Title News

the official publication of the American Land Title Association

AMERICAN LAND TITLE ASSOCIATION
SINCE 1907

New Orleans: Site of the 1970 Mid-Winter

March, 1970

President's Message

MARCH, 1970

Think New Orleans!

And it's not a bad way to think. Kind of a pleasant way, in fact.

This has been a rather tough winter on a lot of us, with a heavier load of the problems and worries than we are accustomed to coping with. The credit crunch has not been too pleasant to sweat out. And there were some other worries peculiar to 1969, too.

There will be fun in New Orleans. Wonderful food and plenty of it. Golf courses that are in good shape long before your home club is even watering greens. And entertainment like you never saw before—unless you've enjoyed yourself previously in New Orleans. Not only the French Quarter, but the rest of the city, too, is deliberately designed for fun.

So take a few days before or after the ALTA Mid-Winter Conference and take in New Orleans. But don't forget to attend the Conference sessions. Our first choices for speakers on the three principal topics on which we wanted information have accepted our invitations. This is unheard of, and we are very lucky to have William Smolkin, president of a marketing and management consulting firm whose clients include the National Association of Home Builders; Milton W. Schober, assistant director, Division of Supervision and Regulation, Federal Reserve System; and The Honorable J. Richard Barnes, Colorado commissioner of insurance who will represent the National Association of Insurance Commissioners, on our program. What they have to tell us could be, during the rest of 1970, like information "from the mouth of the horse."

Jim Hickman and John Warren have arranged some timely participation programs for the Title Insurance and Underwriters Section and Abstracters and Title Insurance Agents Section meetings, respectively. You will regret missing them if you don't come to the Mid-Winter.

Your child bride of one or 50 years will find the Mardi Gras city most attractive. So, even if the till is empty, put a second mortgage on the old homestead and head for New Orleans in April. I hope to see you there.

Sincerely,

Thomas J. Holstein

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Features

Departments

ON THE COVER: A traditional French Quarter sightseeing carriage and balcony ironwork remind that the 1970 ALTA Mid-Winter Conference is drawing near. This year's Conference will be held April 1, 2, and 3 in the Roosevelt Hotel, New Orleans, and will feature topics of current importance to the land title industry. For details, please turn to page 11.

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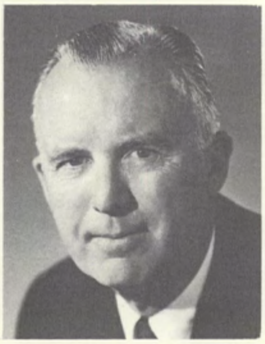
GARY L. GARRITY, Editor

The Housing Crisis: Viewpoints Expresed by

Secretary George Romney
U.S. Department of Housing and Urban Development

National Association of Home Builders
Louis R. Barba, President



Robert H. Pease, President
Mortgage Bankers Association of America

Secretary George Romney
U.S. Department of Housing and Urban Development

A Framework for Meeting the Needs

(Editor's note: This address was delivered January 19 during the National Association of Home Builders Annual Convention in Houston.)

* * *

It's good to be here, for several reasons.

For one thing, my job importantly is housing; so is yours. Both you and I also are engaged in public service, for building homes is helping to meet human needs.

And I want to thank you personally for allowing me to disrupt your organization and strengthen ours by taking your outstanding president, Gene Gulledge.

I know this created special problems for Lou Barba, who stepped into the breach. He and I have talked on several occasions. He is an able spokesman for your industry and a worthy successor to Gene Gulledge.

We asked Gene Gulledge to become Assistant Secretary and FHA Commissioner because we wanted a top production man for a tough production job. Meeting our nation's housing needs—26 million more units by 1978—is the biggest peacetime production job this country has ever faced. We are determined to meet it. It can be done provided we can convince the nation it should be done.

We have a long way to go. The present housing shortage is grave, and the immediate outlook is not encouraging.

Overall housing vacancy rates have dropped by one-third since 1965, to the lowest levels in over 10 years. The rental vacancy rate in all metropolitan areas is an unhealthy 4.4 percent. In the northeast, it is only 2.8 percent. In some major urban markets like Chicago and New York, it is down to about 1 per cent.

New housing starts are declining rapidly. From January to December, the seasonally adjusted annual starts rate dropped 34 per cent, from 1.9 million to 1,245,000. In the last five years, the cumulative housing deficit, excluding mobile homes, has risen to over 2.5 million.

Looking ahead, some estimates anticipate that starts will soon fall to an annual rate near one million and stay there through mid-1971. Other estimates are even lower.

But let me tell you this. An annual starts rate of one million or less through 1970 is not enough and not acceptable to me or to this administration. Housing production must be substantially higher, and with your help we intend to see that it is.

The current crisis in housing is compounded by another crisis—the crisis of inflation. Each of them makes the other worse.

