TITLE NEWS

THE OFFICIAL PUBLICATION OF THE
AMERICAN LAND TITLE ASSOCIATION

"OUR 62nd YEAR"

MAY, 1969

A MESSAGE FROM THE CHAIRMAN OF THE TITLE INSURANCE AND UNDERWRITERS SECTION

MAY, 1969

I am indebted to our President for giving me this opportunity to report on the 1969 Mid-Winter Conference.

Never before in the history of our industry have we been faced with so many challenges—and so many opportunities. The activities of your Executive Committee, Board of Governors and the Association's several Committees as reported in Chicago last March clearly indicate that your industry, working through your Association, is reaching a new level of maturity in order to meet these challenges and opportunities.

The work done by the Research Committee, the Claims Committee and the research staff in Washington in their efforts to gather industry-wide statistics will ultimately result in your Association's being able to supply you with material which will be extremely useful in your operations, dealings with regulatory agencies, and in other ways.

The progress reported by the Conference Committee in its dealings with the like committee of the American Bar Association is most encouraging. We hope to be able to report further progress at the Annual Convention in Atlantic City.

The Association's efforts to develop a closer relationship with the National Association of Insurance Commissioners through our Committee to Establish Liaison with the NAIC is also beginning to show gratifying results. As a result of the activities of this Committee, a special panel discussion on title insurance was presented to Section II of the NAIC late in March. The representatives of member companies who made up the panel did an excellent job of explaining our industry to this most important group.

The activities of these committees and, indeed, all of the other ALTA Committees, provide clear evidence that our Association is a viable one. To take full advantage of Association membership, it is important not only to attend the Annual Convention and the Mid-Winter Conference, but also the several Regional Conferences which are attended by members of the Title Insurance Section. I look forward to seeing many of you at these Regional Conferences which take place between now and our next Annual Convention in Atlantic City.

Sincerely,

Alvin W. Long

Alvin W. Long

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FEATURES

DEPARTMENTS

VOLUME 48
NUMBER 5
1969

On The Cover: Titlemen and women listen intently to a speech during a meeting of the Abstracters and Tile Insurance Agents Section at the 1969 Mid-Winter Conference in Chicago. For a report on this year's Mid-Winter, turn to page 11.

GARY L. GARRITY, *Editor*
DONAILEEN C. WINTER, *Assistant Editor*

LAND TITLES AND THE INTERSTATE LAND SALES FULL DISCLOSURE ACT

By A. M. Prothro

This Act is of special interest to the land title industry because it is designed to curb abuses in land sales practices. The Act provides that developers must file a Statement of Record with HUD, and that a Property Report must be delivered to each purchaser before a sale is consummated.

On April 28, 1968—a day long to be remembered by the nation's land developers—the Interstate Land Sales Full Disclosure Act became an effective law.

This Act and the manner in which it is administered will be of special interest to the land title industry—for the condition of title to lots being sold by developers is one of the primary items of their disclosure.

The Act came into being on August 1, 1968, as a part of the Housing and Urban Development Act of 1968. (Title XIV, Public Law 90-448; 82 Stat. 476). Effective 180 days after enactment, it was designed to curb abuses in land sales practices.

Congressional hearings were replete with examples of high pressure advertising and sales through the mails of worthless lots. Swamps and desert lands were being purchased without inspection, usually on the basis of installment sales contracts. Dreams of some purchasers had faded into nightmares, sometimes because they were swindled but more often because of financial failures. In almost every instance where the holder of a blanket mortgage on the development had moved in with foreclosure, the developer's investment went down the drain—and so did his promises galore. And the more responsible developers, many of whom supported the new Act, suffered from the adverse publicity brought by others to the industry as a whole.

Some twenty states already had adopted laws in an effort to cope with the problem. A State law usually applies to all properties advertised or offered for sale in that State. Hence, a developer advertising on a widespread basis must keep himself informed about a vast array of State laws and requirements. At considerable expense to himself, he must register his development with these States —paying their fees and the expenses of their inspectors.

The interests of developers and lot purchasers would have been better served by the Federal Act if it had pre-empted these State laws. The Act is to be administered by the Department of Housing and Urban Development (HUD), and its 76 FHA field offices throughout the country are well qualified to supplant the efforts of State authorities. Costs to land developers, and hence to their customers, could be substantially reduced by the adoption of a single filing requirement—a federal filing.

A better organized industry probably would have been able to convince the Congress of the need for pre-emption. But the land development industry is not organized. It should consider the experience of other industry organizations whose existence has benefited their members and served the public interest as well. The American Land Title Association is an excellent example.

Under the new Act, developers must file a Statement of Record with HUD, describing in detail the physical characteristics of the lots to be offered to the public, the arrangements made to complete promised improvements, and the condition of record title. A Property Report, containing a brief synopsis of this information, must be in a form approved by HUD and must be delivered to each purchaser before a sale is consummated. Criminal as well as civil sanctions are provided.

The Statement of Record must be accompanied by title evidence in the form of an attorney's opinion or a "fee or owners policy of title insurance, a guaranty or guarantee of title, or a certificate of title, or an interim title binder or commitment for title insurance, or similar instrument issued by a title company . . ." The title evidence must be dated no earlier

Author A. M. Prothro recently retired as general counsel of the Federal Housing Administration and associate general counsel of the Department of Housing and Urban Development. He is now counsel to the law firm of Krooth & Altman in Washington, D.C. In his former assignment, he and his staff were responsible for developing regulations to implement the new Interstate Land Sales Full Disclosure Act.

than twenty (20) business days preceding the filing of the Statement of Record, but this requirement can be met by an attorney's opinion bringing earlier evidence down to date.

The regulations go on to provide that title evidence must include copies of instruments affecting title or abstracts of such instruments. The developer must describe and furnish copies of any instrument, not of public record, which would affect title if recorded. He must also state "the consequences for an individual purchaser" if there is a failure by the developer to meet his obligations under a blanket lien or other encumbrance.

Finally, the developer must describe and furnish copies of instruments which purport to protect the purchaser in the event of a failure by the developer to meet his obligations under a blanket lien or simlar encumbrance.

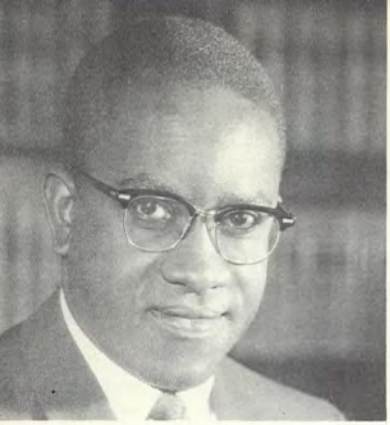
How far can title companies go in extending services to land developers who are subject to this new Act and regulations? Is a statement of the consequences for a purchaser under an unrecorded installment contract—when a blanket lien is foreclosed—a statement of fact or a legal conclusion? Should any such statement recite how the consequences to the purchaser might vary according to circumstances or future agreements between the parties?

A host of questions like these will need to be answered by title companies and attorneys. Some already have suggested that the forms and instructions need to be clearer. Others have questioned HUD's need for copies of instruments affecting title or abstracts of such instruments when a title policy or certificate of title is furnished.

One problem area is in the field of exemptions. The most controversial subject to date has been the so-called on-site exemption. It applies to property which is personally inspected by the purchaser and which is free and clear of liens, encumbrances and adverse claims except, as the Act provides, "property reservations which land developers commonly convey or dedicate to local bodies or public utilities for the purpose of bringing public services to the land . . ."

