet, namely, the possibility of forfeiture.

I am purposely excluding from the term "affirmative coverage" any endorsement or language which would otherwise tamper with the conditions and stipulations. Suppose, for example, the insurer is willing to modify paragraph 4 of the conditions and stipulations to give the insurer more than 60 days within which to furnish proof of loss, or that the insurer is willing to delete Section 8 (b) of the conditions and stipulations in the owner's policy, which has reference to the computation of loss in the event that the land described in the policy is di-

visible into separate and noncontiguous parcels. While these matters certainly affect the insurer's liability, they are not concerned with insurance coverage against perils as such, and the panel discussion, therefore, excludes the same.

Before proceeding to a discussion of the language which may be used in a particular affirmative coverage situation, let's think a little bit as to how the expression of such affirmative coverage can be incorporated in the policy. Probably the most satisfactory way is by an endorsement, and I believe this certainly should be used in connection with categories 1 and 2 described above. Nevertheless, I have seen affirmative coverage under both of these categories shown either at the end of Schedule A of the policy or at the end of Schedule B. I think there is more justification for showing it under Schedule A, but once again, I believe a separate endorsement is by far the most preferable method. It seems to me proper, however, for the affirmative coverage under category 3 either to be evidenced by an endorsement or to be contained in a special insuring clause immediately following the exception in question in Schedule B. This was discussed in the Subcommittee or Standard Underwriting Practices of the Standard Forms Committee of the Association, and I think most of the members were in agreement with this conclusion, although it was never formally adopted as a recommendation. The point is, of course, that if the coverage is taken away by the exception under Schedule B, it is appropriate to lessen the effect of that exception by a special insuring clause in the same Schedule. If the insurer intends to protect completely against the Schedule B exception, then the obvious way for him to do so is simply to omit the exception.

Let's go now from our general categories and the mechanical method by which they are handled to the language which is utilized to give the coverage. Here, I think it is almost impossible to establish any norms. In the first place, situations which may be involved are innumerable, and in the second place, the extent to which the insurer may be willing to go varies considerably from insurer to insurer. There are certain guidelines, however, which I think the insurer should consider in formulating an affirmative coverage endorsement or policy statement. The first of these is to consider whether the affirmative coverage goes beyond the other policy provisions. To illustrate, many companies automatically put in any endorsement, a statement substantially as follows:

> "The total liability of the Company under said policy and this endorsement thereto shall not exceed, in the aggregate, the face amount of said policy and costs which the Company is obligated under the Conditions and Stipulations thereof to pay."

In other words, when the Company, by endorsement, insures against loss or damage in the event that erection of a particular building violates the provisions of the applicable zoning ordinances, is the liability of the Company, if such loss or damage occurs, limited to the face amount of the policy? The quoted statement clarifies this question. In this same area is the possibility that the affirmative coverage may get into fields other than title losses. I am sure many of you present remember the insistence of one of the offices of FNMA several years ago that the title insurer insure against loss or damage by reason of the existence of easements on the property. The attorney for FNMA was particularly insistent on this coverage if the easement in question was a pipeline, and he wanted the title insurer to be liable if the pipeline exploded and caused damage to the property or to the occupant. Another such type of coverage occurs when the effect of the special insuring provision used in connection with a mineral reservation would have the effect of insuring against loss in the event the removal of the minerals might cause subsidence by the improvements located on the property.

The second guideline which I think is applicable is that the insurer should avoid, if possible, making the affirmative coverage provide insurance as to the existence of a fact or situation, rather than against loss or damage if such fact does or does not exist. I recognize that I am treading on dangerous ground here, a great many companies, particularly the California companies, which do use an endorsement to "assure" that certain facts exist, but this, seems to me to be totally inconsistent with the policy form itself which is entirely predicated upon insurance against loss or damage if something does or does not exist or does or does not occur.

The third guideline is that the

insurer must always have in mind the fact that the language used will be most strictly construed against him, and the choice of words is extremely important. I think I can illustrate this by two claims which are within my own knowledge. The first involved Kansas City Title Insurance Company and resulted in litigation which went to the Supreme Court of Missouri and was finally decided, I am happy to say, in favor of our insured. It involved a situation of the insured owning two contiguous parcels of land. The first parcel was a part of two lots in a residential subdivision and was subject to restrictive covenants providing, in substance, that no structure should be erected on any lot other than one single-family residence. The other parcel was much larger and was totally unrestricted. The insured proposed to erect an apartment house on the second tract and proposed to use the first tract as a driveway or street for access to the second tract. There was no other access to the second tract except over the first tract. The attorney for the insured suggested the following language in the commitment:

> "The policy to be written in accordance with the terms and conditions herein will specifically insure owner against all loss or damage arising out of any determination, judgment or decree by any court of record, the effect of which determination, judgment or decree, directly or indirectly, deprives owner of the right to use that certain right of way, 50 feet wide providing ingress to and egress from the aforesaid apartment buildings upon said right of way and over and upon property as described in Parcel No. 2 above, said policy to also provide that any loss of right to use said 50 foot right of way for ingress and egress purposes shall be deemed a severance damage to balance of property (and improvements thereon) described in said policy."

The agent for Kansas City Title, without consulting the Home Office, did insert such language in the commitment, and at about the time the first spade was turned in the construction of the apartment house, all hell broke loose in the neighborhood. The neighbors formed a human chain across the 50 foot strip to keep the trucks from moving back and forth to the apartment house site, and allegedly used other obstructive tactics. Finally an injunction suit was filed against the use of the restricted parcel for ingress and egress to the unrestricted parcel. Although I mentioned that the Home Office of Kansas City Title was not consulted in this matter, frankly I think the agent had the law on his side in agreeing to give the coverage, insofar as the restrictive covenants were concerned, as I think the law in Missouri was very clear that a restriction against the erection of a structure other than a single-family dwelling did not mean that the land could only be used for single-family dwelling purposes as long as no structure was involved. This view was sustained by the Supreme Court. My point in bringing this into our discussion today is that I am satisfied the agent did not realize that this language also put us on the hook with relation to zoning matters, and one of the parties in the lawsuit who vigorously opposed the use of the one parcel for access was the County of St. Louis, and its basis for opposition was that this constituted a street use, which violated the subdivision regulations and applicable zoning ordinances. We were also successful in defeating the County of St. Louis on this contention, but I am satisfied that we backed into the zoning coverage without recognizing that we had any problem until the lid was blown off. Any special insuring clause, therefore, must be considered within the framework of the entire policy.

The second illustration did not involve Kansas City Title Insurance Company, so my information about it is second hand. It involved a special insuring clause which insured against loss or damage in the event that there was a "final decree" rendered by a court of competent jurisdiction enjoining the use of the property for a certain purpose which might be in violation of the restrictive convenants. An injunction was filed, and the court of primary jurisdiction did hold that the use was in violation of the restrictive covenants, but upon appeal, the Supreme Court reversed and held that the use was not in violation. The insurer, therefore, was successful in defending the use, but obviously considerable time elapsed before this decree was obtained. The insured made the contention that he suffered damage by reason of the long litigation period, and he further contended that the decree in the court of primary jurisdiction was a "final decree" because it had to be final before an appeal could be taken. Obviously, the insurer had in mind as a final decree

one which would ultimately terminate the litigation for all purposes. The point, once again, is that the special insuring clause must be sufficiently definite so that no provision therein is ambiguous.

Mr. Kratovil: John, quite recently, in fact within the past few months, a case came before the Illinois Appellate Court where a landowner and a telephone company disagreed as to the right of the telephone company to maintain its equipment on the property, and, in anticipation of litigation they entered into an escrow in which the cost of removing the equipment was deposited, with provisions for payment of the money on entry of a "final judgment." The court held that even on the entry of a "final judgment" by the trial court the disappointed party had the right to appeal. *Rosewood Corp. v. Ill. Bell Telephone Co.*, 69 Ill.App. 2d 331. This may comfort those of us who use the phrase "final judgment" in giving affirmative coverage, as in the illustration you gave.

John, you have also mentioned insuring over zoning. Some of us say that you can insure that the buildings conform to the zoning if you can find the zoning. Our faith in this theory gets an occasional jolt. For example, on May 25, 1966 an article in the Chicago Daily News began with this ulcer-producing observation:

> "An ordinance is missing from the village files in Elmwood Park. It is believed to contain a provision designed to limit the size of apartment buildings in this suburb.
> "The missing ordinance was in effect during an eight-year period when construction of large apartment buildings boomed in the west suburban village.
> "An investigation by the Better Government Assn. and The Daily News disclosed the gap in the files.
> "In place of the original ordinance, an uncertified mimeographed document was found. It holds that multiple-unit apartment buildings are permitted. However, a former building commissioner of the village, Leonard LoDestro, says the mimeographed copy is a fake.
> "He contends that the suburb never has had an ordinance permitting anything larger than three-unit buildings in sections zoned for apartments."

Ultimately, it was established that the actual ordinance does not, indeed, permit apartments. Fortunately, John Hancock is building a hundred-story building in Chicago, and any title man who gives zoning coverage in a situation like this will have a building where, if he steps out of the top window he will never have to worry about how you work your way out of a situation like this.

You also mentioned, John, the case of the affirmative coverage given by your agent insuring an apartment owner that he could use land restricted to single-family dwellings as a means of access to an apartment. There were, of course, many other aspects to this complex litigation, but it is worth noting that in a number of jurisdictions you cannot use restricted land as access to land that violates the restriction even though the violating land is *not* covered by the restriction. *Starmount Co. v. Greensboro Memorial Park*, 233 N.C. 613, 65 S.E.2d 134; 25 A.L.R. 2d 904. This brings me to another peril of affirmative coverage. It is dangerous if given without home office approval. The home office is expected to follow the decided cases of all jurisdictions, since in deciding a question such as this the courts of State X will look to the decided cases in States Y and Z. This is something many agents and approved attorneys do not do. They are familiar with the decisions in their own states, but for affirmative coverage that is not enough.

Our next panelist is F. W. Audrain, Wendell Audrain, to his many, many friends, Senior Vice President of Security Title Insurance Company.

MR. AUDRAIN: I want to speak first about the perils of affirmative risks taken by our endorsements. We have two endorsement areas in California. One group is composed of those that have the imprimatur of the California Land Title Association. There are perhaps 100 or more of these endorsements which are used, in the main, quite accurately by our people within the framework of the rules and situations prescribed for their use. It is my observation that the misuse of these standard CLTA endorsements has been so slight during the last decade or more as to not call for discussion. My Company does not have a claim or even an embarrassment over a misused endorsement more than once in an average two year period. In fact, we don't have a claim on even a properly used endorsement any more frequently. For my Company, standard CLTA endorsements, their usage, or claims thereon is one of our least discussed areas of interest. For this

panel, I would like to give some informative comment, particularly as to CLTA # 100, on an experience basis, but the experience has not been had in enough instances upon which to comment.

In my State an endorsement that finally becomes a standard form usually has its beginning by the devising of an endorsement by one of us for a specific situation. The insured likes it and soon he puts it back to the author company another day for another order, or to another title insurer. At the next forms committee meeting, this form is discussed, revised, and perhaps in six months to a year, it becomes decent. Enough knowledge and experience is focused on such a form that it is loosed upon all title men with relatively little restraint beyond specifying the situations suitable for use. Our people make very few inquiries, such as: "I have a request for endorsement #84 JND 4—may I give it?" Far more often the inquiring person will ask what the charge is to be, and that leads to what is going on in that county by other title insurers.

For isolated and specific situations, we devise the endorsement needed and these are usually prepared by informed and skilled men who are likewise mindful of the general attitude in the title business to exercise restraint. Opinion varies as to whether there are abuses in title people being too willing to invent indorsements. Basing my next comment on the test of how often I am asked to advise whether we can use some theretofore unseen endorsement, submitted by a prospective insured, I do not think abuse is present. There are others that regard almost any endorsement as an abuse. It would, of course, be a more simple world if there were no endorsements. In that world we would be less responsive to some obvious and plausible needs of insureds which our basic policies do not reach.

Our best known endorsement, which is the one commonly called the 100 endorsement, and the one which enjoys the most discussion out of California, has been in use for enough years to have been subjected to the test of trouble and claims. With the exception of less than about six instances of our people making a mistake or not being careful about a race restriction condition, thereby causing a lender or assignee to discuss the subject with us, we haven't had an instance of trouble for a claim arising out of the 100 endorsement in the last five years. In my Company the greatest cost as to this endorsement has been the manpower time talking about it and the occasional discarding of anywhere from 10 to 15,000 forms due to a change in the form.

This is not to imply that criticism of the form for use outside of California is unwarranted. We designed the form upon the foundation of our experience in California, and upon the statutes and cases that are relevant in that State. I recall no missionary effort on our part as to its use elsewhere. My own discussions as to use elsewhere, as to my Company, were limited to a few states, and I took the view: "What that state association decides is the decision for my Company in that state."

In those situations where I find that their facts, their laws, practices and court decisions on the subjects involved in CLTA 100 are wholly like ours in California, I do not share the fears I hear about in that other state, because our experience has all been favorable. If we choose to stress the insurance aspect of our business, then how can we ignore a basic component of any insurance business—which is —experience? The most valuable and most expensive people in our companies are generally favorably regarded because they translate experience into profitable decisions. CLTA 100 is solidly grounded on experience. Our price structure for ALTA policies includes the work and risk elements that are involved in the almost universal inclusion of this endorsement to ALTA policies in California. To further illustrate our confidence in this form, we also print it for occasional use on owners' policies.

Another area of peril is to write a policy in which an affirmative risk is taken by silence or by specific reference and endorsement to nevertheless take the risk, and then to have that judgment challenged by the next title insurer by whom the title is examined. I often mention this factor more than other elements, and for several reasons. I do not like to ask for or give indemnity letters to other insurers, except in those instances where for a predictable outside money amount we know we can positively abate a lien problem. But really this is not entirely relevant, for most of us do not ever deliberately take the risk of not showing a recorded money lien.

Another factor in my thinking is that I reject the idea of assuming a risk on the premise that another title company will probably insist on an

exception, and thus the insured has to return to our house for insurance. This offends my belief that the title we insure and that leaves our office ought to be as good as a new five dollar bill, and ought to move just as freely in the market place, and here I mean, to move unquestioned across the desks of other title officers in other title companies. That is what our insured would want if he knew enough to make that kind of movement a condition to put to us. We are supposed to serve the interests of our insured, and who can mount a valid contra argument to the proposition that as we best serve our insureds, we best serve ourselves.

Now, I will return to an affirmative risk situation to which I have just briefly adverted. I do not know the counterpart of my next illustration in your states. To some, it may seem routine and so usual that you wonder why I should even mention it. To others, it will seem to be an appalling practice, and you will be glad you have not opened an office in California.

The land buyer has given the seller a purchase money mortgage, but the seller has imposed several difficult conditions. The land seller will not subordinate his paper to any mortgage the buyer proposes to execute to get construction funds. The seller insists on promissory note terms that restrict the money to be paid in the year of sale—for tax reasons. The principal obligation remaining due on the purchase price is not payable until after the first day of the next year.