On the one hand, the housing shortage feeds inflation. Consumer prices have increased 14 per cent since October, 1966; but shelter costs have risen 19 per cent, and home ownership costs have jumped 23 per cent—10 per cent in the last year. More and more American families cannot afford decent housing. Half cannot afford to buy a new home. The general shortage raises the cost of all housing, old as well as new.

And on the other hand, inflation dangerously compounds the housing shortage. Inflation draws investments away from mortgages, with their fixed long-term rate of return, into more attractive equities. Rising interest rates reduce the impact of federal subsidies for low-income housing. And some needed anti-inflationary steps—high interest rates and tight money—hit housing harder than any other industry, and months ago reached counter-productive levels in curbing inflation.

Inflation and the credit crunch are much worse than in any period since World War II. Housing is bearing far more than its share of the burden of fighting inflation.

This administration is working vigorously to combat and overcome both the crisis of inflation and the crisis in housing. Our efforts on behalf of housing have exceeded anything done in comparable past periods.

Despite the worst credit crunch in modern times—and unlike previous tight money periods—we were able to keep enough capital flowing into the mortgage market in 1969 to sustain housing production at about the same level as 1968.

In addition, through vigorous implementation of housing assistance programs, we broke every record for housing construction for low- and moderate-income families; 1969 subsidized housing production for these families was up 13 per cent over the previous all-time record set in 1968.

But these efforts were not enough, and the chief question facing all of us is how we move from where we are today to reach our housing goal.

To reach a goal, it is necessary first to identify and then apply pertinent sound principles. One basic principle which helped our nation achieve greatness is that public policies should encourage maximum private effort to meet basic human needs.

For example, this principle powered the success and publicly-encouraged, privately-executed efforts like railroad building in the last century; the homestead program; the great decision to premise our industrialized economy on competition, rather than monopoly and state control; and the vast expansion of home-ownership opportunity through FHA.

But all too commonly in recent years, private responsibility has been eroded by excessive reliance on governmental action. As a result, government has become too occupied with sponsoring *programs*—rather than initiating and reshaping *policies* that will encourage maximum private action in meeting human needs. From 1960 to 1968, the number of federal domestic programs leaped from 45 to 435.

This administration is committed to developing sound policy, not just spawning programs: sound policies that will provide the stable and reliable framework within which you and your housing industry associates can work effectively to meet the nation's housing needs.

Let me list for you what I consider some of the needed ingredients of a national housing policy—not just a jumbled pile of programs, but a unified, coherent, workable policy to reach our housing goals.

First, an end to inflation and an easing of monetary controls. It is essential to have both. We should also have sound wage-price policy and action.

Second, a steadily expanding economy.

Third, a higher national priority for housing.

Fourth, an adequate and steadily growing supply of mortgage financing.

Fifth, revised and strengthened land-use policies.

Sixth, adequate levels of government assistance for housing low-income families.

Seventh, property tax reform.

Eighth, efficient administration and prompt processing in government programs.

Ninth, rapid development and introduction of new technology, financing, marketing and management methods for greater volume, lower cost, and higher quality.

Tenth, effective concern for the economic and social implications of housing, including equal job and enterprise opportunity for minority citizens.

All ten of these ingredients of a national housing policy are important. But the ingredient I mentioned first is the absolutely indispensable foundation for the rest. Inflation must be ended and monetary policy must be eased.

The administration is making steady progress in its efforts to overcome demand-pull inflation. The President has pursued a responsible fiscal policy—holding the line on federal spending and maintaining a budget surplus. Without this, the Federal Reserve Board's monetary policy would have had to have been even tighter than it is to cool off hyper-expansion of the economy.

But the battle is not won. The depth of inflationary forces was greater than was realized. As a result, we must have a hard, credible federal budget for the coming fiscal year, with a solid surplus, because monetary control has pushed interest rates to counter-productive levels. Furthermore, experience makes it clear that over-reliance on tight money policies to curb inflation distorts the economy. Only with an incontestable budget surplus for fiscal 1971 will it be prudent to undertake the needed easing of monetary policy without running the risk of losing the fight against inflation.

To meet our housing needs we not only need an end to inflation but a huge annual increase in money—private money—invested in housing. Consequently, our department has been in the forefront of the fight to end inflation, to bring basic changes in the financial structure which will prevent housing from being the victim of inflation in any future credit crunches, and to generate budget surpluses.

HUD's budget is very tight. But I would cut it even more if that were the only way to bring about the needed cuts in the total government budget so that inflation is stopped and monetary policy can be eased.

The problems HUD must grapple with are grave. We need more resources. But stopping inflation must come first—for the nation's economic strength, the interest of the American consumer, the health of the housing industry, and as the underpinning for solving the problems of the cities.