A building and use restriction designed to protect property values in the subdivision is clearly an "encumbrance" according to HUD's interpretation. This makes the exemption meaningless from a practical point of view, but an amendment to the Act may be required to change it. A more reasonable approach might be to follow FHA's policy in defining the term "marketable title" for mortgage insurance purposes. The FHA regulations contain general waiver provisions under which customary building and use restrictions and other specified types of encumbrances do not render title unmarketable, but are waived.

As problems of this type come to the surface, and at least until such time as the land development industry becomes better organized, the ALTA may need to speak in its behalf. For the title companies and attorneys actually performing the work will be the best qualified to bring about any needed improvements in legislation, regulations or procedures.



STABILIZATION POLICIES VS. NATIONAL PRIORITIES

By Andrew F. Brimmer
Member, Board of Governors
Federal Reserve System

Mr. Brimmer presents his views on conflicting objectives of our national economic policy. He defines priority objectives and the route we should follow to reach them.

(Editor's note: This article is condensed from a speech presented this year as the Morton Wollman Distinguished Lecture at Bernard M. Baruch College, The City University of New York.)

* * *

WITH the passage of each week, the fundamental conflict between the campaign to bring inflation to a halt and the pursuit of other national goals is becoming sharper. Unfortunately, the basic incompatibility of some of our objectives is frequently obscured by narrow technical arguments over the conduct of monetary and fiscal

policy, by different views on the Vietnam War, or by ideological differences about the appropriate role of the Federal Government in the life of the nation. While a primary aim of national economic policy is to check the current inflation in the United States, another objective—of almost equal importance—is to avoid massive unemployment and the aggravation of the urban crisis. While a significant share of our resources is devoted to the Vietnam War effort, the private demand for goods and services (especially that arising from the business sector) is also expanding more rapidly than our ability to meet such demands. Although the prospect for a return to a serious deficit in our international balance of payments, some observers are urging that restraints on the outflow of U.S. capital be dropped immediately.

Still other evidence of conflicting objectives could be cited, but such a listing would simply lead to the same conclusion: we face an almost desperate need to sharpen our priorities and to rearrange our instruments of public policy to accomplish more efficiently our most pressing goals.

Since each one of us undoubtedly will have his own conception of the proper objectives and conduct of public policy, it may be well for me to spell out promptly the perspective from which I view the current tasks of national stabilization policies:

> For nearly four years now, since the acceleration of military activity in Vietnam in mid-1965, we have been fighting a sizable war without raising sufficient tax revenues to finance it. In fact, the Federal budget deficit as a percentage of the increase in Vietnam War—related outlays has been almost as large as in the First and Second World Wars—and in sharp contrast to the budget surplus achieved during the Korean conflict.
>
> Consequently, while the Federal Government's claims on the nation's resouces have risen substantially since 1964, private claims have also been allowed to increase roughly in line with the growth of real output. The results have been a drastic rise in excess demands placed on the economy, an intensification of inflation, and growing expectations of further inflation.
>
> Although monetary and fiscal policies have attempted to counter the emerging inflationary pressures, the timing, scope and coordination of the measures adopted have been far from ideal. Thus, their impact on the pace of inflation has been only modest and temporary, and they have done virtually nothing to weaken inflationary expectations.

Under these circumstances, I am personally convinced that the most important assignment for national economic policy is to get on with the task of bringing inflation to a halt. I think this objective should take priority over some of our other important goals—such as minimizing the rate of unemployment or optimum funding of programs to aid the cities. In reaching this conclusion, I am not unmindful of the pressing need to cope with the crises in our urban areas and to

foster the improvement of our human resources. Rather, I believe that even these critical objectives cannot be reached without the attainment and maintenance of a high and stable rate of growth in real output in the long run. In turn, a precondition for the emergence of such a pattern of growth is an early end to the current inflation.

However, I also realize that, because inflation has been allowed to become so firmly embedded in the structure of the economy, perseverance will be required for perhaps a year or more to halt inflation completely without bringing about a drastic decline in output and a dramatic rise in unemployment, neither of which is acceptable to the vast majority of the American public. On the other hand, there is no reason whatsoever to believe that even a modest lessening of inflationary pressures can be achieved without a significant slowing in the rate of economic expansion and some increase in unemployment. The critical question is where to strike a balance between these competing objectives. In my view, the principal weight should be placed on the side of checking inflation, and we should be prepared to accept the unfavorable effects on output and employment as part of the cost of attaining this goal.

At the same time, however, I believe we should be equally concerned about where the real burden of fighting inflation actually falls. It should not fall exclusively on the poor and the disadvantaged nor primarily on particularly vulnerable sectors of the economy. Yet, without careful orchestration of stabilization policy instruments, that is exactly what we should expect to happen. For example, primary reliance on monetary policy would undoubtedly mean exceptionally high interest rates, serious disruptions in the functioning of money and capital markets, and drastic declines in the availability of credit to specific sectors of the economy—while other sectors continue with little, if any—changes in their credit-financed spending. On the other hand, primary dependence on fiscal restraint achieved through a drastic curtailment of non-defense Federal expenditures would shift an excessive share of the burden to urban areas and to the poor and the disadvantaged who must rely substantially on such assistance if they are to make headway toward leading meaningful and productive lives.

These considerations lead me to the conclusion that the best way to press the campaign against the current inflation in the United States is to re-cast our national priorities and to re-order the claims on our national resources. To be specific, I believe that we should pursue the following course:

> We should seek a sizable surplus in the Federal budget during the next fiscal year, but we should also expand outlays for urban and human resource development. To achieve these ends, we should reduce other types of Federal expenditures —including military outlays wherever possible.
>
> Despite these economies—and to guarantee a sizable budget surplus—it is clear that the 10 per cent income surtax should be extended. In fact, in view of the sharp rise in business fixed

investment projected for this year, it seems unwise to consider reducing the rate.

To reinforce these fiscal moves, monetary policy should maintain a posture of substantial restraint. Moreover, such a policy should be sufficiently restrictive—and held long enough—to ensure that the rate of expansion of bank credit will be kept quite modest until real progress has been made in checking inflation.

In my opinion, the strategy of stabilization policies sketched above is far preferable to several alternatives which are being urged—some openly, others more quietly. For example:

Increasingly, it is being suggested that the Federal Reserve System encourage the adoption of a voluntary program under which banks and other lenders can agree on credit rationing among different types of borrowers.

Suggestions are also being heard that direct controls over wages and prices should be adopted.

Finally, more and more, arguments are being advanced which hold that we really cannot afford to pursue vigorous anti-inflationary policies because such efforts—if successful—would generate serious disorders in our cities. Thus, the only alternative is to accept the inflation.

In my personal view, these alternatives should be rejected without hesitation.

* * *

I think the task to checking inflation is urgent. Therefore, I cannot share the view which holds that such an effort is too costly when measured in terms of its impact on unemployment and the need to improve the conditions of life in urban areas.

I am fully aware of the fact that the rapid expansion of the economy in recent years has been especially helpful to marginal groups in the labor force. For example, the unemployment rate for nonwhites averaged 8.1 per cent in 1965, compared with 4.5 per cent for all civilian workers. By 1968, the nonwhite rate had declined to an average of 6.7 per cent, against 3.6 per cent for the total civilian labor force. In the last year, the improvement in the employment situation has been particularly striking for those living in urban poverty areas. Between the fourth quarters of 1967 and 1968, the unemployment rates in poverty neighborhoods of the nation's 100 largest metropolitan areas declined from 6.9 per cent to 5.2 per cent. This rate of improvement was faster than that in other neighborhoods of the 100 areas—or in the nation as a whole.