The requests put to us for this situation come to us in two propositions. There are a few hopeful buyers who ask us to insure a construction loan from a bank or savings and loan association *without reference to the purchase money mortgage.* A simple request. This is the major element. The minor is that we are assured that the buyer will discharge the purchase money mortgage on January 2. When we indicate that his promise is not quite adequate (this may indicate to you the confidence of some of our customers) we then discuss the cash to be left with us to enable us to have the means to discharge that lien if our buyer, who is our owner-insured, doesn't meet his promise to discharge the lien. Where is the affirmative coverage here that has a peril? It is to write a loan policy for the construction loan showing that mortgage only and not the purchase money mortgage. What is the peril? There are several perils. We do take cash in the amount of the principal and estimated interest to cover the obligation, whose security paper we do not show in the policy. One peril: We did this for one owner in January, and he completed his buildings in November, and the refinancing of the construction loan was begun with another lender who insisted upon going to another title company who reported out to a new proposed lender that the prior construction loan was a second; and that new lender had an officer who called up his competitor lender on the construction loan and heehawed him as to his illegal loan. We were embarrassed and learned to be thoughtful about when such situation could arise and to consider the view of the proposed lender who will, in fact be a junior for some months.

There are perils in giving affirmative coverage that a loan is prior when in fact, it is not. Death, strikes, economic failure, unexpected litigation, and other events we cannot anticipate can intrude to break up a proposed event schedule put to us to assure us that our taking the risk will not be embarrassing or a source of loss.

Another peril: this money we hold—whose money is it? Not the mortgagee's, for he does not want it—expressly, he does not want it.

If it is the money of the payor, deposited with us for our protection, does our situation, consisting of our policy, the risk we took, and whatever agreement we write to cover all this plan really constitute a situation that will enable us to regard that deposit as free from the U. S. tax lien on the payor who handed us the money? Or against a well-advised, agressive bankruptcy trustee? Or a well-advised, agressive wife who is energetically rounding up assets of the defendant husband?

Repeatedly, in many formal and informal gatherings of experienced title men: local, state and here, in our conversations and in our panels and our papers, we look at these perils. No longer do we spend time on the "don't do it" response. More importantly, we should think and talk about how to handle such matters and try to acquire information as to all the relevant factors and to know about precautions to take and of the several desirable precautions we have to surrender.

I also want to mention two variations on my last theme. We have been asked to hold such deposits as against secured debts which are payable only in restricted installments that may run for 5 or even 10 or more years. An express barrier has been created as to

any prepay. We think this is an unreasonable risk to take. Keep in mind that you have difficulty getting a depositor of funds approving the extension of the use of funds you hold over to the use by another title company, who might have a sale of the property three or seven years later.

Affirmative coverage, assumed by policy silence or express assumption by endorsement is occasionally proposed as to new structures, usually multistory buildings on important city streets where there has occurred a calculated use of land beyond property lines for foundations or cement to assist the structure. The city has given a revocable license to make this usage of subsurface street area.

A typical usage is the subsurface garage that must have a minimum area to meet occupancy to vehicle ratios. We have expressly assumed this risk in a few such situations. The peril is that the subsurface of public streets is under municipal control and we hope that engineers who make plans for the location, relocation or enlargement of present or future facilities, such as sewage systems, flood control channels, water lines, power, gas, steam, ammonia, subways, pedestrial tunnels, and other uses will not find our insured garage area to be a barrier, and ask the city to revoke a license. One or more title insurers in Los Angeles declined affirmative insurance within the last year on a 26 story building whose subsurface structure crossed the property lines and whose subsurface tunnel crossed the street. The peril we apprehended was due to then current, lively discussion of a subsurface transportation system as one of the proposals to relieve traffic pressure in the City.

Mr. Kratovil: Wendell, where a riparian owner builds up to a dock or harbor line in navigable waters in reliance on a revocable permit issued by the United States Corps of Engineers, do you ever give affirmative coverage against the rights of the United States? What is your approach to this problem? Before you answer may I quote the answer of the Florida Underwriters to this question:

> "The question was raised as to whether any of the members were issuing policies in Florida on land that is now filled in and was formerly under navigable water. Mutual of New York has been asking for an affirmative guarantee against loss or damage in this situation. It was the consensus of the group that this was not a proper coverage, since the permits granted by the Federal Government were revokable and that it would be strictly casualty underwriting to offer such coverage."

Mr. Audrain: I have heard this subject discussed as to harbor areas on this Coast, but have not had the specific problem. As I heard the subject discussed by counsel for companies that had the matter specifically before them I formed the opinion that to insure a loan on an improvement on an area occupied by the improver on the basis of a revocable permit would be unwise. No title company—not even the federal agency that gives the permit—can anticipate with certainty, the future needs for the filled area for federal purposes. Also, I am unfamiliar with any practice of basing insurance on permits of this nature, licenses, or writings that do not create known and well-defined estates and interests in land.

Some future war may call for this filled land to be urgently needed for dry docks, submarine facilities, oil and supply depots, and of course, our defense effort in such circumstances outranks the interests of the improver, the lender and the title insurer.

The government sees no injustice in the revocation of a permit and destruction of improvements for the prosecution of a war effort. I think insurance against that risk belongs to the companies that insure against rain on the day of some long-planned festival. The suggestion has been made that some kind of estoppel might operate to preclude a revoked permit enabling destruction of improvements. I think this suggestion betrays a serious lack of knowledge about the laws and court decisions bearing the powers and immunities of the United States and its agencies and officials.

I have had many inquiries concerning insurance on buildings, sometimes costing $10,000 or more, on parcels in National Forests, which are occupied under Forest Service permits. Some of these parcels have had permitted occupancy for 40 years. All we can do for improvers and their lenders is to issue a policy vesting the land in the United States, and if anything gets of record we will show such matters. Except for an easement granted by the federal agency, most other recorded items are casually interesting, often given significance beyond the reality of the situation by permittees, and of no insurable value. We have the same situation as to Taylor Act grazing permits and

a variety of similar agency licenses which often do have economic value.

Mr. Kratovil: Wendell, the danger that government permits to fill may be revoked is not confined to times of national emergency. In the September 13th issue of the Chicago Sun Times the following editorial comment appeared:

> "Congratulations are due all those who helped bring about the suspension by Army Sec. Stanley R. Resor of the permit arbitrarily given Bethlehem Steel Corp. Aug. 26 to fill in 333½ acres of Lake Michigan near the proposed Indiana Dunes national park site. The handling of the permit was a classic example of bureaucratic arrogance and indifference to public opinion. Now, at least, there will be a public hearing on the huge lake-front give-away.
> "The case is one more example of the need for constant vigilance on behalf of the public against those who would erode the lakeshore for private gain."

On the same day another Chicago newspaper congratulated Stewart L. Udall, Secretary of the Interior, for his decision to oppose reinstatement of the permit. Makes you think, doesn't it? If you had written this affirmative coverage, your title company would be bucking two newspapers and the Department of the Interior. Gives you a sort of lonesome feeling.

We bring you next Joseph A. Watson, Senior Vice President of The Title Guarantee Company of Baltimore, Maryland.

Mr. Watson: "Yield not thy neck to fortune's yoke", a lesson from Shakespeare,[1] could well guide us in this assignment. Losses resulting from insuring over questionable uses, building in free space, disputed easements, obstructed passage, zoning restrictions, dedication questions, yes, mechanics liens and all the warranted and unwarranted assurances which have gone with them in our experience in the East, South and Southeast are the topics of my part of this panel.

The stipulation in the policy which provides that "the Company will at its own cost and expense defend the Insured" are most vulnerable words —and with these words, oft times you lose heavily even when you win. One day in the late '20's a New York title company had its comeuppance. After several other companies had refused such insurance, it insured affirmatively that an apartment house could be built notwithstanding a covenant prohibiting any building other than "ordinary first class dwellings". Right along the line, through time consuming and costly actions, through successive appeals to New York's highest court with Charles Evans Hughes as defendant's counsel to boot, the plaintiff, a neighbor, kept fighting. The title insurer won but what that victory cost! [2]

Years later, in the same area, another insurer affirmatively guaranteed in face of a restriction against a "commercial garage or automobile parking lot" that the property could be used for drive-in parking for a refreshment stand owned by Polar Bars, Inc. A mandatory injunction resulted. The defendant said sue me, the courts said show me, counsel said pay me; and the business of a snack-bar was reopened and confirmed—again at great expense to the insurer.[3]

We once guaranteed that gasoline pumps and underground tanks erected on the insured lots did not violate set back provisions calling for free space where the pumps and tanks were located. We were fortunate from what I hear that our assurance was not contested. In a recent matter reported to me, after evaluation by a Risks Committee, with reliance upon the leading cases,[4] a policy was issued affirmatively insuring that gasoline pumps, islands and driveways could be constructed in an area restricted against a building of any kind. There had been previous indication of opposition and there could not have been much surprise that while the concrete was still green the neighbors brought a suit in equity to require the removal. This matter has now been dismissed but only after an expensive settlement.

Coverage of the use of easements can be a prime target for a boomerang. A reported case [5] involved an easement which was appurtenant only to one of the parcels in the assemblage of land for a golf course. The policy was issued in the usual form designating the fee title as parcel one and an easement of ingress and egress as parcel two. The only difficulty was

[1] Shakespeare, King Henry VI, Part III, Scene III, Line 16

[2] Bowers v. Fifth Avenue and 77th Street Corp. (1925) 243 NYS 536

[3] Premium Point Park Assn. v. Polar Bars, Inc. 306 NY 507

[4] See Small v. Parkway Auto Supply, 154 NE 521, Netter v. Scholtz 138 SW 2d 951, 49 ALR 1361, Hancox v. Peek 355 SW 2d 568, Jenny v. Hynes (Mass) (2 cases) 184 NE 444 and 189 NE 102.

[5] Dillon v. Zara 252 NYS 2d 290

that the easement served the wrong parcel in the assemblage and not the parcel on which the clubhouse was built. The result—a part of a fairway had to be used for the new road. You can imagine the damages and the embarrassment that went with this failure of title.

In another case of affirmative guarantee of easement rights, previously friendly and presumably agreeable dominant users completely surprised the insurer and would not agree to the use of their private access road by the purchaser from the servient owner on the ground of overburdenment. Substantial money was paid for their consent.[6]

And here is one in which we were lucky, but only because of our preliminary inquiry and the written committment of the City Solicitor's Office as to the status of a platted street. Informed that it was a public street by dedication, we affirmatively assured access over it as an alternate outlet for our insured. Some years later our insured made claim upon us to force the opening of the street, now blocked with the overflow of wrecked and junked automobiles, a wrecker, being the tenant of the front property owner.

Negotiations failed and we took up the matter with the City Solicitor's Office and based upon their previous letter to us they agreed to conduct the necessary court proceedings with members of their staff if we would merely pay the court costs. Despite claims of adverse possession, the lack of use as a street, and its impasse, the offer and acceptance of dedication was confirmed by an appellate court, the offer in 1863 and the acceptance by a general ordinance in 1922. This happened on the extension of Holkholm Street in the City of Baltimore. Maybe we should call this case the dedicated junkyard or maybe we should call it just plain "hokum" [7] for, after all this, mind you, the tenant of our insured said he didn't want any ill feeling with his neighbor and continued to use only his other means of access.

To guarantee against mechanics liens where dirt has been moved can cause a lot of grief as our Court of Appeals can attest [8] and in such cases you really lose heavily even though you win. Guarantee against liens most carefully and have the project fail and see where you stand. You must defend because of the terms of your policy and again you will probably win but at an extremely high cost.

On the subject of mechanics liens and on the other side of the ledger we are all familiar with the great work Florida has accomplished to make their law less harsh and I hear that Texas has formed a committee to try to follow suit. And now from Mississippi comes a most recent case which has removed some of the nebulous area surrounding this subject.

Prior to this case of Wortman & Mann, Inc. v. Frierson Building Supply,[9] a series of cases relating to construction lending held that such lender in the exercise of reasonable diligence was required to actually follow the construction advances into the actual building operation. This case now sets out what constitutes reasonable diligence in checking for mechanics liens before disbursing construction funds and imposes upon the lien claimant the obligation of making a timely record of his lien claims. It holds that reasonable diligence for the construction lender is now made out by a search of the Notice of Construction

[6] In this case, "A" the owner of A-land divided it and conveyed away to Q and Y, two parcels binding along his 20 foot private road, which gave access to A Avenue, a public street. Sometime later the owner of adjacent B-land situate on B Avenue, another public street, to satisfy a prospective buyer who became the insured with hope to use the same 20 foot road as another outlet, acquired from A a strip out of A-land to connect to it for access also to A Avenue. It was understood that X and Y would agree to the cut-through but as chance would have it, X was out of town and not available in time for the closing. Feeling secure because of the reputed friendship of the parties the purchase of B-land with the cut-through strip was consummated in title company offices and affirmative assurance given as to the right to use of the private access road. Upon return of X, he refused to agree and protested the right to the grant of any access over the private road without the consent of both him and Y. The insurer did not feel it could successfully defend against an alleged overburdening of easement and wound up by paying a substantial sum to both X and Y for their written consent.

[7] Hackerman v. Mayor and City Council of Baltimore, et al (1956) 212 Md 618.

[8] Ruppetal, Trustees, et al v. Earl H. Cline (1962) 230 Md 573.

[9] Wortman & Mann, Inc. v. Frierson Building Co., (1966) 184 So 2d 857

liens records and the taking of a "no bills" affidavit from the contractor before an advance.

Our underwriters have steadfastly resisted the urgings for zoning coverage and properly so, I feel. For it is not a part of title insurance, it is not title at all but part of police power, health and safety regulations. In many instances those regulations cannot be accurately examined and have been said to be "difficult to ascertain", and to be "frequently ambiguous or of doubtful constitutionality." [10]

Slippage has and will occur and we and others have been sued because of inadvertant assurances as to zoning—but pleased, I am, that from all evidence this zoning coverage has been kept to a minimum.

A case reported as a near-miss for title company involvement is the case of Welton v. 40 East Oak, reported in 70 Fed.2d 377. Requested to affirmatively insure over a substantial zoning set back violation by the builders of a twenty story building, the underwriter declined and saved itself a fortune. There was no title insurance on this point. In a subsequent suit by adjoining property owners, alleging and proving special damages, a mandatory injunction to conform was decreed and confirmed on appeal and the cost to reconstruct estimated at well above $300,000.00. Actually a covenant not to enforce was obtained for less money but you can bet your boots that had the title company insured, it would have paid in full.

Another case reported to me not as a title company loss but to pinpoint the extreme risk with respect to insurance against zoning was the New York case of In re Brause.[11] This case reviewed the interpretation of a zoning regulation having to do with height restrictions and determined that despite the issuance of a building permit and despite a previous practice to allow it; air rights could not be added to the ground area of a plot to make up the necessary square feet to meet the zoning limitation.

Some uninsured use cases can likewise cause reflection. I am referred to the case of McLaughlin v. Eldridge, a Massachusetts case,[12] where the court did not allow a dwelling house restriction to admit of commercialization even in a changing neighborhood and Bullock v. Steinmill Realty, Inc.[13] where the court refused to invoke the doctrine of laches and required a house built in violation of the restrictions and over timely protest to be demolished. Interesting also is the case of Easter v. The Dundalk Holding Company [14] where a wall encroachment was involved and in speaking on the doctrine of comparative injury, the court held that no person could take his neighbors property to improve his own merely because his neighbors loss will be less than his own gain. Reported as a title company loss was the case of Stuart v. Barber [15] where a dentist was not allowed, and he had affirmative insurance to cover it, to add a room to his house for an office in a highly restricted neighborhood.