Even with a tightened budget and loosened monetary policy, the long-range war on inflation won't be over. Those steps will dampen demand-pull inflation. They will not be enough to curb cost-push inflation and curb the wage-cost-price spiral.

The construction industry particularly feels the pinch of both interest rates and the wage-cost push. Construction wage rates are rising faster than any others. The increases last year were outrageous, and there is no assurance the increases this year will not be even more indefensible. Construction wage settlements have more than tripled those in oil, trucking, and rubber. They have run five times higher than settlements in the automobile and cannery industries.

Exorbitant wage demands and settlements far in excess of productivity increases can cripple any industry. For an industry like yours—together with the exorbitant and equally indefensible increases in land and money costs which you already face—they could prove fatal to our housing efforts. For the economy as a whole, they could perpetuate inflation despite sound fiscal and monetary policy, or cause it to return.

Eight days ago, the *New York Times* reported the views of ten emi-

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National Association of Home Builders
Louis R. Barba, President

The Challenge to Us All

(Editor's note: This 1970 statement of policy was approved January 21 by the National Association of Home Builders board of directors during the association's annual convention in Houston.)

* * *

For home building, the 70's pose the greatest challenge in our history—we must double production of homes and apartments as the primary step toward the cure of America's urban ills.

We can do this job, but we cannot get on with it hampered by mistaken national economic policies and the current incredible failure of government to establish proper priorities. Rather, these constitute a prescription for early disaster. The capacity of this industry to cope with the nation's housing problems will be seriously crippled if the attempt to contain inflation solely by "tight money" is continued. The crucial question today is whether a major national resource—the home building industry—can survive to continue its job of housing the American people.

The Scope of Housing Needs

America's housing needs are enormous.

No matter how described—whether measured against the staggering statistics of the population explosion or against the imperative social necessity that slums and ghettos be eliminated—the need is of a magnitude fantastically beyond anything this country has yet experienced on any sustained basis. In the 1968 Housing Act, the Congress recognized that in 10 years, by 1979, we must build at least 26 million units.

There is no doubt of the capacity of the home building industry or of our national resources to meet this vast challenge. What *is* doubtful is the national wisdom to make the right decisions about using our national resources of credit and materials and the national will to take required action for their appropriate use.

To house the American people does not require a new industry. It needs only restoration of balance in our credit market; a more rational government policy in fighting inflation to distribute more evenly the burden of tight credit; and the better realization (by government at all levels and by the public) of the fundamental problems of providing shelter and of the delicate, complex industrial mechanism which produces it.

The Current Housing Crisis

Against this critical need and the Congressional expression of a national determination to meet it, actual national performance stands in bitter contrast:

- Housing starts in 1969 one-half million below the need for the year.
- Housing starts in early 1970 at a disastrously low rate with the prospect of falling further below the 1.4 million 1969 level.
- Interest rates and discounts at an unconscionably high level, disqualifying more thousands of families from improving their housing conditions or owning homes.
- Builders throughout the country forced to reduce operations, further depleting the already short supply of skilled labor and management.
- Housing production at one of the lowest rates of any advanced nation and barely equal to the production rates of some of the poorest countries in the world—a mere 6.5 per 1,000 population, less than the rate of 20 years ago.
- Housing production particularly crippled in the middle income range—good homes and apartments becoming less and less available for policemen, firemen, teachers, and many others in the modest income categories so vital to the stability of our society.
- Vacancy rates at their lowest in postwar history.
- A housing deficit estimated at 2 million units and growing rapidly.

Although the Congress of the United States and the Administration have expressed and demonstrated concern, the home building industry has been forced to bear, nearly alone, the major burden of the fight against inflation. Still lacking is a full appreciation of the damage done by causing one major industry to suffer deeply from economic restraints while the rest of the economy goes virtually unrestrained. What America does in housing should bear some relation to what it says it wants to do.

We are hopeful that the President's statement "that housing must have a top priority," following his emergency conference with the leadership of NAHB on January 20, 1970, will be a first step in this direction.

What is happening and apparently will continue to happen to the members of our industry is not the issue. Rather the issue is what is happening to our housing supply and to the way American families are being housed.

Federal Fiscal and Monetary Policies

The time has come for government to acknowledge that economic history affords no proof that tight money alone can effectively control inflation unless this policy is so drastic and so prolonged as to precipitate a severe depression. The almost limitless demand for long-term credit—much of it for uses which further spur inflation—cannot be effectively controlled except at its source. The highest interest rates in history have not prevented a shocking 11 per cent increase in the plans of American corporations for new plant expansion in 1970 and have, in fact, stimulated those very banks which can find no money for housing into frenzied promotions of "bank credit cards" and other stimulants to encourage even greater consumer credit buying at up to 18 per cent annual interest charge. An insufficient money supply is being auctioned to the highest bidder.