Thus, I am obviously reluctant to see circumstances develop which would limit or erase this progress. Nevertheless, I do not agree that such reluctance should lead to a slowdown in the campaign against inflation. After all, whatever improvement in employment and income the poor and disadvantaged can achieve will be of even greater benefit if it is not eroded by rising prices.

Instead, as I stressed above, I think one must look to the further expansion of training, health, housing and other public programs as means of ensuring that the poor and disadvantaged do not carry the main burden of checking inflation. In the meantime, the task for national stabilization policies is clear: it is to push the fight against inflation. As one who shares in the development and execution of these policies, I have no doubts about my own responsibilities.

PNTI Forms Northwest Regional Office

PEASE

George B. Garber, president of Pioneer National Title Insurance Company, Los Angeles, California, has announced that effective May 1, 1969, the Company's Oregon and Washington operations will be combined to form a Northwest Regional Office, which will be located in Seattle.

This regional office will cover the states of Washington, Oregon, Alaska, Idaho and Montana.

Garber stated that the rapid expansion of the company into the national title insurance market and the offering of nationwide title services to customers, has made it necessary to revise the organizational structure in the Northwest.

Concurrently, Garber stated that Warren J. Pease, currently vice president and Washington Division manager will be named regional vice president. Pease is a veteran of 38 years in the title business.

Louisiana Rating Bureau Meets in Chicago

1968-69 officers of Louisiana Land Title Rating Bureau are left to right: Gordon Hyde, vice president, Gordon Smith, president, Claudius A. Mayo, secretary-treasurer.

The first out-of-state meeting of the Louisiana Land Title Rating Bureau was held on March 5 at the Drake in Chicago. President of the Bureau, E. Gordon Smith, of Dallas, Texas, called the meeting to order at 2:00. A total of 24 present showed a representation of 15 of 21 companies doing business in Louisiana.

The meeting revealed that the formula for reporting each company's expenses in Louisiana was not accurate, resulting in a distorted picture of the industry's profits and gains in the State. A committee was appointed to prepare a more accurate formula to be passed on at the Bureau's annual meeting in December. The Committee is composed of Tom Preston, Stewart Title, Houston; Drake McKee, Dallas Title, Dallas; and Lloyd Adams, Southwest Title, New Orleans.

LAND TECHNOLOGY STUDIES ADVANCE

First students in Indiana's Land Title Technology course at Vincennes University with their instructor Lloyd Shepard.

Students enrolled in the first class of the Land Title Technology Course at Indiana's Vincennes University have taken their first finals, and will complete their second semester this spring. The course was inaugurated in September, 1968, after extensive work and planning that included the efforts of the Indiana Land Title Association.

ILTA is contributing actively to the success of the state's first accredited abstracting course. During the first semester, each student enrolled in the course was awarded a cash scholarship by ILTA. Through offering financial assistance and with the help of the ILTA Student Recruiting Committee, ILTA is working to attract more students next fall.

ILTA President Vergil M. Miller, Pioneer National Title Insurance Company, and Past President R. Adrian Marks, Clinton Abstract Co., contributed to the course as guest lecturers on the operation and management of an abstracting office. Other ILTA members are scheduled for future lectures. Also adding an expanded dimension to regular classroom work were comprehensive tours through the Knox County Abstract Company, L. Fay Hedden Abstract Office, and operations of Pioneer National Title Insurance Company, Lawyers Title Insurance Corporation, and Chicago Title Insurance Company. These tours were conducted to enable students to observe first-hand the work of abstract plants in a metropolitan area.

Classroom curriculum includes courses in abstracting conducted by Lloyd Shepard and courses in real property law instructed by Joe D. Black, attorney. Business Law, introduction of business and finance, business English, and college mathematics are also included in the course of study.

Inquiries may be directed to the dean of admissions of Vincennes University.

MID-WINTER MIXES WORK, RELAXATION

SELDOM are such expertise and hard work combined by members at a national association meeting.

These, editorially paraphrased, are the sentiments of a distinguished guest overheard at ALTA's 1969 Mid-Winter Conference in Chicago.

For members and others attending the meeting March 5 through 7, such an observation is easily understood. The work of officers and committees presented at the Mid-Winter was indeed inspiring.

To single out committees and individuals for credit would be futile. Excellence was the rule rather than the exception.

Consider, for example, an ALTA Executive Committee that worked through a long agenda March 4 to assure continued progress in Association programs and activities. Or an ALTA Board of Governors that met the following day to expeditiously consider an impressive array of items—including committee reports that emphasize the value of great knowledge combined with dedicated effort.

Members of ALTA were brought up to date on their Association's outstanding committee work with reports presented at Mid-Winter General Sessions. Committees heard from included Constitution and By-Laws, Standard Title Insurance Forms, Committee on Improvement of Land Title Records, Federal Legislative Action, Re-

ALTA President Gordon Burlingame of Title Insurance Corporation of Pennsylvania helps Raymond Jensen of Dovenmuehle, Inc., field questions on the new Truth-in-Lending Regulation of the Federal Reserve Board.

search, Public Relations, and the Committee to Establish Liaison with the National Association of Insurance Commissioners. A report also was presented on the National Conference of ALTA and the American Bar Association.

Guest speakers again proved to be a popular Mid-Winter attraction. Titlemen and women listened with interest as Dr. Beryl Sprinkel discussed economic trends as related to housing, as John Stipp commented on the relationship between the savings and loan industry and the land title industry, and as Raymond Jensen outlined the new Truth-in-Lending Regulation of the Federal Reserve Board. Enthusiastic participation by members was noted in discussions at meetings of both the Abstracters and Title Insurance Agents Section and the Title Insurance and Underwriters Section.

President Burlingame listens to a report by Richard Howlett of Title Insurance and Trust Company, chairman of the ALTA Standard Title Insurance Forms Committee, concerning a proposed new Single Form Policy.

Amid the demands of meetings and committee work, titlemen and women found time to relax and share in one of the real pleasures of a Mid-Winter—visiting with old friends and meeting new ones. The traditional Ice-Breaker drew an enthusiastic crowd. In the evenings, there was ample opportunity to enjoy the excitement of Chicago.

Important developments at the Mid-Winter included selection of the Century Plaza Hotel, Los Angeles, as the site for the 1973 ALTA Annual Convention. Five proposed amendments were reported by the Constitution and By-Laws Committee; these amendments will be published in *Title News* for ALTA member consideration in advance of their presentation during the 1969 Annual Convention at Atlantic City September 28-October 1.

As the program ended and the time came for members to return home, it seemed that the days in Chicago had passed all too quickly. A common attitude seemed to prevail as titlemen and women bade farewell and turned thoughts to the Annual Convention in Atlantic City:

This Mid-Winter would be remembered for a long time to come.

There was considerable knowledge to be gained at the Mid-Winter, as this study in concentration indicates. Nearest the camera is William Harris of Houston Title Guaranty Company.

John E. Stipp, president, Federal Home Loan Bank of Chicago, comments on the relationship between the savings and loan industry and the land title industry in a Mid-Winter address.

Visuals are used by Dr. Beryl Sprinkel of Harris Trust and Savings Bank in telling titlemen about the relation of economic trends to housing.

Members of the Abstracters and Title Insurance Agents Section give their undivided attention to Professor Ray Aiken of the Marquette University law school.