Don't get me wrong now—there is a place for special assurances—several projects would not have gotten off the ground without them. Where practical it should be offered by the title insurer but this type of such insurance should be very limited, with studious consideration of such risks left to capable and experienced underwriting personnel and, where delegation is necessary, the rules and procedure should be rigid and exacting. When the law of averages strikes, I hope we have had caution and foresight to have the facts and the law on our side, and prepared to keep the damages to a minimum. It is wise, I believe, to go with our conservatives and go easy in all affirmative assurances. When Edgar Miller, then president of our Company, wrote his "Notes on Title" in 1906, he said that "Luck favors title examiners" but with the subject at hand, I believe it is best to follow the wise gambler who avers "luckiest he who knows just when to stop".

Mr. Kratovil: One of the big perils of affirmative coverage, is the possibility that you might not get paid for it. What are your thoughts concerning this point Joe, assuming that they can with propriety be expressed in mixed company?

Mr. Watson:

How often have we heard it said—"Yes, lets insure against it, but lets not charge for it, it might be a red flag." And again something like this, "If it is okay to insure at all, it is not sufficient for a special fee, we are not

[10] See article entitled "Title Insurance" by Quintin Johnstone, The Yale Law Journal, Feb. 1957, page 497.

[11] In Re Brause v. Murdock 186 NYS 2d 213, Reported in full in N.Y. L.J. 12-5-58

[12] (1929) 266 Mass 387, 165 NE 419

[13] (1955) 1 Misc 2d 46 (New York)

[14] (1951) 199 Md 303, 86 A 2d 404

[15] (1943) 182 Misc 91, 43 NYS 2d 560

a casualty business". Again, "he is a good customer, we won't charge him", and when the eventual case comes along and costs you plenty, you have no funds from which to draw. This is a definite point and should be avoided if possible. We often insure under tax sales, for instance, and against ancient mortgages and other old defects and we should so insure when we can, but we normally charge a special fee even after foreclosure or quiet title action—a fund for that rainy day suit.

Mr. Kratovil: One of the perils of affirmative coverage against building restrictions is the peril that the neighbors are not the only ones interested in enforcing it. One such case involved the Mercury Theater in Chicago.

This involved some vacant lots in Chicago. Some of the lots fronted on the north side of North Avenue, a section line East and West business street, and also some lots lying immediately North and adjoining but fronting on North and South residential streets. The North Avenue lots were restricted to business uses and the other lots were restricted to residential uses. The owner who assembled these lots planned to erect a movie theater, which plainly violated the residential restrictions. All but one or two lot owners signed consents to the erection of the theater, and we were on the point of giving affirmative coverage when a lawsuit was filed in the name of one of the lot owners who had not signed the consent. It turned out that he was solicited by the owner of a nearby movie house to permit his name to be used. Later we heard that the suit was settled by payment of a large sum of money.

The morals are these:

1. Once you embark on the task of getting consents to a restriction violation you lose all benefit of the "sleeping dog" theory. Everyone knows he has rights.
2. Even though the improvement might even benefit the neighborhood, you must worry about the competitors, and, of course, the strike suits.

Those of you who give affirmative coverage over a building restriction as soon as the building is up to roof, on the theory that enforcement is barred by laches, might ponder two cases where this defense was rejected. One is Ridley v. Haiman, 164 Tenn. 239, 47 S.W.2d 750 (1932) where the court said:

> "The complainant, Mrs. Ridley, was out of the city when defendant, Haiman, began work on his filling station. She returned when the work had advanced to the state above mentioned, and immediately advised with counsel and brought this suit. We think, therefore, no laches can be imputed to her, notwithstanding the contention of defendant's counsel."

Another is Hartman v. Wells, 257 Ill. 167, 100 N.E. 500 (1912) where the court said:

> "At time of this suit the structures objected to were practically complete and represented a cost to defendant of more than $4,500, but plaintiff showed that it was during a period of one and one-half months when he was absent from his home that the erection of these structures was commenced and he made objection to the structures immediately upon his return."

Others may take comfort from the language in Kajowski v. Mill, 405 Pa. 589, 177 A.2d 101 (1962).

> "A court of equity is a tribunal where revenge or punishment in the way of reprisal has no place. A court is not a feuding arena where the Capulets and the Mantagues lunge with legal swords at one another. Justice repels, reason abhors, logic condemns and fundamental equity principles reject that a new building should be destroyed when its demolition accomplishes no more than satisfy one of the parties that he had correctly foretold the state of the legal weather."

Of course, you may still lose the lawsuit if you rely on this case but you will impress people with your erudition.

Mr. Kratovil: Our final panelist is John Connelly, Vice President and Counsel, Title Insurance Company of Minnesota.

Mr. Connelly: Confucius say: "One picture worth a thousand words." Following this philosophy, I have decided for my part of the program that discussion of one actual case would serve better to illustrate our point rather than touch briefly on several different cases. Therefore, my allotted time will be spent going into detail on a particular case in attempting to re-enact much of what happened in that case.

Let me now take you back to the year 1951 to the state of Tennessee in the city of Nashville. Diagonally across the street from the state capitol stood

an apartment hotel building known as the Memorial Hotel. Being in close proximity to the state capitol and to other public buildings in the immediate area and with the state having need for office space, a deal was negotiated by persons who had recently purchased the building, to lease it to the state for use by the Department of Employment Security. Under the proposed plan the state would use part of the space and the balance would be rented out. The interest of the state under the proposed plan would be that of a lessee for a period of 15 years with an option to purchase during the last six months of the first year. Note that this is not the usual type of option to purchase. The amount of the purchase price was the equivalent of the monthly payments for the 15 year period and was payable in monthly installments. The state officials who took part in the negotiations had conceived a plan whereby benefit payments from the government would cover at least a substantial part of the amounts due on the monthly payments, and at the end of the 15 year period the state would own the building. A good deal for the state, this would seem to be. The total amount of the monthly payments over the 15 year period of accrual would be approximately $1,700,000 but with the state having the use of the building all during the period.

The lease option purchase deal was consummated between the owners and state officials according to the plan and the lease agreement entered into. Subsequently the owners made application for a loan to be secured by a deed of trust for $600,000 and applied for a title insurance policy to insure the lender in the amount of the loan on the fee title. The deed of trust was to be executed by the fee owner only.

Because the lease to the state was the incentive to make the loan, the lender or mortgagee, as I will hereafter refer to it, required as a part of its commitment, that the title policy contain an affirmative guaranty against lose or damage which it might sustain by reason of any defect, invalidity, illegality, or claim thereof pertaining to the execution of the lease agreement. The policy insuring the mortgage was to be a joint policy by two title companies with joint and several liability. After consideration by the title companies, it was agreed that the affirmative coverage insisted upon could be given, and there was inserted in the policy under Schedule A, immediately following the reference to the deed of trust, specific language providing for the coverage as hereinbefore referred to. Lest some of you think that this clause covered about everything that could be covered with respect to the lease, the insurers were careful to point out in the clause immediately following that it did not insure the payment of rental provided but that the guaranty related only to the power and authority of the parties to the lease to sign and execute it and to the proper execution. It should also be mentioned here that this coverage was not given on a pure casualty basis. An opinion of counsel had been furnished affirming the validity and the execution of the lease. This guaranty just previously mentioned was shown under Schedule A, and Schedule B merely set out the lease to the state with reference to date.

Everything went along smoothly until the following year when an election campaign got under way. When the campaign became spirited, the candidate running for office against the incumbent governor used the hotel transaction as a campaign issue. In his campaign talks he referred to the Memorial Hotel deal as an example of how the state was being improperly run by the then governor. He attacked the so-called secrecy of the deal whereby the fee owners bought the building and made the deal with the state, claiming the price to the state was exorbitant, criticized the lease purchase plan, claimed the owners had just bought for much less, and said if he was elected he would void the lease and sale agreement. In contradiction, of course, the then governor and his supporters claimed it was the best deal the state had ever made. As the campaign proceeded further, the opponents made the accusation that persons close to the then governor had made huge profits on the deal. The matter hit the local papers and was quite thoroughly publicized. Then finally election day came and the opponent defeated the then governor.

On or about March of the following year, the state started suit to cancel and declare void the acquisition of the hotel by the former governor. This was after a legislative committee had made an investigation and recommended that the state seek to set aside the transaction and recover state funds used to repair the building. This suit was started, mind you, while the state was still using the building but it had at this time refused to pay rent, or

make payments. The person who had negotiated the lease had incidentally been fired by the governor after taking office. It should be pointed out here that the state had converted the apartment hotel into an office building when it first took over, and in the process had torn out many of the fixtures, particularly plumbing fixtures, as well as partitions. Incidentally the state had exercised the option during the last month of the option period and had bought the building and received a deed.

The claim upon which the suit was based was that there was no legislative authority to enter into the contract; that it was ultra vires; that it was fraudulent; that the total of the rents would be $1,769,000, an exorbitant price to pay in relation to the present value of the building, and it also sought an injunction from foreclosure of the deed of trust.

During the ensuing months much litigation followed including a receivership, and the state continued to occupy the building for some seven or eight months following the commencement of the suit when it then vacated the building. In the latter part of the year 1954 a court decision was handed down which held that the lease purchase agreement was ultra vires and the state had no authority to enter into the deal. The decision also provided that the state was not required to reconvert the building from an office building to a hotel but it did not allow the state to recover some $200,000 it had spent on converting the building when it first began occupancy.

During all the time of this litigation the mortgagee or holder of the trust deed and the title insurers stood practically helpless except for wishful thinking. After all, the mortgagee still had a mortgage on the fee, and the fee owners or their successors were still the fee owners. The building also had value in brick, mortar and tile and an expert appraisal had been obtained showing a valuation of a million dollars. Thus all along, up to this time it appeared there would be no loss to the title insurers.

But shortly thereafter things started to happen and the owners found that though the building had value in brick, mortar and tile, they were unable to sell or lease it to anybody because of the stigma attached to it on account of all the bad publicity. Payments on the mortgage went delinquent after the state evacuated and quit paying and in about four months foreclosure was threatened. At this point the title companies were forced to take action to avoid or at least mitigate their loss under the guaranty because the mortgagee had already asserted its claim, not because of a defect in title of its mortgagor, but because of the coverage afforded with respect to the lease. In the meantime title to the fee had changed hands and after negotiations between owners and insurers, they worked out a deal whereby the fee would be conveyed to two of the title companies officers as individual trustees and an option to purchase back would be given. Upon receiving the deed and somehow forestalling the threatened foreclosure until the deed could be obtained, the title companies then paid out over $50,000 to the mortgagee to cure the default. During the ensuing few months efforts were made to find a buyer. None could be found. The option period expired and it was the title companies' baby.

Many long months passed with the monthly payments being periodically made by the title companies to keep the mortgage out of foreclosure while they desperately tried to make a sale. After more than a year had elapsed, it was then apparent that the building was going to have to be sold at a loss and by this time the companies had advanced about $100,000 on mortgage payments and expenses. All efforts to sell through brokers and agents in Nashville had failed, and efforts made even through out-of-state realtors to find a buyer. It was a situation where a prospect did not want to have anything to do with the building after investigating and learning of the background. At first interest would be shown and then it cooled off. To show the extent of the efforts, there was even a proposal to make a resale to the state at a figure which would result in a loss. When it could not be sold, it was offered for rent through an agent and after working on it for two weeks, he quit because of frustration.

After about a year and a half, the building was finally sold to a local insurance company for about three-fourths of the amount of the original mortgage, and while there was some recoupment to the title companies over and above the then existing balance on the mortgage, the companies ended up with an out-of-pocket loss of some $80,000 not to mention all the other expenses of time and travel and the like.

To me this case is an example of

most of the things that can happen. The affirmative coverage, the political effect, the necessity to buy the property and the subsequent value for resale.

In summary, the points I suggest to remember when considering extending affirmative coverage are first: the lack of ability to control. In talking with people from other title companies, the consensus of opinion seems to be that in those cases where the proposed guaranty is properly investigated and the party or agent giving the coverage is entirely familiar with the situation, the risk is minimized. There is always one thing to remember though, that some one who is not sufficiently familiar with procedure but who knows that the insured cannot accept the loan without the affirmative protection will just give the coverage and in this type of case you are in trouble.

I suppose we will always have our difficulties insofar as mechanics' lien protection is concerned, and there will continue to be those cases where the contractor goes bad, where the project does not work out as planned, or they just plain run short of money. But we also have seen that even where precautions were taken as was done in the case which has just been discussed, the loss still happened, and this forces a conclusion that there are inherent risks in giving affirmative coverage.

Secondly I am sure all of us dread those cases or any number of them where the company must buy the property or buy the mortgage. As you know, this could have an impact on the financial reserves and balance sheet, especially of the smaller companies, where such property or mortgage would not be eligible as an asset for deposit under regulations of the Insurance Commissioner.

Next, we must give consideration to more than the value of the property for as we have also seen, if the property is to be taken over and resold for another use, it could have a substantial depreciation in market value; and the last but not the least important element in granting affirmative protection, is that in most cases you do not get paid for it.

Mr. Kratovil: Another peril of affirmative coverage, it is the peril created by the affirmative coverage we give by inadvertence. Occasionally, on our check of policies we find that some typist has included in the property description all the legal bric-a-brac following the property description in a mortgage, and we find we have insured screens, storm doors, gas stoves, andirons, janitor's tools, air-conditioners, rents, issues, and profits and a multitude of other things. I remonstrated with an agent who sent in a couple of such policies, and he told me that if I didn't like his work he would throw all his business to Lawyer's Title, whose agent he also was. The next panel on this topic will be moderated by Bill Baker.

"ABSTRACTERS, TITLE INSURANCE AGENTS AND BAR FUNDS"

Moderator:
PERCY I. HOPKINS, JR.
President, Palm Beach Abstract and Title Company, West Palm Beach, Florida

Panelists:
ROBERT P. CRAIG
Executive Vice President, West Coast Title Company, St. Petersburg, Florida

ROBERT C. DAWSON
Florida State Manager, Lawyers Title Insurance Corporation, Winter Haven, Florida

STATEMENT BY ROBERT P. CRAIG

At the time this part of the program was being arranged I was asked to participate in it by Alvin R. Robin, President of Guaranty Title Company, Tampa, Florida, and Chairman of the Abstracters' Section of the Association.

One reason for this, I am sure, is that it is rather common knowledge, at least here in the State of Florida,

that the people in Pinellas County, Florida, in general, and St. Petersburg in particular, have accepted Title Insurance to a degree far exceeding its normal usage elsewhere. Accordingly, I will attempt to explore the why's and wherefore's of this situation in an effort to show you not only how the public in that area has come to accept Title Insurance as the best form of title evidence, but also how they have come to accept the Title Company as the one they wish to handle their real estate transaction once they have agreed to purchase or mortgage a particular parcel of land.