The 1966 annual report of the Council of Economic Advisers stated that the housing industry bore 90 per cent of the burden of that year's credit restraint. In effect, housing is being dangerously reduced to subsidize exploration of the moon; development of the supersonic transport; commercial plant expansion; and Vietnam. Permitting such distortion is *not* desirable public policy, and, we submit, runs the risk of serious economic dislocation.

The home building industry, among the first to advocate a balanced budget and credit restraints to prevent inflation, can no longer support economic policies which rely exclusively upon "tight money" and which, unless immediately altered, clearly point the way to our demise as a going industry. It is absolutely imperative (a) that the President of the United States immediately and fully employ the credit controls provided by the Congress to the end that credit be rationed more sanely in relation to long-range social and economic uses; (b) that the federal budget be balanced; and (c) that the administration use its broad inherent powers of leadership to restrict the dangerous upward price-wage spiral.

Mortgage Credit

The drastic increase of 26 per cent in FHA-VA interest rates during the past year is the wrong way to attack the problem of scarce mortgage credit. Time and again moves of this kind have proven self-defeating. Higher interest rates serve only to push monthly housing costs further beyond the reach of the average family.

The answer to our money crisis is not a continual upward adjustment in interest rates. The answer lies in coming to grips with the conditions and outdated institutional devices that actually produce runaway inflation in money.

The creators of the Federal Reserve Board in 1913 could not have envisioned the current situation in which we have a housing industry that did not then exist and a standard of housing to which people have grown accustomed and to which they are entitled. The time is long past for the Federal Reserve Board, controller of the nation's credit, to immediately revise its thinking and its operations so as to buttress evenly the entire credit structure of the nation rather than to devoting itself to aiding commercial banks at the expense of thrift institutions on which housing must rely. The board's action lifting regulation "Q" ceilings moves in the opposite direction. It will draw funds away from housing and further impede our efforts to provide homes for the American people.

As a first step toward an overhaul of our financial institutions the Federal Reserve Board must exercise the authority granted it in 1966 to purchase the obligations of the Federal Home Loan Bank Board and/or the Federal National Mortgage Association. Similar authority granted to the Treasury must also be exercised.

The Administration is to be commended for the high level of vital support provided to housing in 1969 through the Federal National Mortgage Association. However, developments following the increase of the FHA-VA interest rates to 8½ per cent at the start of the year reveal the necessity for adjustment in its operations. The auction system, while serving well as a means of supporting the housing market in this time of crisis, must be perfected to assure some stabilization of pricing and to ward off adverse results of panic bidding.

In light of the apparent early transition of FNMA to full private control, the secretary of HUD is urged to use his statutory regulatory controls over FNMA to assure that FNMA continues to carry out to the fullest extent its responsibility to provide an adequate secondary market for federally-backed mortgages.

A number of other institutional changes are necessary to adjust to the fact that there have been great changes in the savings patterns of Americans.

—In recent months the savings and loan system, chief reliance of the home building industry, experienced a greater net outflow than at any time in the 35-year history of the present system. Meanwhile, forced savings systems (pension and profit-sharing trusts) grow by leaps and bounds but invest almost exclusively in the stock and bond markets the savings of the very workers who need housing most. By appropriate revision of the favorable tax treatment they now enjoy, pension trusts should be required to invest in residential mortgages a fair share of the people's savings entrusted to them.

—The competitive position of savings institutions must be strengthened by such actions as providing tax exemption on a stated portion of annual interest on deposits in thrift institutions.

—We commend the Federal Home Loan Bank Board for the high level of support provided by the Board to

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Robert H. Pease, President
Mortgage Bankers Association of America

Chill-Free Economic Cooling

The painfully acute disease afflicting the real estate and mortgage financing industries has been diagnosed as inflation. A cure has been prescribed for the patient in the form of general government economic restraint. As with many medicines, the taste has been unpleasant, the cure slow, and the side effects quite undesirable. For real estate, the effects have been especially noticable.

Housing activity entered a recession last spring and has continued downward ever since. Interest rates climbed rapidly and nearly continuously throughout 1969, reaching the highest levels on government securities since well before the Civil War. Mortgage interest rates still are catching up with the stratospheric heights reached in the financial markets.

The recession in real estate activity is a direct result of adopting and continuing tight monetary restraint at the beginning of 1969 and continuing with this tight policy throughout the year and into 1970. In each period of monetary restraint since World War II, the housing and real estate markets have been shoved into a recession. Previous examples of this include not only 1966, but also the beginning of the decade of the 1960's, the middle of the decade of the 1950's, and early in the decade of the 1950's.

The real estate and related industries face the difficulty of what to do about the adverse effects of the disease of inflation on the one hand and the adverse effects of the medicine of monetary restraint on the other. While no miracle pill is in prospect for bringing "fast, fast," relief, there are several possible approaches which might cure the disease without paralyzing the patient's vital functions.