TALKS HELPFUL TO ABSTRACTERS

BOTH sadness and spirited discussion were evident at the meeting of ALTA's Abstracters and Title Insurance Agents Section during the 1969 Mid-Winter Conference. Section members noted the passing of an outstanding titleman with a resolution memorializing Gerald W. Cunningham as exemplifying the highest ideals of an outstanding abstracter operation and active ALTA membership.

Then, Professor Ray J. Aiken of Marquette University law school presented a talk, "Proposal For Simplified Title Practices," which stimulated an active question-answer session. Other topics that received considerable discussion were judgment records and collection devices, joint title plants, pension plans, employee benefits, new equipment and methods, relationship of title insurance orders to abstract business volume, and program ideas for state association conventions. Section Chairman John W. Warren of Albright Title and Trust Company moderated the session.

Leonard Bartels, Weld County Abstract and Investment Co., Colorado, presented the findings of the Schools Subcommittee, which included reports from 14 state associations. These reports indicated that two states are operating schools for land title personnel, three are planning schools, and an additional four states are studying the possible development of schools.

Jim Vance, Jefferson County Abstract Company, Inc., Wisconsin, reported that the objective of the Errors and Omissions Liability Insurance Subcommittee is to bring about an improvement of present coverage. Goals include negotiating with companies now writing such insurance, increasing coverage, and clarifying terms.

A proposed amendment to the ALTA Constitution and By-Laws was discussed. This amendment would make membership in an affiliated state association unnecessary as a prerequisite for ALTA membership, barring an unfavorable recommendation by a state title association.

Jack Tickner of Chicago Title Insurance Company presents the report of the ALTA Title Insurance and Underwriters Section Claims Committee.

BUSY AGENDA FOR UNDERWRITERS

THE pros and cons of a rating bureau and a proposed new Single Form Policy drew considerable attention at the ALTA Title Insurance and Underwriters Section meeting at the 1969 Mid-Winter Conference. A panel discussion featuring favorable and unfavorable viewpoints on a rating bureau was the highlight of the meeting. Section Chairman Alvin W. Long of Chicago Title and Trust Company introduced the panel, which consisted of Fred Fromhold, Commonwealth Land Title Insurance Company; Ed Brown, New York State Land Title Association; and John Wilkie, Arizona Land Title Company of Tucson.

Richard H. Howlett, Title Insurance and Trust Company, discussed the Single Form Policy and reported that the ALTA Standard Title Insurance Forms Committee had considered the propriety of affording coverage under "Truth-In-Lending" and similar laws. Because of the ambiguities in the law and the regulations issued thereunder and because it was impossible to make a definitive determination of the adequacy of the disclosure, it was the opinion of the Committee that it is impossible to afford coverage against the effect of a recission by a borrower.

Since the Federal "Truth-In-Lending" regulation becomes effective on July 1, 1969, and the proposed Single Form Policy will not be adopted for use until thereafter, it was the recommendation of the Committee that the American Land Title Association Loan Policy 1962, as amended in 1968, be further amended effective July, 1969, by adding subparagraph (g) to paragraph 3 of the Conditions and Stipulations as follows:

(g) "Consumer credit protection," "Truth-In-Lending" or similar law.

A draft of the proposed Single Form Policy was presented to the Mid-Winter General Assembly. It is anticipated that the policy will be presented to ALTA members for approval at the 1969 Annual Convention in Atlantic City this fall.

TRUTH-IN-LENDING AND MORTGAGE LENDERS

By Robert Kratovil, Vice President
Chicago Title and Trust Company

Author Robert Kratovil has been associated with Chicago Title and Trust Company since 1927 and heads the company's legal research. He has taught courses in mortgage banking law and real estate law, and also has conducted courses in mortgages and property at DePaul University College of Law, where he received his LL.B. degree at an earlier date. His best-selling book, *Real Estate Law*, first was published in 1946. A fifth edition of the book was published by Prentice-Hall this year.

Introduction

Congressional concern over the tremendous growth of consumer credit and the confusion existing in the public mind concerning the true costs of such credit has resulted in the enactment of the Federal Truth-in-Lending Act, effective July 1, 1969. The Act is embodied in and forms a part of the more comprehensive Federal "Consumer Credit Protection Act," Pub. L. 90-321; 82 Stat. 146. It appears as Title I of this latter Act. 15 U.S.C.A. §§ 1601-1665. Title I is divided into three chapters, bearing the entitlements "General Provisions," "Credit Transactions," and "Credit Advertising," respectively. Pursuant to the mandate expressed in section 105 of the Act (15 U.S.C.A., § 1604), the Board of Governors of the Federal Reserve System, which Board has the responsibility of issuing all substantive regulations pertaining to the Act, adopted regulations on February 7, 1961, formally designating these regulations as Regulation Z. 34 Fed. Reg., pp. 2002 *et seq.* In large part, it is to Regulation Z one must go for an understanding of the Act, as the statute provides merely a skeleton, requiring that the Regulation attach the necessary flesh thereto.

Broadly speaking, the Act, where the credit transaction is such that it is applicable, imposes a statutory duty on all those providing credit to private individuals to inform them, by means of an itemized price tag, of the cost of their credit in order that they may have the opportunity to determine the reasonableness of the charge being made and also to permit them to do some comparison shopping for better terms. Beyond this, it does not in any way regulate the credit industry nor does it impose ceilings on credit charges.

Section 226.2 of Reg. Z defines consumer credit as follows:

> "(k) 'Consumer credit' means credit offered or extended to a natural person, in which the money, property, or service which is the subject of the transaction is primarily for personal, family, household, or agricultural purposes and for which either a finance charge is or may be imposed or which pursuant to an agreement, is or may be payable in more than four installments. 'Consumer loan' is one type of 'consumer'."

Thus, consumer credit is:

1. Credit
2. Offered or extended *to a natural* person
3. Where the subject is money, property, or service primarily for family, household or agricultural purposes
4. For which either a finance charge is or may be imposed
   or
   Which pursuant to an agreement is or may be payable in more than four installments

Exclusion of Business Transactions

Business transactions are excluded by the definition of "consumer credit" as credit extended *to a natural* person *for personal, family, household or agricultural purposes.* Reg. Z, Sec. 226.2(k). (Emphasis supplied.) They are also excluded by Section 104 of Act, which exempts from the Act extensions of credit "for business or commercial purposes." Title 15 USCA Sec. 1603(1); Reg. Z Sec. 226.3. Unfortunately these definitions leave lenders with some prob-

lems, as Illinois lawyers can attest. An Illinois statute (Ill. Rev. Stat. Ch. 74, Sec. 4) exempts a "business loan" from the usury statute. Differences of opinion have arisen as to the meaning to be given this phrase. Suppose, for example, that a prosperous accountant buys a hotel as a hedge against inflation, and places the management of the building in the hands of a management firm. The weight of sophisticated opinion is definitely in favor of the view that the accountant's mortgage loan is to be regarded as a business loan, but there are those who will argue that it is an "investment loan." Perhaps subsequent amendments of the regulation will more clearly define "business."

Disclosure Requirements as to Lenders

The disclosure provisions as to lenders are complex. In any *consumer* mortgage loan there appear to be three principal categories of items that must be disclosed:

(1) The amount of the "credit." Sec. 129(a)(1) of the Act, Title 15 USCA Sec. 1639; Reg. Z, Sec. 226.8(d)(1).

(2) All charges that are not finance charges. Sec. 129(a)(2) of the Act, Title 15 USCA Sec. 1639; Reg. Z, Sec. 226.8(d)(1).