There is an old axiom in the commercial world that "The best customer is a satisfied customer," and it holds just as true for our industry as it does for the corner grocery store or the shoe store down the block. I do not intend to delve into the fields of either advertising or public relations, but by the same token of necessity I must touch upon each.

Take this satisfied customer concept I just mentioned, do you realize that he is the best salesman you could possibly hire, or the best advertising gimmick you could purchase anywhere? Furthermore, he does not take one nickel out of your advertising budget. You might say that this one time you really do get something for nothing.

Before anyone gets the impression that I am not in favor of formal means of advertising, let me hasten to add this. Newspapers, billboards, radio or whatever media it might be are fine if you are selling a product, or if you want to keep your name before the public, but when it is service you are selling, and basically that is what we in the industry have to sell, it is an entirely different matter. These media can only go so far with the sales pitch, and from then on it requires the personal touch; that is, you have to produce.

I would like to suggest that if you haven't done it already, some day you take the time to ask each customer that walks in the door why he picked your office to do business. Of course, if you have no competitors, then their answers will be quite obvious, but if you do have some competition I think you might be surprised by some of the answers you will get.

Now with these thoughts in mind as background let me take you back about 20 or 25 years in time. If you had come to St. Petersburg to live, and after finding the home you wished to purchase made inquiry as to how the sale would be handled, the chances are the owner or real estate broker would have told you that you would receive an Abstract of Title, which you should take to an attorney of your own choosing. He would examine it, and render an opinion as to the worth of the title. Then after this had been accomplished there still remained the problem of getting the deal closed.

And how was this done? Well, the parties might do it themselves, if they could get someone to draw the deed for them; or they might have the real estate man, who sold them the property, do it for them. Or, as another alternative, for an added fee they might prevail on the lawyer, who wrote the opinion of title, to close it if he wasn't busy on some other legal matter at the moment.

Now let us reflect for just a moment at this picture I have just painted. You do not have to have an analytical mind to bring into sharp focus these rather astounding facts. Firstly, here's a poor soul, who after being subjected to the task of trying to select the right home, in the right part of a town he was probably not too familiar with in the first place, is now forced to pick an attorney, probably a complete stranger, to examine his abstract, and render an opinion on the title.

We all know from our own general experience that there are bad attorneys as well as good attorneys. There are inexperienced attorneys as well as experienced attorneys. There are many attorneys, who do not specialize in real estate laws as against a few who do. Accordingly, our poor soul had to depend pretty much on chance as to the type of attorney he might call upon for his opinion.

I think it only fair to assume that in most cases our man would cross this hurdle alright; but, secondly, he was immediately faced with another stumbling block of much more consequence than the first, mainly of course, because it would affect his pocketbook at this juncture.

I'm speaking of the actual closing of the transaction. Again our man is asked to pay over his hard earned money for a deed that may or may not be drawn properly, and, without too much assurance that he would receive the proper credit for taxes, interest on an outstanding mortgage, or any of a number of like items that should be handled in the closing. The record is full of fly-by-night operators, along with the well meaning but uninformed real estate operators, who have caused no end of financial grief to the public simply because of their inability to

properly handle the closing of a real estate transaction; but really what else could the public expect unless there were some business present in the community that would be willing to train their personnel, and gear their operation to the handling of this phase of the transaction?

This is how the picture looked from the point of view of the public back then. Now let me give you an example of what was happening on the other side of the fence; that is, in the office of the Abstract or Title Company. They all had spent many dollars building records from which the abstract was compiled, and, of course, the biggest percentage of the business was recertifying existing abstracts.

One of our officers told me he knew that something was wrong with this whole set-up when the following situation was brought to his attention a few years earlier.

Our company had been asked to recertify an abstract on a property that was being sold for a half a million dollars, and the abstract recertification bill came to $14.25. At the very same time we had another order in our office on a vacant lot, being sold for $200.00, and the abstract recertification bill on that property was $150.00. This was rather ridiculous when you consider the fact that the exposure to air was exactly the same in both cases. But the liability in the one case was 2500 times that in the other; while the fee charged in the former was only one-tenth that charged in the latter.

I hope that by now you have some idea of what had been happening in the title end of the real estate field in St. Petersburg during this period. The point really is this. We were no different from other areas in the country in how we handled title transfers. However, the seed to the idea had already germinated and begun to grow.

We at the West Coast Title Company felt that the only way the public could be served best in its title needs was through the use of Title Insurance, and a complete title closing program.

But how could we accomplish this objective to any degree of success? Well, it seemed rather obvious the initial thing to be done was to contact the people, who held the land, or had an interest in it, and to show them how they could be aided. Accordingly, we called on real estate brokers, contractors and builders, land developers and even land speculators, who held large groups of lots or parcels of land. Bear in mind now that this latter group's holdings include for the most part tax title properties, which we had been advised were insurable type titles, provided, of course, the statutory requirements of the Tax Foreclosure Acts themselves had been met. For a long time attorneys had been turning these titles down, and these people needed help.

We were able to prove to them that we could save them time and money if we were able to do the preliminary title work on their holdings in advance. Then when they obtained a sale all they had to do was let us know so we could issue a Title Commitment to the buyer, and complete the closing of the transaction, including the preparation of the instruments necessary to insure the title without undue delay. As a matter of fact, during the period of high building activity in St. Petersburg in the 1950's, the average case was closed within 3 days from the time the order was taken.

Of course, I must not overlook the most important fact, that while we were in the process of selling our idea to these people, internally we were changing our own personnel structure. Under the old organization basically you had management, abstracters and clerical personnel, but this new concept required two new classifications, both of which of necessity had to be highly trained and skilled. They were title examiners and closing officers.

You know a tool is only as good as the man who uses it, so we had to train our own title experts. Almost daily we were told by our customers that they had come to us because they have had confidence in us in what we were doing for them. What they were really trying to tell us is that they felt that those of our personnel they came in contact with were fully competent to handle their title matters for them from beginning to end.

We did not feel that the old outside attorney-examiner method of title examination was the least bit satisfactory. Not only was it cumbersome and time-consuming, but also bitter experience taught us to re-check the abstract after it came back; to pick up such items as overlooked easements, restrictions and the like, and even such other things as possible homestead questions that were not reflected in the attorney's opinion. Practically speaking too, it seemed rather ridiculous to us to take on all the risk of the title, based on an outsider's opinion of its worth. Doesn't it make more sense to

have your own staff examiner, who is under your direct control make that decision for you? We thought so.

The proof that this idea and the methods and procedures we developed to put it into effect were working came in 1951 when the St. Petersburg Bar Association brought a suit against the West Coast Title Company, and the Guarantee Abstract Company, to enjoin certain practices that they asserted were the unauthorized practice of law.

This land mark case, commonly referred to as the Cooperman Case, resulted in a resounding victory for the title companies, and affirmed our belief that the only good title service was complete title service. The philosophy of the Cooperman Case is best expressed by Victor O. Wehle himself, who wrote the lower court opinion. He said, "When tradition conflicts with experience, and common sense, it must yield if mankind is to progress." I do not believe anyone could have made a more astute observation of how the future is more dependent on the present than on the past.

At this point you might say to me, "This is all very well, but what does it mean to us?" Ladies and gentlemen, the greatest future source of competition in our industry will undoubtedly come from bar fund groups, similar to the Lawyers Title Guaranty Fund we have here in Florida. Their chief assets in getting started lie in the fact that each member is legally trained, and as associations they have state-wide representation.

However, you also have certain assets that weigh heavily in your favor in the public's eye. First of all, you are in, and in most cases have been in the title business for many years. Our company, for example, has been in the title business for over 55 years, and when we put on our letterheads, "There is no substitute for experience," we did it to remind the public of that fact. It doesn't hurt to toot your own horn once in a while.

In addition, most of us are engaged exclusively in the title business, but very very few Bar Fund representatives will be able to say that they engaged wholly in real estate practice.

Not to be overlooked either is the fact that a member of the general public has little or no protection from the individual, who may misapply or abscond with his money, but if a company has a dishonest employee, the injured party can look to the corporation for restitution.

I could make additional comparisons to try and show you where you have a distinct advantage over a Bar Fund competitor, but I believe self-analysis of your own business in relationship to your community is the only sound approach. You must lean on your own common sense experience if you wish to progress. This is a changing world, and it is impossible to merely maintain the status quo in order to survive.

GOVERNMENT POTPOURRI

Moderator:

E. GORDON SMITH

Senior Vice President, Lawyers Title Insurance Corporation, Dallas, Texas

Distinguished Government Officials

A. M. PROTHRO

General Counsel, Federal Housing Administration, Department of Housing and Urban Development, Washington, D.C.

COL. ROBERT REID

General Counsel, Federal National Mortgage Association, Department of Housing and Urban Development, Washington, D.C.

STATEMENT BY A. M. PROTHRO:

The members of the American Land Title Association always seem willing to take what I like to call "the extra step." Most persons and organizations do what they must, but the taking of an extra step in the right direction is a distinguishing characteristic.

A year ago I appeared at your convention on an informal basis asking for help. The Department of Housing and Urban Development was in its infancy. By law, the properties formerly titled in the name of the Federal

Housing Commissioner had been vested in the Secretary of the Department. There were serious transition problems. Unless the right answers were found at once we could have fouled titles to hundreds of properties being conveyed to and from the Commissioner and Secretary. You lost no time in taking the extra step we needed. You appointed a special committee which constantly stayed in contact with me, advising how best to proceed. We followed your advice and the problems were resolved in short order.

This may have seemed a matter of routine for those of you who extended the assistance, but I can assure you that it was a crisis for the FHA legal staff. As the first order of business today I want to express our appreciation. Thank you very much for taking this extra step!

There have been many other instances where the members of your organization have provided assistance when it was needed. Our moderator today, Mr. Gordon Smith, took the lead in helping us to avoid a proposal for a "red, white and blue form of title policy" to be issued by the FHA in connection with its sale of properties. I spoke to the convention about this two years ago, and I am glad to report that our $75.00 fee with indemnity plan has worked well in many parts of the country. It has not reduced demands for economies in the government's purchase of title insurance, but it did provide some economies and it provided time for further study before rushing into a solution which I am certain would have been unsatisfactory to you.

It is, of course, an interesting fact about an extra step that it can be backward or forward—helpful or harmful—depending upon your point of view and your own proprietary interests. The proposal for the issuance of a "red, white and blue form of title policy" is illustrative. I want to discuss this matter of the government's role in the insurance business, because I think it is worthwhile to focus attention on controversial subjects and to help bring about as much mutual understanding as possible. It is not my purpose to stir up a hornet's nest, but I feel sure that you didn't ask me here to speak in platitudes.

First, let me point out that it is the general policy of the federal government to be self-insured, by assuming its own risk of loss. The principle is well established in certain types of insurance but not in others.

For example, automobile insurance is not carried by the government. It is doubtful that effective support could be found for the reversal of this practice. In fact, it seems unlikely that any government administrator could justify the carrying of automobile insurance for the following reasons:

(1) The government is strong enough financially to absorb losses without insurance.

(2) Insurance companies must receive a profit in order to stay in business, and the government need not bear the expense of this profit.

(3) Administrative expenses formerly required in transacting business with the insurance companies are avoided under the policy of self-insurance.

Another good example is fire and hazard insurance. The FHA learned from experience that for each dollar it was spending on such insurance, covering the properties owned by the FHA, we received only 25 cents in claim settlements. We like to think of ourselves as good businessmen, operating the affairs of the FHA as you would operate your affairs. We dropped the insurance coverage. Additional savings were realized, over and above the cost of premiums, because we no longer needed to report property acquisitions to the insurer nor to prepare claims and proofs of loss.

The $64.00 question, it seems to me, is not whether the policy of self-insurance is sound, but how far the policy should be extended. Should there be an extra step?

On the one hand is the need for economy in government operations. On the other is the general philosophy that the government should not compete with private industry. Speaking about VA title insurance, for its home loan guaranty program, your able Executive Vice President recently said in a letter to the Vice President of the United States that "there is no need for any branch of the federal government to enter into this area of private business." I assume that you are familiar with the GAO report which prompted this letter. If not, I am sure you will want to ask Bill McAuliffe about it.

If I am correctly reading the handwriting on the wall, the GAO—which has the responsibility for recommending ways of saving money for the government—believes the policy of self-insurance could be extended. Let me tell you about its report of August 15 of this year on certain FHA operations. This had to do with public lia-

bility insurance on properties owned by the FHA which are being managed by individual contractors, generally described as "management brokers." I make the point that these management brokers are individual contractors rather than government agents. They obtain their government contracts by competitive bidding.

The contracts require the management brokers to obtain public liability insurance to protect the FHA as well as themselves. As you know, the manager and property owner may both be liable for damages in the event of bodily injury caused by the negligence of the manager's employees.

The GAO pointed out that the FHA is spending about $340,000 per year for this public liability insurance. As in the case of the VA report on title insurance, it points to the fact that claims paid are only a small fraction of the premium cost. It recognizes, of course, that a part of the premium pays for the investigative work and the litigation conducted by the insurers, but the thought seems to be that investigation and litigation functions could be performed by government personnel with overall savings from the premium cost. Again, this seems to be the same general idea as in the report on VA title insurance. But there is an important distinction between the two reports. The FHA report on public liability insurance recognizes that the management broker needs protection against the negligence of his agents and employees. The FHA would have to provide this protection. The FHA would refuse to recognize any expenditure by the management broker for public liability insurance but would indemnify him against his losses. This is an extra step going beyond the recommendations in the VA report. It seems to me that this extra step has similarity to the proposal for a "red, white and blue title policy."

Regardless of the outcome with respect to the extension of government self-insurance, I think it is important to have this extra step in mind—the step of extending the government's protection to the private sector in competition with private industry.

We in the FHA have not adopted the recommendations on public liability insurance and I, for one, believe we should hold the line and not step beyond our role of insuring mortgages which is really not in competition with private industry. I am vigorously opposed to the "red, white and blue title policy," but I do think that the government is a special type of purchaser which should receive special consideration. I believe that this aspect of the matter should continue to receive your consideration.

Let me remind you of the point I made at your convention two years ago. The FHA not only has a tremendous volume of business, with about 50,000 properties being sold each year, but we are sometimes financing the purchase of title insurance—directly or indirectly—three times on the same property all within a period of less than a year. We recognize and include the cost in the mortgage when the loan is originally insured. We pay most of the cost for a new policy or other evidence of title at the time of conveyance to the FHA. If the property is sold through private financing—and this sometimes occurs within a few days after acquisition—we pay for title insurance again at the time of the sale.

In actual practice, the FHA encourages the purchase of title insurance by those purchasing properties from us. Where a private lender finances our purchaser, we pay for the title insurance in almost every instance. Where our sister agency, FNMA, finances our purchaser, the situation is different. My colleague from FNMA will discuss this in more detail. I will only observe here that the FNMA transactions are similar to those in which the FHA takes back a purchase money mortgage. We know the quality of title we have, since it came to us with title insurance or other appropriate title evidence, and we know that we haven't permitted encumbrances. Even in these purchase money mortgage transactions—and there are only a few of them—the purchaser may obtain title insurance for his own protection and we certainly do not discourage it.