Certainly, the housing and real estate financing industries must support efforts to control inflation as essential for preserving the viability of the long-term, fixed-dollar investment of which the real estate mortgage is the largest single type. However, the mix of the medicine of restraint between monetary restraint and fiscal restraint should be reviewed carefully for its impact on this sector of the economy. An alternative method of controlling inflation would be to use more medicine of fiscal policy in the form of large government surpluses and less of the medicine of monetary restraint. Thus, efforts for increasing tax revenues and reducing government expenditures could provide relief for the housing and mortgage markets from the side effects of the medicine of restraint.

While the medicine of fiscal policy is at the top of the list, close to it is the need for legislation to free mortgage interest rates to compete in the money markets. Secretary Romney is to be greatly commended for increasing the FHA rate from 7½ to 8½ per cent at the beginning of 1970. However, the present law provides that the ceiling shall return to 6 per cent next October. Thus, Congress should free the rate on FHA and VA mortgages early in the present session. This would make these mortgages more competitive in the capital markets and enable home buyers to attract funds to finance their purchases. In addition to the need for providing flexibility for FHA and VA mortgage interest rates, many state usury laws have been surpassed by the spiralling levels of interest rates during the past year. Congress should pass legislation which would free FHA and VA mortgage loans from state usury laws so that the mortgage markets in these states can remain viable in face of today's strong competition for finance. By this action many states could attract new funds for homebuilding and home buying.

Another area deserving immediate study is the variable interest rate concept for mortgages. Universal adoption of this concept in contracts would provide the various thrift and mortgage financing institutions a market rate thus allowing them to compete effectively for funds in the financial markets. The borrower would be assured of a continuously realistic interest rate as well as the needed funds for housing.

Investors must use new techniques and innovations to top the capital markets for additional mortgage funds. One proposal is to encourage prepayments and payoffs on low interest rate mortgage loans in their portfolios. By offering a discount for immediate prepayment and payoffs of these low interest rate mortgages, the resulting increase in cash flow would provide funds for new mortgage loans.

Looking ahead, consumers must be

encouraged to save more in those institutions which place substantial portions of their investment funds into mortgages.

Over the next decade and more, the demands for real estate financing are so tremendous that new sources of funds are absolutely essential. The GNMA guarantee for mortgage-backed securities needs immediate implementation. Through issuing securities backed by a pool of mortgages, a significant new marketing tool is available for increasing the flow of mortgage money.

The effectiveness of policies to control inflation will depend on the willingness to continue this effort in face of pressures to ease the restraints imposed on economic policy. The fundamental causes of our current inflationary spiral are very deep seated and are a product of the excessive injection of money and credit through huge deficits in the federal budget. The reversal of these expansionary policies in 1969 is just now beginning to show some effects in early 1970 on the overall economy.

While the overall objective must be pursued, the specific policies or actions taken need to be examined for their side effects. One specific example is the so-called Tax Reform Bill. From the standpoint of fiscal policy, this bill gives only the temporary relief of an aspirin. The tax reductions contained in the bill will begin exceeding the new revenues produced by raising rates or reducing tax advantages and tax incentives in 1971. Thus, the bill provides very modest fiscal restraint for one year and then shifts to providing fiscal stimulus to the economy. This is not the kind of tax action for increasing fiscal restraint so necessary to permit an easing in monetary restraint.

Another part of the tax bill contains some very serious adverse provisions for real estate. A bill which started out to reform the tax avoidance tactics of 145 millionaires has ended up as a bill that will have a detrimental impact on the entire housing and real estate market affecting our entire population. The timing of adoption could not have been worse than just at the moment the housing shortages in the nation are becoming critical.

The provisions for changing depreciation on real estate are unfair to the owners of real estate, unattractive to new investors, and a serious detriment to realizing the housing goals adopted only a year earlier by the Congress. Recapture of capital gains at normal tax rates on resale of new buildings almost entirely neutralizes the incentives of accelerated depreciation for constructing apartment buildings so needed for our growing population.

The Administration and Congress need to seriously reconsider what they want to do in regard to the housing industry. Both the excessive reliance on monetary restraint and the overkill of tax reform on accelerated depreciation in real estate materially hurt housing. If Congress and the Administration mean business when they set housing goals, then they should adopt policies that implement them. It does no good to talk of goals in the midst of a deepening crisis of housing shortages and at the same time create conditions under which no housing goals can be obtained. Decisions must be made for actions which will translate housing priorities into reality. It should be done immediately.

Maryland Titlemen Re-Elect F. R. Buck

Frederick R. Buck, president of The Title Guarantee Company, Baltimore, has been re-elected to a second term as president of the Maryland State Title Insurance Association.