(3) Finance charges, including the total amount thereof (Sec. 226.8(d)(3) of Reg. Z), the amount of each item thereof (*Ibid.*), the amount of credit "expressed as an annual percentage rate," (Sec. 226.8(b)(2) of Reg. Z) and the total amount of the loan payments, Reg. Z, Sec. 226.8(b)(3). Excepted from the requirement as to disclosing the total amount of the *finance charges* are "finance charges" in the case of a loan secured by a *first lien* or equivalent security on a dwelling and made to finance the purchase of that dwelling. Reg. Z, Sec. 226.8(d)(3). This dwelling loan is also excepted from the requirement of Reg. Z, Sec. 226.8(b)(3) that the lender disclose the total sum of the *loan payments*.

Observe that items under (1) and (2) as well as the annual percentage rate of financing cost must nevertheless be disclosed in the case of dwelling loans.

The disclosure requirement as to first mortgages on dwellings gave Congress a problem. Thus in 24 Business Lawyer 199 (Nov. 1968) it was said (p. 205):

> "There was some thought about exempting the housing industry from disclosing the dollar cost of credit, but this would seem very inconsistent without granting similar concessions to other creditors objecting to annual rate disclosure. I think the feeling of most members of the Committee was that by and large there were no significant abuses in the mortgage credit industry, that most mortgage creditors were making full disclosure in terms of the annual rate and this was really the concept we were trying to bring other creditors around to. The Senate bill therefore exempted all first mortgage transactions from the bill. The House Committee took the opposite approach and included all first mortgages in the bill largely on the argument that there had been some elements of abuse in the second mortgage

field and at times this carried over into first mortgage transactions.

While the truth-in-lending bill was being debated, there were a number of newspaper articles on the home improvement racket in Washington and in other cities whereby home owners were talked into signing notes, oftentimes not realizing they were signing away mortgages on their homes. In cases where the home was already owned the mortgage turned out to be a first mortgage rather than a second mortgage.

The solution adopted by the conference committee was somewhere in-between the House and Senate bills. First mortgage transactions on home sales were exempted *from disclosing the dollar cost of credit over the life of the mortgage, but they were required to comply with the other provisions of the law including the disclosure of the annual percentage rate.*" (Emphasis supplied.)

And in the statement by the House Managers the ultimate compromise is stated (pp. 24-25):

> "Section 8(4) of the Senate bill exempted first mortgages on real estate from all of the provisions of the act. There was no corresponding provision in the House bill. In the conference substitute, *the total finance charge over the life of the mortgage is not required to be disclosed in connection with a purchase money first mortgage.* Such mortgages are also exempted from the requirement that the creditor afford a 3-day right of rescission where a lien is placed on the obligor's dwelling. First mortgages are subject to all other requirements imposed under this title, and there are no exemptions for other types of mortgages." (Emphasis supplied.)

This result appears in Sec. 129 of the Act. Title 15 USCA Sec. 1639. This requires a "lender to disclose the finance charge expressed as an annual percentage rate" and "except in the case of a loan secured by a first lien on a dwelling and made to finance the purchase of that dwelling, the amount of the finance charge."

As indicated above, Reg. Z Sec. 226.8(d)(3) exempted the lender from disclosing "the total amount of the finance charge" where the loan is "secured by a first lien or equivalent security interest on a dwelling and made to finance the purchase of that dwelling." Reg. Z Sec. 226.8(f) states:

> "In any case where a first lien or equivalent security interest in real property is retained or acquired by a creditor in connection with the financing of the *initial construction* of a dwelling, or in connection with a loan to satisfy that construction loan and provide permanent financing of that dwelling, whether or not the customer previously owned the land on which that dwelling is to be constructed, such security interest shall be considered a first lien against that dwelling to finance the purchase of that dwelling." (Emphasis supplied.)

It seems clear that the regulation does not extend these exceptions to a loan made to refinance a permanent loan. In other words a con-

struction loan is exempted, the permanent takeout of the construction loan is exempted, but a refinancing of that permanent loan, or the refinancing of a loan made in connection with a purchase of a dwelling are not exempted. Also, where a loan is made to purchase a dwelling and to finance some minor improvement such as the construction of a garage or swimming pool, it seemingly would not fall within the regulatory language excusing disclosure of the total finance charge, for such construction is not *initial construction of a dwelling.*

Quite plainly, the ordinary mortgage loan made by a homeowner on an unencumbered residence is not exempted from any disclosure provisions. Presumably, this homeowner, who might be the special target of home improvement operators, was intended by Congress to get the full benefit of the law. First mortgages for purchase or construction, so Congress decided obviously are not the kind of transaction where sharp dealing is involved and where protection is needed.

The phrase, "first lien," will no doubt be given a reasonable construction. The existence of a prior lien for current real estate taxes not yet due will not disqualify a mortgage that is, in other respects, a first lien. This is the usual interpretation with respect to first mortgage investments of institutional lenders.

Under Reg. Z Sec. 226.2(p) a dwelling is a residential type structure which contains one or more family housing units or a residential condominium unit.

Lender Consumer Credit — Additional Disclosures Required—Recapitulation

Any creditor making a consumer loan must disclose the following:

(1) The total amount of "credit" of which the obligor will have the actual use or which will be paid to another person on his behalf. This last part could refer to payments like those for retiring an existing mortgage.

(2) All charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

(3) "The total amount to be financed" (the sum of items (1) and (2) above);

(4) The finance charge details, except as noted above under Disclosure Requirements.

(5) The number, amount, and the due dates or periods of payments scheduled to repay the indebtedness; and the total of such payments, except as noted above under Disclosure Requirements.

(6) Late charges; and

(7) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

Disclosure—By Whom and to Whom Made

Regulation Z provides in § 226.8 (a) as follows:

"(a) General rule. *Any creditor* when extending credit other than open end credit shall, in accordance with § 226.6 and to the extent applicable, make the disclosures required by this section with respect to any transaction

consummated on or after July 1, 1969. (Emphasis supplied.)

Regulation Z § 226.2(m) defines Creditor as follows:

> "(m) 'Creditor' means a person who in the ordinary course of business regularly extends or arranges for the extension of consumer credit, or offers to extend or arrange for the extension of such credit."

Thus though various institutions are involved in furnishing services involved in a mortgage loan (appraiser, credit reporting agencies, credit life insurance company, etc.) none of these is under a duty to disclose to the mortgagor. The mortgage lender is expected to assemble all this data and furnish it to the borrower. No provision has been found placing a duty on these other institutions to furnish any information to the mortgagor.

Sec. 121 of the Act (Title 15 USCA Sec. 1631) requires disclosure "to each person to whom consumer credit is extended and upon whom a finance charge is or may be imposed."

The Act also applies to a creditor who accepts an assuming grantee, being one who assumes payment of the mortgage. Disclosure must be made unless the lien is a first lien and assumption is made to enable grantee to acquire that dwelling. Reg. Z Sec. 226.8(k).