I assume that we will discuss these matters in greater depth during the discussion period. With your indulgence now, I would like to turn to an entirely different and unrelated subject. I promise to be brief.

An extra step is proposed by the FHA—if lenders, lawyers and title companies will support us—in streamlining mortgage and deed of trust forms. I know that many of you are aware of this proposal and I have already received comments from some of you.

For the sake of brevity, I shall quote excerpts from our Operations Letter No. 449, issued on August 24 of this year:

"The purpose of this letter is to inform insuring office directors and others of an intention to make a major revision in the FHA Mortgage and Deed of Trust Form used in each state in the home mortgage programs. Essentially, the revision will be a rearrangement of the forms so that the names of the parties, the property description and the signatures will be on the first page. This is the only page that will be recorded for each transaction and will incorporate by reference the standard provisions of the mortgage form which will be recorded only once in each county. The standard unchangeable provisions of the mortgage will be included on the second, third, and fourth pages but not recorded for each transaction.

"The principle advantages to be achieved by rearrangement are these:

1. Only one-fourth as much material will be recorded in the local county courthouse in each mortgage transaction. This will, of course, benefit every county by reducing this recording workload.
2. FHA is considering microfilm or an equivalent system for the permanent central file of insured case binders. Filming a one-page mortgage form will result in substantial savings for FHA.
3. In those jurisdictions where the cost of recording is based on the number of pages, mortgage lenders and borrowers will realize a substantial savings.

"The short form of mortgage has been used in the State of California with marked success for several years. Attached is a copy of the California short form of deed of trust. It is proposed to develop a similar short form for each state. Prior to undertaking this task, we will need your comments and recommendations as well as the comments and recommendations of principle mortgagees, title companies and short form. While the printed form desirability of the new form.

"It is anticipated that the banking industry and title companies will assist in this undertaking.

"After the ficticious or master mortgage is recorded at the local county courthouse, the recordation is incorporated by cross-reference on page one of the new short form. After this is done it will no longer be necessary, in the normal home mortgage transaction to record pages two, three and four of the short form. While the printed form will contain all four pages for the convenience of the borrower and the lender, only the face sheet will be recorded."

As you have probably guessed, I am back asking for your help again. I am advised that you already have a special committee working on this. We appreciate this very much and look forward to the time when your report is ready.

This may seem to be a relatively small matter, but we don't think so. Most progress is made, I believe, by careful tedious steps forward rather than by taking giant strides. We believe the proposal will help everybody, including the title companies, as they too may be moving forward with the use of microfilm or other file saving techniques.

Thanks for inviting me here. As Jackie Gleason would say, you are a good group and I am enjoying every minute of the convention.

STATEMENT BY COL. ROBERT REID:

It is a very real pleasure to be with you again at your annual convention. We, together, have a community of interest in that we both provide services designed to encourage satisfactory home financing and ownership. Moreover, we have served or assisted each other over the years. So, I welcome this opportunity to discuss with you our mutual interests and work.

To begin, I shall review briefly and broadly what Fannie Mae is and how it fits into the real property and title insurance fields. I believe that everybody in those fields knows that Fannie Mae (FNMA) is the affectionate name for the Federal National Mortgage Association.

Fannie Mae is a Federally-chartered corporation organized generally along conventional corporate lines—but with several unusual wrinkles. More than $115 million of its capital is evidenced by common stock held by private investors. Although the Government holds the preferred stock and although the board of directors is comprised solely of Government officers, nevertheless the corporation with respect to its secondary market operations pays the full equivalent of Federal corporate income taxes.

Since inception in 1938, Fannie Mae has at all times been fully self-supporting. Not only has it not cost the taxpayers anything—it has paid to the United States Government from net earnings as either dividends or taxes more than $430 million. Also, since 1954, more than $22 million in dividends has been paid to private shareholders.

With reasonable accuracy, Fannie Mae has been described as the world's biggest mortgage bank. Certainly it is the world's largest dealer in mortgages. Primarily, it buys residential mortgages, Government-backed by FHA mortgage insurance or by the guaranty of the Veterans Administration. And such mortgages are held available for sale. In its banking capacity, it makes short-term loans on the security of mortgages of the same types.

Contrasted to the massive size of some of Fannie Mae's financial operations, its employment of only approximately 1000 persons on a nation-wide basis is indeed modest. That could not be possible were it not for our policy of making use of existing private enterprise facilities to the utmost. These private enterprise facilities include, among others, mortgage servicing organizations of all types, property management companies, hazard insurance companies, law firms, dealers in securities, banks of deposit, and last—but not least—abstract and title insurance organizations.

"Title insurance" has been a byword expression of Fannie Mae people for many years. With a noteworthy exception that I shall describe shortly, Fannie Mae ordinarily purchases only mortgages which are supported by current title insurance.

The growth of the title industry to its present pre-eminent position has been helped immensely by Fannie Mae's long-time requirement for title policies in furtherance of its objective of promoting the ready marketability of mortgages as investments. In measurement of Fannie Mae's influence, I will cite just one set of figures: The aggregate of the current Fannie Mae mortgage portfolios of about $6.5 billion represents more than 600,000 mortgages. That means more than 600,000 title policies. Since inception in 1938 we have purchased about 1.5 million mortgages.

I said there was a noteworthy exception to our requirement that purchased mortgages be supported by title policies. That exception is in favor of our friends in theFederal Housing Administration. Both Fannie Mae and the FHA are in the new Department of Housing and Urban Development.

In the normal functioning of FHA mortgage insurance, the FHA (or, to be accurate, the Secretary of HUD) acquires title to properties which were covered by defaulted insured mortgages. The resale by FHA of those owned properties is generally financed by a mortgage. Ordinarily, whenever the FHA itself extends the credit in lieu of a private lender, Fannie Mae purchases the mortgage from the FHA.

And in such transactions between FHA and Fannie Mae, there is no updated title insurance. Instead, there is only whatever title evidence FHA had received when the property was acquired pursuant to the FHA mortgage insurance contract.

Substantially this same arrangement has been in effect between Fannie Mae and FHA since March 1962. At that time FHA added to its mortgage insurance contract regulations section 203.390, as follows:

> "(a) If the Commissioner sells a mortgage and such mortgage is later reassigned to him in exchange for debentures or the property covered by such mortgage is later conveyed to him in exchange for debentures, the Commissioner will not object to title by reason of any lien or other adverse interest that was senior to the mortgage on the date of the original sale of such mortgage by the Commissioner."

We in Fannie Mae experienced concern lest the absence of updated title policies would seriously impair the marketability of these mortgages. However, private investors did purchase some of them, mainly during the year 1963.

At about that time, an important institutional investor indicated concern that the FHA agreement to accept defective titles (as expressed in regulations section 203.390) would not resolve a dilemma resulting from a supposed security title acquired from FHA that was so defective as to make it impossible to foreclose and tender any title whatever to FHA.

The FHA decision was that in such circumstances an assignment of the mortgage would be accepted. For that purpose the present second paragraph was added to the mortgage insurance contract regulations section 203.390, as follows:

> "(b) The Commissioner will accept,

in exchange for debentures, an assignment of a mortgage previously sold by the Commissioner, where the mortgagee is unable to complete foreclosure because of a defect in the title which existed at the time the mortgage was sold by the Commissioner or a defect in the mortgage instruments or transaction. In such instances, the Commissioner will not object to title by reason of such defect."

By the end of last month (September 1966), we had acquired almost 80,000 mortgages from FHA, comprising an aggregate of about $775 million.

At this time we do not really know whether mortgage investors generally will accept the FHA's assurances as a substitute for title insurance. We hope that investors will exhibit the "investment" confidence we ourselves feel, but the proven fact remains that title insurance facilitates mortgage sales. Needless to say, since the beginning of the current scarcity of funds in the mortgage market very few of Fannie Mae's mortgages of any kind have been sold.

Because the volume of title business must have slackened in recent months as a consequence of tight money, you will be glad to know that last month more than $4.7 billion of new resources became available to Fannie Mae. That could translate into about 350,000 mortgages and title policies.

Congressional legislation provided $1 billion of Government money for the purchase of mortgages on newly constructed housing, but the use of these funds is being postponed for the present. This is called "special assistance," and the mortgages are limited to $15,000, except the limit is $17,500 in high cost areas ($22,500 in Alaska, Guam, or Hawaii).

The remaining $3.7 billion, as it is needed, will be borrowed by Fannie Mae under its secondary market operations through the issuance of its own corporate obligations. The infusion of this new money into the mortgage market should constitute a considerable shot in the arm to the lagging residential construction industry and the real estate market, and should, incidentally, be helpful to the business of title people.

MANAGEMENT PROBLEMS SEMINAR

Moderator
ANDREW S. BOYCE

Chief, Procurement and Management Division, Small Business Administration, Miami, Florida

Panelists
CHARLES J. WALN

Personnel Director, Maule Industries; President, Personnel Association of Greater Miami, Miami Florida

BYRON S. CHERKAS

Partner, Cherkas, Rapaport and Crair, Coral Gables, Florida

LOUIS LEEDA

Consultant and Lecturer, Coral Gables, Florida

STATEMENT BY BYRON S. CHERKAS:

It is basic to assume that those seated in this room are in business for one reason only—and that is to derive a fair profit. We will ignore the hobbiest, the high bracket entrepreneur seeking a tax loss, and the escapist seeking a refuge from a nagging wife.

It is my opinion that too many businessmen search for that reasonable point, feeling that it is most simple tion they should have regarding the "cost" of the products or services they sell. You may be ready to argue that point, feeling that it is most simple for anyone to determine what his costs are. I will acknowledge that several C.P.A.'s might determine different cost figures for the same company, as there is more than one "correct" method to

calculate costs. Neither of these points in any way detract from the importance of selecting a sound cost system for your company, and applying it with logical technique.

Unfortunately, so many business men who recognize the requirement for the costing, do arrive at misleading figures that sometimes provide serious consequences. Obviously, such a person laboring under the mis-conception that his product, whatever it may be, costs him 50% or 200% of a realistic amount is operating with a material handicap. He might well be producing his product and selling it as a loss, or so overcharging (because of overstated cost ideas) that he cannot compete in the community.

We all know of the teenager who tells his father that he can buy that used car at the corner for only $100, which he has already saved. This typical youngster has no idea of the insurance, licenses, and miscellaneous maintanence which will certainly add up to some operating cost totals that would stimulate further thought before the apparent bargain was purchased, and changes the entire picture.

We have also heard the statement that illustrates my point—"its not the cost of the marriage license but the maintenance costs that follow". And similarly, we find that it's not just the cost of the wife's new dress, but also the additional expenditures for the appropriate shoes, handbag, gloves, and hat.

We must first discover what we mean by the word cost? Cost is defined by Webster's Dictionery to be "the amount of money, time, labor, etc. required toget a thing". The cost of many items are simple, involving only one component, such as the cost of a purchased item. Determining the cost of a produced item, such as an abstract of title policy, is more complex and requires the selection of a judicious cost system. In accounting, we usually think of the cost of a produced or manufactured item as consisting of three elements; direct materials, direct labor, and overhead. In a manufacturing concern, the direct materials, which include the actual substances or raw materials that are incorporated into the end product, are of some consequence. In the land title company, the direct materials or the actual paper costs involved would be ascertained quite elementary, and are of minor importance. Paper and allied materials could be charged into the department using them according to actual usage. Due to the secondary nature of this element of cost, the allocation might be done on an estimated basis.

If paper was purchased in fairly regular intervals the departments could be charged as the purchases were made. If bulk purchases were made at various times of the year, a better choice would be to inventory the paper monthly, thereby spreading the costs more evenly rather than producing high and lows in the monthly statements. This inventory might be taken using estimated or approximate counts.

Direct labor consists of payroll costs attributable to personnel directly engaged in producing the abstract, or other finished product. Most companies allocate their payroll to the product or division as a singular item, but some will add related payroll factors, such as payroll taxes and insurance on employees, before charging in the payroll.

The overhead consists of the operating expenses of the business, exclusive of material and labor mentioned above. Here again, we have alternates as to their use and allocation. In a medium or smaller size land title company, one logical method would be to divide the overhead into two classes—those directly allocable to each division or department and those remaining as administrative expenses. The first group would be charged to the several departments (I.E. Abstract and Title Insurance) based on their relative use or benefit. For example, rent or other occupancy costs would be allocated based on the proportionate square footage use of the premises. Therefore, a monthly rental of $600 would be charged $400 against the abstracting department and $200 against the title insurance department, assuming we have a two department title company and that the first department used twice the floor space of the latter. Utility bills would typically be charged on the same basis. Various employment costs would be prorated based on the payroll directly engaged in each department and the remaining direct expenses would be allocated on several equitable basis.

The indirect overhead, or the administrative expenses, would be grouped and the total of this classification split between the departments based on some reasonable method, such as sales volume or other estimate of administrative benefit. After deducting the above costs and expenses, the remaining figure would constitute our departmentalized profit or loss.

Some accountants prefer to divide the different expenses into the two classes, they being variable and fixed groupings. The variable expenses would include payroll costs, advertising expenses, and any other fluctuating category of expense. The fixed group would include rent, depreciation, and similar items that remain almost constant. The former group would be charged to the departments based on their changing use of those expenditures. The latter classification could be allocated as a set sum each month to the departments.

In those title companies where no separate charge is made for the abstracting service, providing a title policy is purchased, an adjustment must be made charging the title insurance department with a fair amount for the abstracting so provided. Another refinement that has been more recently suggested is to level out part of the seasonable variations by deferring or holding back some of the overhead costs during the slower periods and adding these expenses to the operating statements prepared for the busier periods.

At this point let me stress the importance of obtaining monthly financial statements. We operate our respective businesses in a very competitive and complex world wherein the success or failure of our efforts cannot be determined by our bank balance alone. A meaningful profit and loss statement can and should be the basis for numerous management decisions, and to wait months to accurately compute one's operating statistics is not good planning. I would go so far as to say that the average smaller business has greater need of these frequent statements than our industrial giants. The latter have all types of history, and experienced financial executives to guide their every move, and moreover have tremendous reserves to handle any short-term operating problems. These monthly statements can be prepared by either the title company's own accountant or bookkeeper, or by its outside auditors, or by a combination of them.

What use should management have for the information now to be had from the monthly or quarterly financial statements prepared as we have outlined? We hardly need mention the occasional use of statements for irregular purposes, such as their requirement by lenders or potential lenders. Major uses would first of all include the managements current knowledge of the profitability of their operations, a basic tool required in tax planning. Your tax advisor can provide many suggestions for legitimate tax reduction during the year, but is severely limited in his effectiveness if consulted after the year has passed. With past monthly operating statements in front of him, he can reasonably predict the year's total net profit, and discuss available tax strategy as well as compute an estimated tax burden eventually to be faced.

Next, the very possession of monthly operating statements permits the preparation and use of a budget. I like to think of a budget as a clarification of one's goals. Instead of operating one's business on a hit and miss system, the budget can be a detailed business bible. Rather than blindly hoping the business will meet its obligations and show some profit when the year has run its course, we can treble our chances of success by having the detailed guidelines provided by the budget. The preparation of the budget itself would basically involve the joint effort of management and their accountant. Its very completion would answer the initial question—can the business operate profitably based on its existing income and expense levels?