Also re-elected were J. Paul Rogers of Security Title Guarantee Corporation, Baltimore, association vice president; and J. Donald Connor of Commercial Standard Insurance Company, Towson, Md., association secretary and treasurer.

Buck also is serving a second term as chairman of the Conference of Title Insurance Executives, Atlantic Coast Region.

Abstracters Slate May Workshops

Regional workshops have been scheduled in Kansas City Friday, May 22, and in Chicago the following day by the ALTA Abstracters and Title Insurance Agents Section.

The program for the workshops, to be announced in detail later, will concentrate on practical solutions to abstracter problems, according to John W. Warren, vice president, Albright Title and Trust Company, Newkirk, Okla., section chairman.

Site of the Kansas City workshop will be the Hilton Inn, near Municipal airport, and the Chicago workshop will be held at the Marriott Motor Hotel near the O'Hare airport terminal. Plans include reserving a block of sleeping rooms at each hotel facility; unreserved rooms will be releasd two weeks prior to meeting date.

More details on the two workshops will be sent to ALTA member abstracters in the near future.

Pontius Named NAREB Staff Chief

H. Jackson Pontius, Los Angeles, executive vice president of the California Real Estate Association, has been elected executive vice president of the National Association of Real Estate Boards effective May 1.

He succeeds Eugene P. Conser, who is retiring after serving in the top NAREB staff position since 1955. Selection of Pontius has been approved by the NAREB board of directors.

Pontius has served CREA for 21 years, and also has spent three years as executive secretary of the Pasadena Board of Realtors. He has been CREA executive vice president since 1955.

In his new position, Pontius will have offices in NAREB headquarters in Chicago.

Mid-Winter Agenda Includes Three Distinguished Guests

Authoritative commentaries on three topics of special interest to the land title industry have been scheduled for the 1970 ALTA Mid-Winter Conference April 1, 2, and 3 at the Roosevelt Hotel, New Orleans.

The subjects, and the guest speakers who will discuss them, are:

—The National Association of Insurance Commissioners Model Title Insurance Code, which will be the subject of an April 2 General Session talk by The Honorable J. Richard Barnes, C. L. U., Colorado insurance commissioner

—Major changes for the 1970's in land development, houses, apartments, and related land use—which will be analyzed at an April 3 General Session by William R. Smolkin, president of a New Orleans-based marketing and management consulting firm whose clients include the National Association of Home Builders

—The Truth-in-Lending regulation, which will be reviewed at the April 3 General Session by Milton W. Schober, assistant director, Division of Supervision and Regulation, Federal Reserve System, Washington, D. C.

Commissioner Barnes has been Colorado insurance commissioner since 1964. His background includes an association with New York Life Insurance Company that began in 1946. He has been active in many NAIC endeavors, including service as an executive committee member and as chairman of NAIC Zone V.

A graduate of the University of Utah, Commissioner Barnes received his C. L. U. degree from the American College of Life Underwriters. He has been a C. L. U. instructor for 11 years and has been affiliated with underwriter associations in Utah and Colorado as an officer.

Smolkin, who is president of William R. Smolkin & Associates, Inc., has been cited as one of 12 "Top Performers of the Year" by the editors of *House and Home Magazine*, and has received an award for innovation in market analysis—which was presented by *American Builder* mazagine.

Clients of Smolkin's firm have received 11 national awards for marketing services originated for them by his organization. The firm has prepared and supervised marketing programs that have resulted in the sale

Commissioner Richard Barnes

William Smolkin

Milton Schober

of more than $80 million worth of new single family homes. In addition, the firm has conducted economic research and feasibility studies for more than 50 apartment projects in 22 states, involving first phase construction of more than $50 million.

Schober holds an MBA degree with a major in accounting from Louisiana State University and studied law at Centenary College before he was admitted to the Louisiana Bar. He was in private practice as a certified public accountant, and then as an attorney, before joining the staff of the Board of Governors of the Federal Reserve System.

The 1970 Mid-Winter will begin with an Ice-Breaker at 6:30 p.m. Wednesday, April 1. A General Session will be held the morning of April 2—with meetings of the Abstracters and Title Life Insurance Agents Section and the Title Insurance and Underwriters Section that afternoon. After another morning General Session, the Conference will adjourn at mid-day April 3. Meetings of a number of ALTA's hard-working committees also have been scheduled in conjunction with the Mid-Winter.

Location of the Roosevelt Hotel is within walking distance of the famous New Orleans French Quarter. Setting and program indicate that the 1970 Mid-Winter will be one of the most significant and enjoyable ever held. Advance registration material has been mailed to all ALTA members. If you haven't already done so, please send yours to the ALTA Washington office as soon as possible.

MEETING THE NEEDS—continued from page 6

nent business leaders who generally agreed the administration is "on the right track" in the battle on inflation. But their comments on the wage-price spiral are revealing.