Time of Disclosure

Regulation Z Sec. 226.8(a) provides that disclosure shall be made "before the transaction is consummated." Sec. 226.2(cc) of Reg. Z states that a transaction shall be considered "consummated" at the time a contractual relationship is created between a creditor and customer irrespective of the time of performance of either party. This language causes a problem. Regulation Z omits the language "bilateral" contractual relationship that occurred in *proposed* Regulation Z, but this improvement fails to dispel the problem. Generally, when a customer completes a loan application and submits the request for credit to a lending institution, his actions constitute an *offer* which may be *accepted* by an approval of the application or the issuance of a commitment by the lender. It would seem that a loan contract is created and the transaction is "consummated" when a commitment or approval is communicated to the customer. *Burns v. Washington S & L Assn.*, 251 Miss. 789, 171 So.2d 322; *Dovenmuehle Inc. v. K. Way Associates*, 388 F.2d 940; 12 Univ. of Cincinnati L.Rev. 5. This is the kind of law that has developed in connection with "obligatory future advances." Kratovil, *Real Estate Law* (5th ed. 1969) § 372; Osborne, *Mortgages*, (1951) 295. But in the case of "optional advances," it is arguable that a contractual relationship is not created until disbursement is made. Kratovil *Real Estate Law* (5th ed. 1969) § 373; Osborne, *Mortgages* (1951) 292. Until that time the borrower owes nothing, even though he has signed a note and mortgage, and neither party could sue the other. This theory, however, seems inapplicable to Truth in Lending. Because of the difficulty of determining all details of the finance charge prior to the commitment by the lender, it is probable that the required disclosures under the Act would normally be made to the customer at some date after the mort-

gage is signed. These disclosures would normally be made by the creditor well in advance of any closing date. Under Reg. Z Sec. 226.9(a) with respect to the right of rescission hereafter discussed, the borrower has the right to rescind until midnight of the third business day following "the date of consummation of that transaction or the date of delivery of the disclosures * * * whichever is later." And under Reg. Z Sec. 226.9(c) (with certain exceptions), until the lender has "satisfied himself that the customer has not exercised his right of rescission," he must not "disburse any money other than in escrow" or "perform any work or service for the customer." This leads one to believe that it is contemplated that a loan transaction must be considered "consummated" at some fairly early stage of the transaction. However, at the earliest stages of the transaction the lender does not have the figures to disclose, such as the precise amount of the survey charge, the title insurance charge, and so forth. It is to be hoped that this situation will be clarified.

The time of disclosure provisions create a further problem. Presumably disclosure is required so that the borrower can do some comparison shopping. The lender will not care to finalize his interest rate until the appraisal and credit report are in, whereupon he may tender the loan applicant a commitment calling for a higher interest rate than specified in the application. This is a poor time in the ordinary real estate financing situation to initiate comparison shopping, but the regulations seem to offer no solution to this problem.

Finance Charge

Regulation Z Sec. 226.4 defines a "finance charge" as "the sum of all charges, payable directly or indirectly by the customer, and imposed directly or indirectly by the creditor as an incident to or as a condition of the extension of credit, whether paid or payable by the customer, the seller, or any other person on behalf of the customer to the creditor or to a third party." Regulation Z proceeds then to give examples, such as a fee for credit report, an appraisal fee, premium for credit life insurance, etc. However, real property transactions are the subject of special treatment in this regard under Sec. 226.4(e), as hereafter noted.

Regulation Z Sec. 226.4(b) then lists certain items that "need not" be included in the finance charge "if itemized and disclosed to the customer" including, for example:

(1) Recording fees

(2) Taxes not included in the cash price.

Regulation Z Sec. 226.4(e) lists charges that are not deemed "finance charges" in real property transactions. These include title insurance premiums, abstract of title fees, notary's fees, appraisal fees, and credit report fees. Note that while these are not "finance charges," they must nevertheless be disclosed under the requirement of disclosure of charges "which are not part of the finance charge." Sec. 129(a) (2) of the Act, Title 15 USCA 1639(a) (2).

Also late charges are not part of the finance charge. Reg. Z Sec. 226.4(c).

Attorney's Fees

Neither the act nor Regulation Z mentions attorney's fees. This, surely, was a major oversight. It seems to leave the mortgage lender no option. He must consider his attorney's fees as a "finance charge," except the fee for preparation of a deed. Reg. Z § 226.4 (e)(2).

Penalties for Failure to Disclose

The Act imposes the following penalties for failure to disclose:

(1) Criminal penalties. Sec. 112 of the Act, Title 15 USCA Sec. 1611.

(2) A civil penalty of twice the amount of the finance charge involved in the transaction, though not less than $100 nor greater than $1,000, plus attorney's fees. Sec. 130 of Act, Title 15 USCA Sec. 1640.

(3) The right to rescind as hereafter discussed.

Disclosure to the Mortgage Lender

While the mortgage lender purchases services and commodities on credit, it is clear that these are for business purposes and are not covered by the Act.

Rescission in Mortgage Loans

Any credit transaction (and this means one involving a natural person as borrower under Sec. 226.2 (k) and (bb) of Reg. Z) which involves a security interest in the principal residence of a consumer (buyer or borrower) must be explained to be a mortgage or lien and disclosure made as required by the law. Act, Sec. 125; Title 15 USCA Sec. 1635. The customer then has a right to rescind the transaction either within three days "following the consummation of the transaction or the delivery of the disclosure required," whichever is later. The section goes on to state that the borrower may accomplish this rescission by notifying the creditor of his intention to do so. The creditor (seller or lender) must clearly and conspicuously disclose to the consumer his right of rescission. The creditor also must provide an opportunity for the consumer to rescind the transaction as provided by the law. See Sec. 125(a) of the Act, Title 15 USCA Sec. 1635. This right of rescission is inapplicable to the creation or retention of a first lien on a dwelling to finance the acquisition of "that dwelling." Act, Sec. 125(e) Title 15 USCA Sec. 1635 (e). Reg. Z, Sec. 226.9(g)(1) adds that it must be a dwelling in which the borrower resides or expects to reside. A security interest which is a first lien retained or acquired by a creditor in connection with the financing of the *initial construction* of the residence of the customer or with a permanent takeout of the construction loan also falls within this exception. Reg. Z Sec. 226.9(g)(2). This language is similar to that in Reg. Z, Sec. 226.8(b)(3), Sec. 226.8(d)(3) and Sec. 226.8(f) which were previously discussed. See "Disclosure Requirements as to Lenders" earlier in this article.

When the consumer rescinds, the security interest created is void and he is not liable for any "fi-

nance or other charge." Reg. Z, Sec. 226.9(d). It is somewhat unclear how the lender is to handle charges he has already incurred, such as an appraisal fee. It seems that the lender will have to bear the expense of such charges.

To recapitulate, the right of rescission does not exist:

(1) In the case of a first mortgage made to finance purchase of a home.

(2) In the case of a construction loan on a home or its permanent takeout.

(3) In the case of a mortgage loan to one other than a natural person.

(4) In the case of a business loan.

But if a mortgage loan is made to purchase a home and to provide funds for construction of a garage or swimming pool, this is not given in connection with *initial* construction and quite possibly falls under the right of rescission. And, as is the case with respect to the requirement of disclosure of the total amount of the finance charge, as discussed under "Disclosure Requirements as to Lenders" earlier in this article, the Act does not exempt a first mortgage made to refinance an existing first mortgage or a first mortgage made to obtain funds for home improvements and the like.

As to those mortgages that are subject to the rescission provision, the following history from 24 Business Lawyer 199 (Nov. 1968) may be helpful (p. 206):

> "* * * there had been a number of newspaper articles concerned with the second mortgage problem, and a whole series of these articles came from the State of New Jersey, particularly in Newark.
>
> "Congressman Cahill introduced an amendment which in effect did two things: one, it required that on real estate transactions a three day waiting period would be required between the time that the disclosure was made and the time that the transaction could be entered into; and two, it modified somewhat the holder in due course argument by providing that where a real property transaction was involved and where an assignee maintained a continuing business relationship with the original creditor, then the consumer had a right to bring action against the assignee for the creditor's failure to disclose any fact required by the bill. The assignee could defend against this suit provided he could show by preponderance of evidence that he had no reason to believe that the original creditor would violate the act and that he maintained procedures reasonably adapted to keep him informed of the situation.
>
> "The final provision on second mortgages, as it emerged from the conference committee and is now in the final legislation, was to accept the modification of the holder in due course doctrine substantially as written by Congressman Cahill, but to change the three day waiting period into a three day rescission period somewhat similar to the door-to-door sale act which has recently passed the Senate Commerce Committee. The transaction could be entered into as soon

as disclosure was made, however the consumer would be given an absolute right to rescind the transaction within a period of three business days following the action."