From that point on, a finally revised budget would be our extremely important yardstick that we would strive to meet. We would be observing if our monthly income met the budgeted income we had anticipated and would be noting if our operating expenses were exceeding the budgeted allowances. Capable management would be in a position to make the changes that were propitious in order to reach the previously established goals.

I am fully aware of the arguments that some executives would introduce concerning their lack of flexibility relative to income, where they are limited by either competition or by state law as to their maximum fees. Regardless of these factors, having the basic knowledge of their controlled gross fees, for example, would provide the alternates left, such as the more efficient use of their expenditures.

I might add my respect for the use of graphs in any business, their use provides quick visual aids in illustrating trends and comparisons that all personnel involved can understand and benefit by.

I hope that, my presentation will cause some of you to re-examine your accounting systems with your ac-

countant in order to institute any changes that should be made. You and only you will materially benefit if you provide yourself with the absolutely necessary cost studies, monthly operating statements, and a budget to increase your effectiveness as an owner or executive.

STATEMENT BY CHARLES J. WALN:

It is indeed a pleasure to be here to speak before the 60th annual American Land Title Association convention. The subject I am speaking on concerns the personnel function of an organization.

I am sure that the big question that most of you would like to have answered is "How do we get good employees?" If I had the answer to that one, I think I would have it made. I will do my best, however, to pass on to you some ideas as to how the problem might be lessened.

Most of you, I understand, are owners and managers of small organizations, not large enough to have a full-time personnel department. Nevertheless, personnel problems exist and must be attended to. The responsibilities, then, would fall upon the owner or manager, or one of the top officials of the organization. Whoever handles the duties of recruiting, selection and placement and training must be a responsible individual.

Today's labor market is especially tight with employment throughout the country being at the highest point ever, and the percentage of unemployed persons being at the lowest point. This, of course, varies from area to area. Almost anyone willing and able to work today can have a job without a great deal of difficulty. This means, then, those remaining on the labor market are generally marginal candidates. It takes good pay, fringe benefits and an organization with a good reputation to attract good people.

The first thing an organization would have to do would be to set pay standards, establish benefit programs, and outline personnel policy and procedure. You are competing with other organizations in your own business as well as business in the community as a whole, for the available labor market. When your personnel policies and procedures are well set, your problems of recruiting and selection should be less difficult.

RECRUITING

I am sure most of you are familiar with techniques of recruiting which include classified ads, personal contacts, referrals from other members of the organization, use of private and state employment agencies, etc. Larger organizations often do recruiting outside of their own community and State. Schools and colleges, through their placement offices, are very helpful.

INTERVIEWING

Once the candidates have been brought in and applications completed, the next step would be interviewing. Interviewing is probably the most important tool in the selection process. Other tools that can work in conjunction with interviewing are testing and reference checks.

Basically, the interview is to help you determine if the candidate has the necessary "can do" and "will do" characteristics.

The role played by the interviewer is probably the most important in the process of employee selection. The reason is that the interviewer is usually the first personal contact the applicant has had with the company. For the time being, then, the interviewer is the company.

The choice of good, mediocre, or poor employees is largely the responsibility of the interviewer. In addition, the average candidate is going to base his opinion of the organization, whether favorable or unfavorable, on the basis of the harmonious relationship that has been established during the course of the interview. The management of the interview is the responsibility of the interviewer. The applicant, too, must be given an opportunity to contribute and himself ask questions if the interview is to be successful.

The following points are basic for the interviewer:

Put the applicant at ease. Get him to talk, this is valuable not only to supply information you want but gives you a chance to judge his sincerity, presence or lack of aggressiveness, ease of manner, and many other personality traits.

Ask specific questions. The applicant's answers will reveal as much about his attitudes as about his achievements.

Give applicant adequate information about the organization and the job.

The successful interview does the following things:

It gives the best possible oppor-

tunity to judge the applicant's qualifications as a basis for careful selection and sound placement.

It gives the applicant the essential facts about the job and enables him to have all his questions answered.

It brings about a good relationship between the applicant and the Company.

It promotes good will toward the organization, its products and services even if the applicant is not placed.

I just mentioned "can do" and "will do" characteristics. These are the characteristics that tell us whether a person can do or will do the job at hand. "Can do" characteristics are relatively easy to develop. Education, work histories, skills developed all can tell us if the person can do the job. This information can be verified by reference checks, tests, etc. A thorough review of the candidate's previous history during the interview will round out this picture.

"Will do" characteristics are somewhat more difficult to determine. "Will do" is the extent to which the candidate may be expected to make use of his basic equipment—his "can do".

To predict what an applicant will do, the following must be determined. The extent to which he possesses certain basic character traits, his motivation, his emotional maturity.

An interviewing technique that is invaluable is the "Patterned Interview." The patterned interview has been designed to overcome faults and limitations of ordinary interviewing procedures. This type of interview provides four important controls that overcome many of the faults of ordinary interviewing.

A systematic plan for the interviewer to follow. Complete coverage of the candidate's work experience, education, training, family background, present domestic and social situations, financial condition, and health is provided. The interviewer knows exactly what information he must obtain.

A technique for getting the facts. A series of penetrating and meaningful questions bring out the specific information the interviewer needs to make an accurate evaluation of the candidate. The questions start with subjects on which the candidate expects to give answers. Then, when a good relationship has been established, they progress to the more personal topics. This technique brings out pertinent facts about the candidate.

A set of principles to use in interpreting the facts. These principles not only make it possible for the interviewer to determine what the applicant can do, but through an understanding of character, make-up, motivation and emotional maturity, also permit him to predict what the applicant will do. Thus, the interviewer can match the man to the job more effectively.

A method of minimizing personal biases and prejudices. Because the interviewer is required to get and analyze all the facts, he is much less likely to be influenced by stereotypes or allow his own personal experiences and beliefs to influence his judgment.

The prime purpose of the patterned interview is to obtain the facts about the applicant, regardless of whether these facts are favorable or unfavorable. To achieve this goal, the applicant must be encouraged to talk freely and a natural tendency of individuals to conceal or play down unfavorable information must be overcome.

In preparing for the interview, all information gained at this point should be studied as a basis for planning. Areas that require special attention must be developed in this prestudy. This should not replace any part of the interview and every phase of the applicant's background should be covered during the course of the interview.

The applicant should be put at ease. Cover all areas such as work history, education, training, family background, financial situation, domestic and social situations, and the health record.

The best procedure is to start with ordinary questions about such things as work history and education; and by the time you have reached personal questions, a good relationship has generally developed with the candidate, which makes it somewhat easier for the interviewer to probe successfully into these more personal matters.

Be sure to get the answer to each question, ask personal questions naturally, let the candidate do the talking.

Take adequate time for the interview. Ask questions naturally. Avoid leading questions, don't hesitate to change the order of questions if it helps make the interview flow more naturally. Avoid making moral judgments, record the answers as you receive them, briefly and accurately. Always get exact dates, check inconsistencies thoroughly, probe for the

whole truth.

Avoid, during the course of the interview, selling the job to the applicant. Do not attempt to sell a job to the applicant until you are certain that you want him for the position. If during the course of the interview you come to the conclusion the applicant is not the man for the job, the interview can be tactfully concluded.

After you have completed the interview, you must then interpret the information you have r e c e i v e d in order to make a prediction of the possible success of the candidate in the particular job for which you are considering him.

Certain character traits are usually considered essential for success in any job. These traits are: Stability, Industry, Perseverance, Loyalty, Self-Reliance, Ability to get along with others, Leadership and Competitiveness.

How an applicant has behaved in the past is the best indicator of the extent to which he possesses these traits. The answers that you have gotten during the course of the interview should be the key to answering these questions. The key to what a man will do is what he has done throughout his life. You cannot gauge the extent to which he possesses these traits on his alibis, excuses and promises—but only on what he has actually done in the past.

Motivation is another quality which an individual must have in order to succeed. Motivation is made up of the forces w i t h i n an individual which cause him to stay on the job, to work hard, and to be a conscientious employee. Some of these forces are the need for *economic security*, the need for *recognition*, the need to *understand or acquire* more knowledge, the need to *excel*, the need to *achieve*, the need to *acquire*, and the need to *serve*. Some people may have all of these needs, others may only have a few of them. Can the job vou are offering fill these needs adequately?

Another factor important to success on the job is emotional maturity. Some distinguishing traits of the immature which may have been discovered during the course of the interview are: *Dependency, Selfishness, Pleasure-Mindedness, Disregard for C o n s e q u e n c e s, Wishful Thinking, Show-Off Tendencies, Lack of Self Discipline* and *Self-Control* and *Refusal to Accept Responsibility.*

Immaturity is difficult to recognize, but by careful probing and obtaining a record of what the applicant has done in the past, evidence of immaturity or maturity can be shown.

RATING & SELECTION

At the completion of the interview, you then must rate the individual. In other words, "How does he stack up for the job at hand?" Before you got involved in the final interview, you were probably pretty well satisfied that he had the "can do" characteristics. If you did a t h o r o u g h job of interviewing, you should now be able to fairly well rate the "will do" characteristics. Now you are ready for an over-all rating.

One scale that might be used to advantage is: S u p e r i o r, Very Good, Good, Fair or Average, Mediocre, Poor, Very Poor. The highest rating would be indicative of the possession of all the necessary qualifications of the job and virtually no undesiarble characteristics. The l o w e s t rating would indicate the possession of none of the requirements for the job and many undesirable characteristics. His chance for success are so slight he should be rejected regardless of the need to fill the position. You are now in a position to make a selection of a candidate to fill the job.

INDOCTRINATION

The applicant should be thoroughly indoctrinated. Importance of proper indoctrination cannot be over-emphasized. Because of proper indoctrination, he is more likely to become a h a p p y, competent and productive worker, having developed a favorable attitude toward the organization, supervisors and fellow workers.

TRAINING

Though some employees might step into the job with little or no training and cut the mustard, it is generally necessary to train a new employee in the basics of the operation and position that he will be filling.

Lack of proper training can result in serious problems for both employer and employee. Training employees can achieve the following results, all of which constitute adequate reasons for establishing a training program:

Breaks in a new employee in the quickest and cheapest manner.
Cuts learning time.
Reduces time required to do the job.
Increases production or work output.
Reduces overtime costs.
Increases the number of operators who meet standards.

Decreases breakage, waste, etc.
Reduces accidents.
Reduces absenteeism.
Reduces turnover.
Improves established methods and Systems and develops new ones.
Improves quality.
Reduces maintenance costs.
Prepares employees for higher positions.
Stimulates interest in the job and the organization.
Improves job satisfaction.
Improves morale.
Reduces grievances.
Improves communications with workers.
Reduces need for constant close supervision.
Increases worker versatility.
Keeps workers alert for new ideas.
Creates a reservour of future executives or leaders.

Of course, many of the items listed may not apply in the Land Title business, but if an organization is to benefit from the best available from an employee, he must be properly trained. Training again, is a continuing process as new methods and techniques evolve.

FOLLOW UP

Follow up, too, is important. A progress review is recommended to be certain that he is applying what he has learned in his training. Failure to do this can cancel all the benefits of good selection, interviewing, indoctrination and training.

Not easy to accomplish and perhaps not feasible, particularly in smaller organizations, is the development of under-studies to back up key positions. But through good training and follow up, those with management ability can be spotted and groomed for higher positions.

The field of personnel is a broad and all encompassing one. In my opinion, human beings are our most important resource, and from them come our most difficult problems of running a business and our approach toward recruiting, selection, training and development, can determine the extent to which our business will be a success.

It is not possible in the few brief moments that we have had together to do more than merely scratch the surface of this field. And if I have at least done this, and stimulated your thinking, then I think these few moments have been well spent.

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SPECIAL FEATURE

"YOUTH LOOKS AT A VENERABLE PROFESSION"

Moderator
JACK RATTIKIN, JR.
Chairman, Young People's Activity Committee; Vice President, Rattikin Title Company, Fort Worth, Texas

Panel:
JOSEPH H. SMITH
Vice President, Lawyers Title Insurance Corporation, Richmond, Virginia

GORDON M. BURLINGAME, JR.
Assistant Vice President, The Title Insurance Corporation of Pennsylvania, Bryn Mawr, Pennsylvania

THOMAS S. McDONALD
Vice President and Manager, The Abstract Corporation, Sanford, Florida

PAUL F. DICKARD, JR.
Attorney and Office Manager, Commercial Standard Insurance Company, Fort Worth, Texas

VICTOR W. GILLETT
President, Stewart Title and Trust of Phoenix, Phoenix, Arizona

STATEMENT BY JOSEPH H. SMITH

It is a pleasure to have this opportunity to share a few thoughts with you this afternoon. Briefly, it has been stimulating exploring with these young men the ideas and plans for tomorrow's title business.

It was not easy to accept the assignment as *Senior Sponsor* of this group and, admittedly, it had something to do with pride. It takes considerable planning and no little salesmanship to convince one's wife and children that, "Dad is still young" but our President, Don Nichols, dispelled all of this with one executive mandate.

Be that as it may, our attention today is directed to these young titlemen and their contemporaries who will be the leaders of this industry tomorrow. The core of their thinking throws a kleig light on the changes taking place around us today. The advances being made in machines and communications will have a profound effect on the title industry of the seventies—and beyond. It takes no great wisdom to see that those who do not keep up are in a sense declaring that their part in the title business of tomorrow will, at best, be minimum. It may be non-existent.

If our industry is to progress and keep pace with the rest of the business world, it most certainly is going to be in an atmosphere permeated by *two words* and many of their connotations: *"CHANGE* and *ADJUST."*

To those of us who are content to say, "The good old days were best"—or "It was never done that way before", please know that these young men and hundreds like them are of necessity assuming the exact opposite position. Here is a story which seems to tell how some of us might react to a given situation:

> "It seems that Destiny came from out of the sky one day several hundred years ago, to visit a tropical island, and talked to three men. He said, "Answer this ques-

tion. 'What would you do if I told you that tomorrow, I'm going to have a large tidal wave wash over this island?'"

The first was a cynic, and he said, "I think we had best prepare a great feast, get all the drink and food we can together tonight and have a great party, for, after all, this is our last night on earth."

He then asked the mystic, who said, "I think we should build an altar here, select our best animals for sacrifice to you, in hopes that we can alter your opinion of us, and thus change your mind."

Meanwhile, the third man was hurrying off down the road. Destiny asked, "Where are you going?" This was a man of reason who answered, "I had better get down to the village as rapidly as possible, because I want to round up all those who know something about living under water."

To repeat then, the name of the game is CHANGE and ADJUST and I am anxious, as you are, to share in the thoughts of these young men. There are ideas here for all of us.

STATEMENT BY GORDON M. BURLINGAME, JR.:

First of all, I would like to take this opportunity to thank Don Nichols for appointing me to this committee. It is certainly a great honor.

What should today's young titleman be doing about the promises of data processing? This is a topic on a subject that to me is very interesting and fascinating.