One said: "The simple fact is that inflation is built into the economy through unrealistic wage rates."

Another said: "Monetary policy may be directed toward lower interest rates, but there is no real indication of a reversal of wage-and-cost-push inflation."

Still another: "The rapid rise in labor costs is continuing, and this makes it difficult to get inflation under control."

And one more: "I believe President Nixon is ready to do what is necessary to curb inflation, regardless of the political consequences. It is difficult to see how inflation can really be curbed until inflationary labor settlements are brought more in line with productivity increases."

Others could now say the same thing about land costs and interest rates.

In my opinion, this nation cannot afford to neglect the wage-cost-price spiral. We are in danger of going down the same basic economic road Great Britain traveled—the inflationary cost-push road that led ultimately to frozen wages, frozen prices, devaluation, and government control of collective bargaining. After 3½ hard years, Britain is only now in a position to begin relaxing the iron controls that were required as a last resort to avert economic catastrophe.

America should learn from Great Britain's harsh experience and Canada's current effort. Our people must become more aware of the costs of continuing to seek unrestrained increases in wages and prices. I hope we can find some acceptable means to curb these demands before the hard logic of sheer economic survival forces us to turn away even temporarily from our free competitive economy, and turn instead to government dictation and control.

Thus curbing inflation must be the foundation not only of a viable national housing policy but of our nation's future economic health and economic freedom.

Now let me touch quickly on the other ingredients of a national housing policy.

A second ingredient of such a policy is to foster and maintain a steadily expanding economy. Our national economic resources are abundant but not inexhaustible. Economically, we will never be able to do all at once all the things that we might like to do—either in government or in the private sector. We will have to set priorities among our many goals and allocate resources prudently.

Government monetary, fiscal and economic policy will play an important part in those decisions. If we can keep our economy growing smoothly—if we can avoid wide swings between inflation and recession, between deficit and surplus, between tight and easy money—then we will have created the conditions within which housing can receive its rightful share of America's economic resources.

And giving housing a higher national priority than it now receives is the third basic element of a sound national housing policy. We need your help in developing the industry-wide consensus and public support needed to achieve this goal.

A fourth ingredient of a national housing policy is to assure a much greater continuing supply of mortgage capital.

In this tight money period, only vigorous federal action has kept the mortgage market situation from becoming worse than it is. The Federal National Mortgage Association activity is a prime example.

Since last January, I have authorized increases in FNMA's borrowing authority which enabled it to make mortgage commitments totaling $6.5 billion. As you know, FNMA's activity alone has supported three-fourths or more of the entire FHA-VA market. FNMA's activity is obviously the principal reason that housing starts financed under the FHA and VA programs rose 20 per cent in the ten months after January, 1969, in the face of a 37 per cent drop in conventionally financed starts.

In the past year, the home loan banks increased their advances to member savings and loan associations by more than $4 billion, and an additional $1.3 billion was released for investment in mortgages by two cuts in associations' liquidity requirements.

The recent tax reform measure removes accelerated depreciation except as a stimulus to newly constructed housing.

Interest rate ceilings on FHA and VA mortgages were raised. I know this association opposed this move. But to have failed to increase FHA-VA interest rates to competitive levels would have been to ignore the realities of the marketplace and to allow existing sources of mortgage money, including the Federal National Mortgage Association, to dry up or slip away.

FNMA and GNMA instituted the $650 million Tandem Plan last November. It provides for a par price on mortgages for non-profit and cooperative sponsors of interest or rent subsidy multifamily projects, with GNMA absorbing any points if the price falls below par.

I am glad to announce . . . the authorization of an additional $500 million for a similar joint effort of GNMA and FNMA for Section 235 interest subsidy mortgages for single-family units. GNMA will commit for these mortgages at a price of 96, with such commitments ultimately sold to FNMA at the then current FNMA auction price. GNMA thus absorbs any discount below 96.

We are prepared to release this new special homeownership assistance program as early as next Monday. For any week thereafter, when FNMA's most recent average auction price for proposed construction is below 96, anyone needing a mortgage commitment for a Section 235 home may get one at a 96 price by coming to GNMA. Of course, when the auction price is above 96, we would expect builders to obtain their commitments directly through the auction system.

Thus you and your industry associates have no need to rush to the FNMA auction for money for any 235 project. The talk I have been hearing about getting money while it lasts is nonsense. GNMA has resources to absorb excessive discounts and FNMA can and will continue to provide the basic capital so long as it is needed.

And we are continuing to seek still other ways to assure a continuing and expanded future flow of mortgage capital. With them, we must tap the big new sources of savings such as pension funds.