A rather obvious distinction must be made between the "residence" of the borrower, as to which a right of *rescission* exists, and the "dwelling" as to which certain exemptions from the obligation of *disclosur*e exist. Under Reg. Z Sec. 226.2(y), a residence is a building in which the borrower resides or expects to reside. No such requirement of residence is stated with respect to a dwelling. Reg. Z, Sec. 226.2(p). A dwelling may contain one "or more" family housing units. Reg. Z, Sec. 226.2 (p). In the law of building restrictions, an apartment house, by the weight of authority, is considered a "dwelling." 14 ALR 2d 1376, 1384.

Time for Rescission

Where the right to rescind exists, Sec. 125 of the Act (Title 15 USCA Sec. 1635) and Sec. 226.9 (a) of Reg. Z give a customer the right to rescind at any time until midnight of the third business day following the date of consummation of that transaction or the delivery of the required disclosures under the Act, *whichever is later.* The problems relating to the time for disclosure have already been discussed. See "Time of Disclosure" earlier in this article. Since the right of rescission continues until full disclosure is made, it follows that any failure to make full disclosure keeps the right of rescission alive indefinitely. Ultimately, of course, if the borrower defaults and foreclosure proceedings are instituted, the lender must then reveal the total debt he seeks to recover, and the borrower may then assert his right to rescind if full disclosure has not occurred until that time.

Transactions Affected by Rescission

Regulation 226.9(a) provides:

> "(a) General rule. Except as otherwise provided in this section, in the case of any credit transaction in which a security interest is or will be retained or acquired in any real property which is used or is expected to be used as the principal residence of the customer, the customer shall have the right to rescind *that transaction* until midnight of the third business day. * * *"

Thus the right of rescission extends to "that (credit) transaction" which results in the creation of a security interest in the residence. This is the transaction in which *the creditor involved in "that transaction"* has a duty of disclosure. Clearly this applies between mortgagor and mortgagee. It would apply to a Georgia security deed. See *Wiley v. Martin,* 163 Ga. 381, 136 S.E. 151 (1926). In Kentucky and other states that use a vendor's lien reserved by deed it would apply to a transaction of this kind. Reg. Z Sec. 226.2(z); Kratovil, *Real Estate Law,* (5th ed 1969) § 364. It applies to an installment sale of land where it is often said that the vendor retains legal title to the land as security. Reg. Z, Sec. 226.2(z); 92 C.J.S. *Vendor & Purchaser,* § 378, p. 318.

Preconditions to the Exercise of the Right of Rescission

Cloudy draftsmanship is again apparent in the portions dealing with rescission. Sec. 125(a) and (b) of the Act (Title 15 USCA Sec. 1635); Regulation Z, Sec. 226.9 (a). Under the Act, rescission is accomplished by the borrower notifying the creditor of his intention to rescind, and "within 10 days after receipt of notice of rescission" the mortagee is required to "take any action necessary or appropriate to reflect the termination of any security interest created under the transaction" and "upon the performance of the creditor's obligations under this section, the obligor shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the obligor shall tender its reasonable value." This section, adapted to a credit sale of appliances, is unrealistic when applied to a mortgage transaction. Typically the exercise of the right of rescission requires one exercising this right to restore the other party to the *status quo* as it existed prior to the transaction. 91 C.J.S. *Vendor & Purchaser*, 178, p. 1150. This law does not appear to condition the borrower's right to rescind upon *tender* of the mortgage funds received by him. If this is a proper construction, the law seems inequitable. That it is a proper construction is evident from the House Managers' report on the Conference recommendations. Speaking of the right to rescind, the report says: "Upon exercise of this right, any security interests created under the transactions are voided, the creditor must refund any advances, and the obligor must tender back any property or its reasonable value, which he has received from the creditor." All the lender has it seems, is an unsecured claim against the borrower.

Waiver of Right of Rescission

Section 226.9(e) of Reg. Z of the regulations permits a customer to waive his right of rescission if certain conditions are fulfilled and a separate signed statement is furnished the creditor. One of the above conditions is that a delay of three days in performance of the creditors obligation under the transaction must jeopardize the welfare, health, or safety of natural persons or endanger property which the customer owns or for which he is responsible. The use of printed forms for this purpose is prohibited.

Installment Sales of Land

It seems desirable to touch briefly on the cognate question of installment contracts. Section 226.-2(n) of Reg. Z defines a "credit sale" as meaning any sale with respect to which "consumer credit" is extended. Under Reg. Z Sec. 226.2(k) "consumer credit" includes any sale of "property" to a "natural person" payable in more than four installments." Clearly an installment sale of land to a natural person falls within the law. This type of transaction is particularly vulnerable under Sec. 125 of the Act, 15 USCA Sec. 1635 (b), and Reg. Z, Sec. 226.9(d). This last provides as follows:

"Within 10 days after receipt of a notice of rescission, the creditor shall return to the customer any money or property given as *earnest money*, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the customer, the customer may retain posession of it. Upon the performance of the creditor's obligations under this section, the customer shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the customer shall tender its reasonable value. Tender shall be made at the location of the property or at the residence of the customer, at the option of the customer. If the creditor does not take possession of the property within 10 days after the tender by the customer, *ownership of the property vests in the customer without obligation on his part to pay for it.*" (Emphasis supplied.)

Possibly, this language was meant mainly to apply to credit sales of appliances. However, it is general in its language and probably applies to installment sales of land. This construction is fortified by use of the phrase, "earnest money", which seldom occurs in sales of chattels.

As in the case of mortgages, the installment contract would not be subject to rescission if it creates a "first lien" on the land. Act, Sec. 125(e), 15 USCA Sec. 1635.

Agricultural Loans

Regulation Z Sec. 226.3(a) provides that this "part" (which includes disclosure and rescission) does not apply to extensions of credit to organizations, including governments, or for business or commercial purposes, other than agricultural purposes. It seems that agricultural loans were not intended to be exempted from the Act. But what happens when a loan is made to a corporation (which is an "organization') for agricultural purposes? The regulation is muddy. One could conjecture that the exclusion is inapplicable to agricultural organizations. Certain advances for agricultural purposes are specially treated in Reg. Z Sec. 226.8(j).

New Headquarters For Security Title

Artist's rendering of Security Title Insurance Co.'s new building in the San Fernando Valley.

Ground was broken in March for a $2.5 million state headquarters office building in California's San Fernando Valley for Security Title Insurance Co. of California. Completion is set for next February. The three-stories and basement

structure will provide 116,000 square feet of office space on a five-acre site in Panorama City. In addition to the main building, there will be a separate 10,000-square foot structure for a cafeteria.

"Our new building," said Security Title President H. Eugene Tully, "will be steel frame and precast concrete. The general contractor is Swinerton and Walberg, Los Angeles. Beverly Hills Architect Kenneth Neptune designed the project."

Security Title will house its home office and Los Angeles plant in the new location, which is adjacent to SAFECO Corp.'s Los Angeles division. SAFECO is the parent company of Security.