The field of electronic data processing as it relates to the title insurance business would seem to break down into two major categories—accounting and title. The accounting end is not new to the title business, as I think most companies have used data processing in this regard for many years. Our company, for instance, has had all of its accounting and bookkeeping work on data processing since its birth in 1954. Within the past two years, our use of data processing has expanded through the use of a computer which enables us to put more and more work in the hands of this mechanical giant. When I think of all the checks, numbering in the hundreds of thousands that have been used in our closings, and then think that all these were reconciled by machines in a fraction of the time it would have taken humans to do the same, I am always amazed. As I said though, this phase of data processing in the title insurance business is not new. The title phase of data processing in our business is relatively new for many reasons, among which are the advances made in the computer field itself; the space demand of the title companies because of the ever increasing paper volume in the title plants; and also, because many of the court houses are doing away with the record books and converting to microfilm. The conversion to microfilm has made the examination of a title most cumbersome and time consuming. Since a lot of the business a title company receives is based on the service it can give, the quickness of running a title can mean a great deal. This is where the computers fit in. If a computer can be fed all the information that is on the public records, including a daily take-off, a company should be able to run a title and have its report written within an hour.

Where does a young man entering into the title business fit into this picture? I think it is quite obvious. Since by the use of data processing, many of the so-called title clerks in the court houses will be replaced by machines, it will be imperative that those operating the electronic marvels be thoroughly versed in the examination of titles. As more and more companies convert to computer oriented title plants, the demand for the highly skilled young title men will increase.

When title companies recruit young people though, they must remember that they cannot expect a man hired to run and program a computer exclusively, learn all the details of the numerous title problems, but he must be willing to gain a working knowledge of what problems exist. The companies must also remember that if they hire a man for title work exclusively, they cannot expect him to be able to program a computer, but the individual must be willing to learn the capabilities of the computer.

The new generation of title men will not only have to have the knowledge of the old title men in the title field itself, but also have the knowledge of an expert in data processing. This is quite a challenge to those entering the title business and also a challenge

to the recruiting title companies. Of course, the cost of these new title men is going to be very great, but this cost should be offset by the fewer number of employees needed to run a title, less storage space and more volume, because of faster service.

Those young men presently in the title insurance business should, on their own, take courses in data processing and learn its advantages. These young title men will then be able to make suggestions and discover new uses for data processing in their own companies.

I would like to say in conclusion that because of data processing, the young title man has a great opportunity to be "discovered", especially in the larger companies. They should "huddle" with those in the data processing department and come up with ways of using the equipment to its capacity, not just to put more information on the equipment, but as a means to save the company money, have better and more accurate records, and give faster service to the customer.

On the other hand, the title companies should encourage the younger people to explore data processing and give them the opportunity to make suggestions; and if the suggestions are used, these young people should be rewarded.

STATEMENT BY VICTOR W. GILLETT:

Ladies and Gentlemen—It is a pleasure being able to help out my old friend Jack Rattikin, Jr. as a substitute for one of the absent panelists. I, like Jack Jr., am a second generation title man and both my family and myself have been friends with the Rattikin family for many years.

When I first started out in the title business, just prior to World War II, I delivered abstracts and was an office boy working for Stewart Title in El Paso, Texas, 90% of our business was abstract business and 10% was title insurance. Then World War II came along and most of the men who were escrow officers and title examiners went off to war and the women moved up to positions previously held by men. And an amazing thing was found out—that women were excellent on details and they performed admirably as escrow officers, bookkeepers and title examiners.

After World War II, the major lenders across the nation began to demand title insurance as title evidence because they were running out of room to store abstracts and also they felt the protection of title insurance was far superior to previous forms of title evidence. Therefore, our business changed to 90% title insurance and 10% abstract business, with only the oil companies ordering abstracts.

During this period of time there were a lot of "mom and dad" abstract companies and title agents. Many of these companies began incorporating and merging. The local underwriting company began to go state-wide and then across the nation.

Computers began to keep accounting records and new plant methods were designed. Many of the family-held underwriters began to go public.

So today we see our industry taking bold strides—trying to keep pace with the new advances in management, computer technology and great competition within the industry and from the bar sponsored title funds. Yes, the title industry has certainly, like every other field, made great changes in the last decade or two.

What must we as young men in the title industry do to keep up with the changes of today and the even greater changes of tomorrow?

First, we must become students of scientific management. We should become familiar with the functions of planning, organization, supervision and control. We should join professional management organizations such as The American Management Association, The Society for Administrative Management or many other fine groups, who further management education.

Second, we should demand from our associates and employees a "Professional Attitude" toward our title and abstract business. We should constantly strive to give the public the *best* title examination, escrow and service possible. We should strive to keep careless errors to a minimum. And we should look at our product no differently than does the manufacturer of an airplane part or a missile component—it should have "zero defects". Our losses and claims would decrease if we, as managers, would demand professionalism.

Lastly, we must be ever alert to the great changes around us. To do this we have to keep informed and to have an inquiring mind to all new ideas, trends or tools available to our industry. We should not wait too long to become alarmed about increasing government controls, increasing activity of the bar fund, and about the many other threats to our industry that are just beyond the horizon.

We should continue to attract young men to seek a place in our industry and we should give these young men adequate salaries and responsibilities, so that they are not wooed away to another field.

In this great free enterprise system that we have, if we keep alert and be flexible to great changes, we will indeed be able to cope with the next 20 years. It was a pleasure to be with Jack and the other fine men on this panel and I appreciate the opportunity of being with you today.

Thank you.

STATEMENT BY
THOMAS S. McDONALD

If you had control of a title Industry Recruitment Program, incorporating both Abstract and title Insurance, how would you attract young, talented individuals? What would you think would appeal to them? I have been allowed 10 minutes to explore this subject and give you my thoughts on it. With such a relatively short period of time, I shall begin.

First, let us recognize the fact that what was important a few years ago, to a young person about to enter the business world, were Company's fringe benefits, Company's stability, and job security. Today this is not the case. The highly talented young people that we would like to attract into the Title industry are not looking at fringe benefits, or job security. . . . they are looking for a challenge. In order for us to attract personnel in the future, that will fill the shoes of people in this room and in other adjoining rooms, of Title men whom we all know are the finest, best professional men in the country, we must improve the image of the Title Industry.

Your reaction to this statement may be, "Well, what's wrong with our image?" We have a small image, or a little known image. It might be correctly stated that we have no image outside a small circle of the public, namely Mortgage Brokers, Real Estate Brokers and members of the Bar. We must first improve the knowledge of the general public as to what our business is. The AMERICAN LAND TITLE ASSOCIATION is taking the first big step in this direction in their R R Programs, but we need to take some giant steps in that direction. Some of our major Title Insurance Companies have taken some steps in the direction of informing the public of what we do. But they must take some giant steps.

Some of our local Companies throughout this country have taken steps in this direction. More must take steps, and more must take bigger steps.

In setting up an Industry Recruiting Program, these are the steps I would take:

1. Expand our Public Relations Program. I will not elaborate on this, as it is a full subject within itself.
2. Solicit the support of our State Associations to institute a program whereby they inform the Student Job Placement Directors of the State Universities and Colleges about the Title Industry. It could be accomplished by inviting these Directors to a Seminar explaining the functions of the Title business. This Seminar should be a well-planned affair, both interesting and entertaining, and it should be financed by the Title Association. These Directors should be furnished Pamphlets, and other written material, explaining our business.
3. Encourage the Education Committees of our State Associations to put a two-year Title course in the Junior College System of the various states. It is my understanding that the President of the FLORIDA LAND TITLE ASSOCIATION has appointed a Committee, and they are currently working on the possibility of such a course.
4. Follow the lead of Idaho in having a Specialty in their Business School of their State University, in Title Insurance.
5. Encourage our local Companies all over this country to make their office a modern one, and title Plant up-to-date. The young person looking at our business is not interested in a Company that is years behind the time.

In recruiting the key people that we desire in our industry, we must remember the day when a potential employee visits the Company, he seldom arrives hat in hand. He is

there at the Company's invitation, and should be treated as a guest; even if he does not happen to be an applicant, he will still expect individual treatment and consideration. Highly skilled, managerial people strongly resent being processed in a run-of-the-mill fashion. Many studies show that when this happens, a high percentage of applicants turn down a job as a result of poor treatment and poor interviewing. Not only do you lose some good people, but subsequent ill will and damage to the Company's employment image. These people that are seeking employment talk about their experience, and this talk gets around. Such key people are in a seller's market, and it is vital to know what motivates them to select a job. Many, many of our new graduates of colleges, and young people in our country today are looking to serve humanity. They ask, "What service will my performing this task in the Title field, and Abstracting field, be rendering to my fellow man?" And here we have a real fine opportunity to show what our Companies do in performing service to humanity. The service of facilitating the transfer of property; in aiding an individual to secure home ownership. We all well know that our facilities have enabled mortgage people in the East to supply money in the Southwest and the West and South. Without our services, they wouldn't risk this capital. This has enabled home ownership in the highest degree of any nation in the world.

It's essential that during the interviews with candidates, all actual and potential areas of challenge, interest and excitement, and the accomplishments that the Company can possibly yield, be clearly explained. We do have a dramatic and exciting business, but unless we relay this to the propsect with enthusiasm, then the prospect will probably go to another Company with more challenges.

In interviewing, we must use the best people in our Companies available to interview people, to tell them of our business.

In closing, I think it would be well for the AMERICAN LAND TITLE ASSOCIATION to investigate this vital field of recruitment of new personnel into our Company. Even in this day of very sophisticated business machines, good personnel is still the most important part of our businesses. As I said earlier, we have the finest people in our business now, but to keep these people, and to attract the new people to take their place in the years to come, we must first have a very modern, up-to-date business; we must use modern, up-to-date policies; we must improve our image with our people, with the general public, and we must explain and challenge the young people that come to see us that we are a Company of service, that we are serving humanity in one of the fondest and basic needs . . . home ownership and the ownership of land, and that there are exciting times ahead, with good chances for advancement; and that our role in society and business is a vital role, and a challenging role.

I thank you.

STATEMENT BY PAUL F. DICKARD, JR.

If you could start over today, as a new promising talent in the title industry, what would you want to do in the field of self-training and self-development?

This is a question which haunts me everyday as I see the myriad of problems that have to be faced, both as a multi-state underwriter, as a company with a local plant and as an employer of people. I'm going to have to draw on my own experience because I have done some things I consider and some things I consider very wrong.

Of course, how few of us at the age of 18 or 19, unless we come from a family in this business, have decided, I want to be in the abstract or title business. If our choice was that clear, how easy we could make our road. However, many young people don't know this. They have at best half-formed ideas about what they want to do. Knowing this then, what could I have done to better prepare myself.

Now I'm going to assume that I am a young fellow coming into the title industry itself, with a law degree or bachelors degree in another area so I won't touch on what I might have done different in my formal education

although I have some pretty definite ideas about this.

First, let me say that I think such a strong educational background is necessary. A law degree helps but if you don't have one I feel a business or science degree is helpful as modern business in any form is becoming too complex to be learned by "rote" so to speak.

Most of us come into this business high on basic technical knowledge and low on knowledge of dealing with employees, working out personnel problems, hiring and firing, human relations, marketing concepts and accounting concepts—plus the more practical aspects of claims and underwriting.

Although you may go right into business solicitation you don't start managing people right away. Yet, if you're ever going to get where you aspire to be someday, you should begin to learn the ground rules of the very difficult art of managing and motivating people. There are a variety of ways of doing this. I was fortunate in that the parent company of my own company has offered many "canned" courses with excellent instructors. Even if you don't have this available, however, you can learn some basics to go with your natural ability. You should always have night schools in any area available to you. Some of the things you should learn are:

1. Basic human relations—there are a lot of pretty good rules to go by that have been worked out over a long period of time. Learn the ways of problem solving and how to get along with people.
2. Hiring, firing and evaluation of personnel. You're going to eventually rise or fall by what the people under you do or don't do. Again there are some pretty good rules to go by.
3. Communications—w r i t t e n and oral. This is important to you inside and outside your organization. You must learn to be simple, direct and relevant.

Even if you don't have a good night school or a company course, you can always take a "Dale Carnegie" course or something like it. Now don't knock this. I haven't taken one but those that have say that it's one of the greatest things they've ever done. Actually many of the "canned" courses that big companies are giving on basic human relations are nothing more than a form of the "Dale Carnegie" course. Another thing you can do is join a Toastmaster's Club. It's one of the best ways in the world to learn communication and how to think and talk on your feet.

From a technical standpoint I think that if you don't have a law degree you should strive to get as much legal background as possible in the real estate aspects of the law. Many schools have night school classes in simplified business law and property law.

When you come into the industry learn the basics of examination and closing as soon as possible. This is the bread and butter of our business. No matter how far you may go up the line you must always remember that this is the basic way we make our money. Attach yourself to an old head in this line and "pick his brains" as much as possible. He's already been through things that you may not see for fifteen or twenty years.

If you're with an underwriter try as soon as possible to get in on claims litigation and how it is conducted. If you're going to get anywhere with an underwriter in management you must learn to make good, sound, basic underwriting decisions. How are you going to be able to do this if you don't have some idea of what would or wouldn't be relevant, what could be easily proved or would be almost impossible to prove if the matter were ever litigated?

My remarks have been brief and I must admit a little impromptu, however, I hope that I have given you some things to think about.

State Association CORNER

PROBLEM CLINIC SPARKPLUGS FLORIDA CONVENTION

At the 59th Annual Convention of the Florida Land Title Association, November 17, 18, 19, 1966, in Fort Lauderdale, the panel discussion, "What Is Your Problem?" with FLTA Zone Vice Presidents participating, was so good, the decision was made to continue the panel at the next mid-year meeting.

Retiring President, Melbourne L. Martine, called the Conventin to order Friday morning. November 18, after which ALTA President, George B. Garber, proposed an exciting new concept of involvement in national affairs. Mr. Garber received considerable support for his proposal.

One of the business highlights of the Convention was a speech by John Turner, Vice President, Chicago Title Insurance Company, whose subject was "Florida's New Uniform Commercial Code: What Abstracters and Title People Ought to Know About It."

William J. McAuliffe, Jr., ALTA's Executive Vice President, presented a splendid summary of Washington events of importance to the Florida members.

ALTA VICE PRESIDENT, ALVIN ROBIN AND HIS WIFE, MAE, AT THE HEAD TABLE AT THE FLORIDA LAND TITLE ASSOCIATION BANQUET.

ALTA PRESIDENT, GEORGE B. GARBER, FLORIDA LAND TITLE ASSOCIATION PRESIDENT, MELBOURNE MARTIN, AND HIS WIFE, FLORENCE.

Hon. William P. Simmons, Jr., President Elect, The Florida Bar, discussed "The Florida Bar's Concern with the Unauthorized Practice of Law."

Robert P. Craig, Executive Vice President, West Coast Title Company, St. Petersburg, Florida, was elected President for 1967. M. R. McRae was re-elected Secretary-Treasurer.

NEW OFFICERS OF THE FLORIDA LAND TITLE ASSOCIATION: LEFT TO RIGHT, J. W. HOOVER, MIAMI, ZONE VICE PRESIDENT; GLENN GRAFF, TAMPA, ZONE IV VICE PRESIDENT; ROBERT P. CRAIG, ST. PETERSBURG, PRESIDENT; J. H. BOOS, JACKSONVILLE, EXECUTIVE VICE PRESIDENT; W. W. WALLACE, III, PANAMA CITY, ZONE I VICE PRESIDENT.

MRS. ROBERT KNISKERN PRESENTS A SCHOLARSHIP IN HER HUSBAND'S NAME TO MICHAEL RICK AND JANICE GEORGESON.

WISCONSIN ELECTS LENICHECK

WTA OFFICERS: LENICHECK, ACHTEN, ZERWICK, VANCE, HOYER, AND HUTSON.

Related professional groups—the homebuilders, the lenders, the Realtors—are actively pursuing a policy of encouraging the United States Government to change its practices; to put into effect changes which will reduce the burden on the housing industry. As things stand now, the ALTA cannot take part in this effort because we have no established policy. In my opinion, the American Land Title Association should study all facets of the situation and then join the battle, making its influence felt in support of enlightened self-interest, as well as the public interest.

"We must be *businessmen* as well as titlemen. We, in our industry, cannot live on a political and economic island. We should and must take an active part in the affairs of our country!"

With these words ALTA President, George B. Garber, challenged the Wisconsin titlemen to a more active role in their respective communities and in the state and the nation.

SCHOOL ROOM STYLE SETTING ARRANGEMENT PROVIDED A BUSINESSLIKE ATMOSPHERE FOR CONVENTION DELEGATES.

Also representing the ALTA at the Wisconsin meeting was Executive Vice President, William J. McAuliffe, Jr., who summarized the outstanding success of the Association's 1966 public relations program.

Elected to serve as President of the Wisconsin Title Association for the ensuing year was Harold Lenicheck, Title Guaranty Company of Wisconsin, Milwaukee. James J. Vance, Jefferson County Abstract Co., Inc., Jefferson, was elected Secretary-Treasurer.

Clyde Devillier, General Chairman of the Convention, has reason to be proud. The guest list included all members of the Wisconsin Supreme Court, Justice Thomas E. Fairchild, who was recently appointed to the U.S. 7th Circuit Court of Appeals and many guest speakers. Bud Ouran and J. R. Donlon, Presidents of the Iowa and Illinois Title Associations, were among the distinguished guests. Thomas J. Holstein, prominent Wisconsin titleman and former Secretary-Treasurer of WTA, who was elected by the American Land Title Association to serve as Chairman of the Abstracters Section, was taken to the hospital September 29, the opening day of the Wisconsin convention. We are pleased to report that Tom is back at his desk.

MR. WILLIAM J. McAULIFFE, JR., EXECUTIVE VICE PRESIDENT OF THE AMERICAN LAND TITLE ASSOCIATION.

"TIGHT MONEY" DISCUSSED IN ARIZONA

John Wilkie, Vice President and Counsel, Arizona Land Title and Trust Company, Tucson, was elected President of the Land Title Association of Arizona at the 1966 Annual Convention of that Association, held at the Executive House, Scottsdale, Arizona, November 4 and 5. Wilkie succeeds Victor Gillett, President of Stewart Title & Trust of Phoenix.

The ALTA was represented at the Arizona Association Convention by newly elected President, George B. Garber, and by William J. McAuliffe, Jr., Executive Vice President.

LEFT TO RIGHT: MR. VICTOR GILLETT, IMMEDIATE PAST PRESIDENT OF THE LAND TITLE ASSOCIATION OF ARIZONA, CONGRATULATES MR. JOHN WILKIE UPON HIS ELECTION TO PRESIDENT OF THE LTAA; CENTER, MR. GEORGE GARBER, PRESIDENT OF THE AMERICAN LAND TITLE ASSOCIATION.

COFFEE BREAK TIME AROUND THE POOL DURING THE ANNUAL LAND TITLE ASSOCIATION OF ARIZONA CONVENTION.

MR. RHES CORNELIUS, TRANSAMERICA CORPORATION, SAN FRANCISCO, CALIFORNIA.

LEFT TO RIGHT: JACK KOON, CHICAGO TITLE INSURANCE COMPANY, PHOENIX, ARIZONA; ROBERT KRATOVIL, CHICAGO TITLE INSURANCE COMPANY, CHICAGO, ILLINOIS; AND GEORGE GARBER, PRESIDENT, AMERICAN LAND TITLE ASSOCIATION.

"Is tight money the root of all evil?" was the topic of Rhes H. Cornelius, Vice President, Transamerica Corporation. Much time was spent in discussing the theme, "Now is the time to buy a home."

Robert Kratovil, General Counsel, Chicago Title Insurance Company, spoke to the convention delegates on "Legal Decisions Affecting our Industry." Other speeches included "Trends in Real Estate and Financial Markets," by Dr. C. E. Elias, Jr., Arizona State University, and "Constructive Trusts" by Burton M. Apker, Attorney at Law.

A dinner-dance on Friday evening, November 4, was the social highlight of the convention.

RETIRING PRESIDENT WILLIAM CHILVERS

NEBRASKA FEATURES MODEL CODE; AL ROBIN

A successful and well attended convention was sponsored by the Nebraska Title Association October 9, 10 and 11, in Omaha.

Pioneer titleman Carroll Reid from Albion, Nebraska, was elected President of the Association. Mr. Reid is a former member of ALTA's Board of Governors and had served as Secretary of the Nebraska Title Association for many years.

ALTA members will remember that the Nebraska Title Association was successful in having enacted a Real Estate Abstracters

LEFT TO RIGHT. JIM HICKMAN, HUBERT DEMEL, MRS. ANNA BUMP, CARROLL REID, BILL CHILVERS, AND AL MARZEK.

Law at the recent session of the state legislature. On the agenda now is a Model Title Code that the Association will introduce in the 1967 legislature.

This Model Title Code was the subject of much discussion at the October 9, 10 and 11, Convention. Representing the American Land Title Association was Vice President, Alvin R. Robin, Tampa, Florida, Robin brought the Nebraska members a message of importance.

Jim Hickman from Denver, Colorado, and Al Marzek, Chicago, Illinois, were two of the out-of-state industry members invited to speak at the Nebraska Convention. Both were extremely popular with the delegates.

Other convention speakers included Attorney Sam Jensen, Hubert Demel, Mrs. Anna Bump, Herman Ginsburg (President of the Nebraska Bar Association), Senator Hal Bauer, Robert Gibson Secretary of the Abstracters Board of Licensing), and Attorney William E. Mooney, II.

ATTORNEY SAM JENSEN DISCUSSES THE "MODEL TITLE CODE".

TICP EXPANDS

Gordon M. Burlingame, President, Title Insurance Corporation of Pennsylvania, and also Chairman of ALTA's Title Insurance Section, has announced the appointment of J. S. Johnson & Company, Limited, 26 Elizabeth Avenue, Nassau, as General Agent for the insurance of titles to real estate in the Colony of the Bahama Islands in the West Indies. The appointment became effective November 1, 1966.

EXHIBITION OF HISTORICAL PAINTINGS

Herman Berniker, President of THE TITLE GUARANTEE COMPANY, New York, New York, has announced that in order to celebrate the recent move of its Head Office to 120 Broadway, the fifteen original paintings dealing with the early history of Greater New York, which Title Guarantee commissioned John War Dunsmore and Edward L. Henry to paint at the turn of the century, have been collected and are being exhibited in the company's board room and the offices of counsel at 120 Broadway.

The real estate and historical records in TG's possession were of great assistance in this work.

EXECUTIVE RETIRES

Lewis E. Giuli, Vice President of the Title Guaranty Company of Wisconsin division of the Chicago Title Insurance Company, Milwaukee, has retired after more than 29 years of service in the abstract and title insurance business.

Mr. Giuli became associated with the Title Guaranty Company of Wisconsin in 1937, was appointed Assistant Treasurer in 1947 and was promoted to Escrow Officer in 1949. In 1953 he was elected Vice President in charge of personnel.

Throughout his business career Mr. Giuli has been active in professional, community and civic affairs. He is a member of the Wisconsin State Bar Association, Milwaukee Bar Association, and was a member of the Milwaukee Board of Realtors, Metropolitan Builders Association and the Mortgage Bankers Association. He was also active in the United Fund Campaign, Cancer Fund Drive and the Y.M.C.A. Fund Drive.

He received his L.L.B. degree in Milwaukee from the Marquette University Law School.

PNTI QUALIFIES IN TEXAS

George B. Garber, President, Pioneer National Title Insurance Company, Los Angeles, California, has announced that PNTI has recently qualified to conduct a title insurance business in the State of Texas. Garber stated that Fred H. Timberlake, 1005-15th Street, Lub-

bock, Texas, has been appointed Statewide Counsel for the company.

ARIZONA PROMOTIONS

First Title and Trust Co. of Arizona Phoenix, announced today the appointment of Virgil L. Siepel as general manager of the company's operations in the Phoenix area. Robert D. Dorociak has been named assistant manager of First Title.

Siepel has previously served the company as Senior Title Officer and Counsel and has some 20 years title insurance experience in Phoenix. He is active in the Land Title Association of Arizona and has served as chairman of their Standard Forms and Practices Committee.

Siepel is a charter member of Chapter No. 28, American Right of Way Association and is currently their Vice President and Chairman of the membership committee.

Other active memberships include the Phoenix Chamber of Commerce and the Arizona Mortgage Bankers Association. Siepel holds an A.B. degree and LLB degree from Drake University.

Assistant Manager Dorociak joined the First Title staff as Marketing Director of the company. A native of Pennsylvania, Dorociak has lived in Phoenix for the past 15 years. He has spent the last six years in the title insurance industry with experience in business development and as an escrow officer, escrow department manager and branch manager. His civic effort in behalf of the community is through membership in the Rotary Club.

First Title and Trust Co., a wholly-owned subsidiary of Dallas Title Company, is operated under the direct control of 60-year old Dallas Title and Guaranty Co.

Guaranty Co. President Drake McKee expressed the pleasure of the company in being able to recognize the substantial experience and abilities of long established local employees.

McKee also stated that First Title's immediate plans for expansion will be announced very soon.

NEW OREGON OFFICE

A new office and title plant to serve Washington county was opened last month by Title Insurance Company, according to Budd G. Burnie, President.

Burnie, head of the group of six long-time Oregon title executives

DOROCIAK

SIEPEL

GALAWAY

that purchased Title Insurance Company only six months ago, also announced W. Vern Galaway as Vice President and Manager of the new Washington County office and plant. It is located in the city of Beaverton.

Galaway, who joined Title Insurance Company as a major stockholder, had been manager of the Pacific Title Insurance Washington county office for several years before joining Commerce Investment Co., a Portland mortgage loan firm, as Vice President. He returned to the title field after nearly four years in mortgage financing.

William H. Dunn is assistant manager of the new T/I Washington county office and Carrie Jenkins is manager of the Escrow Department. Both Dunn and Jenkins are company officers as well. President Burnie said that the new Washington county office is staffed initially with twelve people with extensive backgrounds in the title and property escrow fields. Their combined experience exceeds eighty years.

The city of Beaverton, where T/I has located its new office, is the center of Oregon's electronics industry, with one Beaverton firm, Tektronix, now employing over 5,000 persons, according to Burnie.

WASHINGTON FIRM ELEVATES FUNK-NORTON

W. Sherwood Norton was elevated to president of Security Title Insurance Company of Washington, Seattle and Wharton T. Funk, president since 1950, became chairman as a result of board of directors' action on November 21.

Directors also elected David A. Barnes as secretary.

Norton had been executive vice president for more than a year after moving to Seattle in 1965 from San Mateo, Calif., where he was a vice president for Security Title Insurance Company, Los Angeles, another member of the Safeco Insurance Group. He had been with the California firm since 1947 and served also in Stockton and Sacramento. For 14 years he doubled as a part time instructor in real estate law in California colleges, and he also served as a member of two city planning commissions. He is a graduate of the Uni-

FUNK

NORTON

versity of California Law School.

Funk entered title business in 1921 in Lincoln, Neb., and has served Security Title and its predecessor, Lawyers Title Insurance Company, Seattle, since 1928, or within a year or two after the company was first organized. For several of those years he was in title work elsewhere, including Spokane and Tacoma, and for the former Washington Title Insurance Company while Lawyers Title was a subsidiary. He also served six years' active duty in the army and retired as colonel, judge advocate department, after 27 years in the reserve. He is a graduate of the University of Nebraska Law School.

Barnes, a University of Washington graduate, has been in the financial industry since 1964, including work as an auditor for Safeco before being transferred to Security Title.

CONGRATULATIONS AND BEST WISHES TO THE NEW NAREB PRESIDENT—RICHARD B. MORRIS

RICHARD B. MORRIS, BUFFALO, NEW YORK, PRESIDENT ELECT OF THE NATIONAL ASSOCIATION OF REAL ESTATE BOARDS.

SPECIAL NOTICE

Copies of the following presentations, made at the 1966 Annual Convention are available to ALTA members upon request to the association office:

"Prescription for Success"
EDWARD R. ANNIS, M. D. Past President, American Medical Association, Miami, Florida

"An American on the Moon"
COL. JOHN A. "SHORTY" POWERS, formerly Public Affairs Officer, NASA, Washington, D. C.

"The Magic Mirror"
DR. FRANK GOODWIN, Professor Emeritus, College of Business Administration, University of Florida, Gainesville, Florida

Report of the ALTA Legislative Committee
WHARTON T. FUNK, Chairman, Security Title Insurance Company of Washington, Seattle, Washington

Report of the ALTA Judiciary Committee
RAY L. POTTER, Chairman, Vice President and Chief Title Officer, Burton Abstract and Title Company, Detroit, Michigan

MEETING TIMETABLE

March 1-2-3, 1967
ALTA Midwinter Conference
Mayflower Hotel, Washington, D.C.

April 20-21-22, 1967
Arkansas Land Title Association
Velda Rose Towers, Hot Springs

April 28-29, 1967
Oklahoma Land Title Association
Oklahoma City

April 28-29, 1967
Texas Land Title Association
El Tropicano Hotel, San Antonio

April 30, May 1-2, 1967
Iowa Land Title Association
Holiday Inn, Okoboji

May 21-22-23, 1967
Pennsylvania Land Title Association
Hotel Hershey, Hershey

May 31, June 1-2-3, 1967
California Land Title Association
The San Francisco Hilton

June 7-8-9, 1967
Illinois Land Title Association
Drake Hotel, Chicago

June 15-16-17, 1967
Idaho Land Title Association
Holiday Inn, Twin Falls

June 29-30, July 1, 1967
Oregon Land Title Association
Salishan Lodge, Gleneden Beach

July 9-10-11-12, 1967
New York State Land Title Association
Whiteface Inn, Lake Placid

June 16-17, 1967
South Dakota Title Association
Plateau Hotel, Watertown

August 24-25-26, 1967
Minnesota Land Title Association
Rainbow Inn, Grand Rapids

September 24-25-26-27, 1967
ALTA Annual Convention
Denver Hilton Hotel, Denver, Colorado

August 24-25-26-27, 1967
Ohio Title Association
Atwood Lake, New Philadelphia

August 24-25-26, 1967
Utah Land Title Association
Ogden

October 12-13-14, 1967
Wisconsin Title Association
The Pioneer Hotel, Oshkosh

American Land Title Association