Security Title will maintain a marketing unit, an escrow office, and offices for Board Chairman Ernest J. Billman in its present location at 3444 Wilshire Blvd., Los Angeles. Eighty percent of the present 415 employees at the Wilshire location will make the move to the San Fernando Valley.

TI TAPES RADIO SPOTS

A pause during the taping of radio advertising spots for the 1969 Title Insurance and Trust Company, California, campaign finds a discussion developing among Eddie Mayehoff, left, "The Old Pro" of show business fame; Phil Bentley, center, of TI's advertising agency; Joe La Barbera, TI's director of advertising and publicity. Spots featuring Mayehoff and Gary Owens, the "announcer" on television's "Rowan and Martin Laugh-In", are being used in TI's sponsorship of radio newscasts throughout California and Nevada. "Move Your Better Half to Better Quarters" is the theme of the 1969 TI campaign, which is aimed at accelerating an anticipated demand for new and improved living quarters in the West. In the radio spots, Mayehoff and Owens urge listeners to move up to a better home this year and to rely on a professional real estate broker for assistance in selling or buying a home. In addition to radio, the campaign also has been programmed for print media. Bumper stickers and counter cards carry the campaign to freeways and business offices.

NAMES IN THE NEWS

HERRON

Commonwealth Land Title Insurance Company, Philadelphia, Pennsylvania, has announced the promotion of two men in the Company's National Title Division: **Daniel J. Herron** to assistant vice president and **Harold W. Hall** to title officer.

Herron is responsible for the Company's activities in Connecticut and Massachusetts.

HALL

M. Steven Krupnick has joined the Commonwealth Land Title Insurance Company branch in Milwaukee. Krupnick is regional agency manager, and his duties will include the development and supervision of Commonwealth agencies throughout Wisconsin.

Anthony P. Messa, Jr., assistant manager of the Jenkintown, Pennsylvania, branch has been promoted to assistant title officer.

* * *

CAMERON

Bruce J. Cameron has been named executive vice president of Dynacomp, Inc., a Phoenix, Arizona based Data Processing firm primarily serving the title industry.

Cameron, a second generation title man and 14 year veteran of the title business was formerly with the Lawyers Title Insurance Corporation in Dallas, Texas, and most recently a vice president with the Arizona Land Title & Trust Company in Phoenix, Arizona.

* * *

The board of directors of The Title Guarantee Company, Baltimore, Maryland, has announced

the retirement of **Charles H. Buck,** chairman of the board and his election as chairman emeritus. **Joseph S. Knapp, Jr.,** was elected chairman of the board; **Frederick R. Buck,** president and chief executive officer; and **John W. Brown, Jr.,** executive vice president.

* * *

DOLAN

The promotion of **Robert W. Dolan,** assistant vice president, to manager of Santa Clara County Operations for Title Insurance and Trust Company, California, has been announced by **Hal Labrie,** senior vice president, operations.

* * *

Robert A. Brine has been named senior vice president of Transamerica Title Insurance Company's California Division, with management reponsibility for northern California. Brine has been transferred from Seattle, where he was in charge of Transamerica Title's operations in Washington, to be general manager of the northern California operations.

* * *

Thomas H. Gassert, a partner in the Newark law firm of Gassert, Murphy and Clarken, has been elected a director of New Jersey Realty Company and New Jersey Realty Title Insurance Company, it was announced by Noel Thompson, president of the New Jersey Realty Group.

He is the second generation of his family to serve in this capacity. His father, Frederick J. Gassert was a member of the boards of directors of the two companies for 17 years.

* * *

Herman Berniker retired as president of The Title Guarantee Company, New York, as of April 21, 1969. Berniker will be available for consultation and will continue to serve as a member of the Company's board of trustees. His career has spanned 31 years as a title insurance company executive.

Ernest J. Loebbecke, president of the parent company, Title Insurance and Trust Company, California, stated that **David T. Griffith, Jr.,** senior vice president of The Title Guarantee Company will be recommended to its board of trustees for election to succeed Berniker as president.

MEETING TIMETABLE

1969

May 4-5-6, 1969
Iowa Land Title Association
Holiday Inn
Sioux City, Iowa

May 8-9-10, 1969
Utah Land Title Association
Park City, Utah

May 8-9-10-11, 1969
Washington Land Title Association
Tyee Motor Hotel
Olympia, Washington

May 9-10, 1969
Tennessee Land Title Association
Downtown Holiday Inn
Chattanooga, Tennessee

May 21-22-23, 1969
California Land Title Association
Fairmont Hotel
San Francisco, California

May 22-23-24, 1969
New Mexico Land Title Association
White Winrock Motor Hotel
Albuquerque, New Mexico

May 25-26-27, 1969
Pennsylvania Land Title Association
Shawnee on Delaware, Pennsylvania

June 8-9, 1969
Wyoming Land Title Association
Holiday Inn
Casper, Wyoming

June 11-12-13, 1969
Illinois Land Title Association
Drake Hotel, Chicago

June 12-13-14, 1969
Colorado Land Title Association
Steamboat Springs, Colorado

June 18-19-20-21, 1969
Oregon Land Title Association
Gearhart Motor Inn
Gearhart, Oregon

June 22-23-24-25, 1969
Michigan Land Title Association
Hidden Valley
Gaylord, Michigan

June 26-27-28-29, 1969
Idaho Land Title Association
The North Shore Motor Hotel
Coeur d'Alene, Idaho

June 27-28, 1969
South Dakota Land Title Association
Holiday Inn
Aberdeen, South Dakota

June 30-July 1, 1969
New Jersey Land Title
Insurance Association
Seaview Country Club, Absecon

July 13-14-15-16, 1969
New York State Land Title Association
Whiteface Inn
Lake Placid, New York

August 14-15-16, 1969
Montana Land Title Association
YoGo Inn
Lewistown, Montana

August 21-22-23, 1969
Minnesota Land Title Association
Edgewater Motel
Duluth, Minnesota

August 22-23-24, 1969
Ohio Title Association
Atwood Lodge
Dellroy, Ohio

September 4-5-6-7, 1969
Missouri Land Title Association
Plaza Inn, Kansas City, Missouri

September 11-12-13, 1969
North Dakota Land Title Association
Plainsman Hotel
Williston, North Dakota

September 12-13, 1969
Kansas Land Title Association
Lasson Motor Hotel
Wichita, Kansas

September 12-13, 1969
Nevada Land Title Association
Las Vegas, Nevada

September 28-29-30, October 1, 1969
ANNUAL CONVENTION
American Land Title Association
Chalfonte-Haddon Hall Hotel
Atlantic City, New Jersey

October 9-10-11, 1969
Nebraska Title Association
Lincoln, Nebraska

October 16-17, 1969
Dixie Land Title Association
Calloway Gardens
Pine Mountain, Georgia

October 26-27-28, 1969
Indiana Land Title Association
Stouffer's Inn
Indianapolis, Indiana

October 30, November 1, 1969
Florida Land Title Association
Causeway Inn Resort
Tampa, Florida

October 30, November 1, 1969
Wisconsin Land Title Association
Holiday Inn
Eau Claire, Wisconsin

December 3, 1969
Louisiana Land Title Association
Royal Orleans Hotel
New Orleans, Louisiana

1970

April 1-2-3, 1970
MID-WINTER CONFERENCE
American Land Title Association
The Roosevelt Hotel
New Orleans, Louisiana

October 4-5-6-7, 1970
ANNUAL CONVENTION
American Land Title Association
Waldorf-Astoria Hotel
New York, New York