A fifth ingredient of a national housing policy is to revise and strengthen land use policies. Our HUD programs for comprehensive area-wide planning are one example. Another is our New Communities program. We are working with the Urban Affairs Council to revise, expand and strengthen this program.

But an ultimate key to better land use lies with state and local action to remedy the adverse effects of unduly restrictive local zoning regulations. All too generally, these exclusionary practices foster and perpetuate artificially isolated enclaves, distort the natural and needed balanced development of metropolitan areas, and prevent the efficient and effective use of land for meeting the legitimate housing needs of all our people.

Sixth in a national housing policy is assistance for housing low-income families. Gene Gulledge has a program under way to cut down FHA processing time so that we can increase subsidized housing starts in 1970 by 120 per cent over the all-time record set in 1969.

A seventh ingredient is property tax reform. The local property tax structure generally falls more heavily on buildings than on land and penalizes rehabilitation, renovation and modernization. It encourages land holding and speculation. Improved assessment and incentives for property maintenance, rehabilitation and modernization are desperately needed.

Eighth, we must have efficient government administration and prompt processing. Gene Gulledge will tell you about the numerous improvements he is initiating. We have organized our entire department for faster, better service. We are carefully weighing each of our multitude of housing programs, many of them overlapping, to determine the most efficient way to concentrate our resources and our energies on those which get the best results. It may be possible to reduce the number of programs and thus increase our overall effectiveness and our total capacity to serve.

A ninth element of a national housing policy is spearheaded by Operation Breakthrough: developing and applying new methods for quality housing in volume to meet the people's needs.

You know as well as I what great industry interest Breakthrough has aroused and how much innovative thinking it has already stimulated. It can help introduce not only new technology, but also new methods of financing, land use, marketing, and management. It can help remove such restraints as unwieldy code requirements, rigid labor practices, and restrictive zoning.

Meeting our housing needs can be the nation's greatest economic opportunity in the years ahead. This can be the principal stimulant of future sound, economic growth when inflation has been curbed. It can provide the new jobs needed when our involvement in Vietnam is over.

We must expand the base of the housing industry. There is enough work to be done to keep all of us, and all of you, busy for years to come. For our biggest undeveloped domestic market is housing.

And finally, a total national policy for housing must include vigorous emphasis and effective concern for the economic and social implications of housing.

We must and will continue to insist on equal job and enterprise opportunity for minority citizens. In HUD, we are providing urban study fellowships for minority individuals, conducting a systematic survey of minority building contractors, and opening up the construction trades increasingly to minority citizens.

And we must be certain that the right to live in the community of their choice is available and open to all Americans.

Excluding any Americans from their just share of any of the vast economic and social benefits which can result from our housing efforts would doom our total housing policy to failure.

Worse still, it would threaten our very survival as a free people in a free society.

For the most explosive threat to the future of this nation is the confrontation between the poor and the minority groups who are concentrated in the central cities, and the middle income and affluent who live in the surrounding and separate communities.

This confrontation is divisive. It is explosive. It must be resolved.

Meeting our housing needs can trigger the regeneration of our national sense of community—the renewal of our national conviction that this is one America, not two—that we are what we say we are: one people and "one nation, under God, indivisible, with liberty and justice for all."

CHALLENGE—continued from page 8

member institutions. This must be continued.

—A secondary market for conventional mortgages must be provided, either through FNMA or the Federal Home Loan Bank system, or both.

—Mortgage-backed securities of the marketable bond type, authorized 18 months ago by the 1968 Housing Act, should be made effective immediately.

—The recently announced GNMA "Tandem Plan" should be broadened to include *all* FNMA eligible mortgages which fall within GNMA purchase limits.

We call on the Congress to investigate the rapacious practice—now standard in insurance company lending and spreading to other institutions (including pension funds)—of demanding a share of property income in addition to astronomical interest and fees. Whether or not it is a device to protect lenders against long-term inflation, the practice is thoroughly and intrinsically unsound. Unless checked, it will lead to widespread foreclosures at the first substantial economic downturn—with serious adverse consequences to developers; to lending institutions and those entrusting their savings to them; and, most importantly, to the general public.

Taxes

The Tax Reform Act of 1969—although less destructive than the original House version—will further greatly diminish the real incentive to invest in housing and income properties needed to support community development. As a direct and inevitable result, the plight of the millions of average American families—unable to afford higher rents but not eligible for subsidy—will become even more desperate.

Technology and Housing

For years NAHB has sought, with considerable success, to improve housing design and materials and to reduce costs through its own research foundation and by support of federal research programs.

The industry's present problems are *not* technological but economic—a lack of mortgage money; exclusionary and restrictive zoning practices; lack of community facilities; excessive and unnecessary development requirements; suffocatingly high local and increasing federal taxes. As documented in the Kaiser report from the highly regarded President's Committee On Urban Housing none of these will be solved by a "systems" approach.

We are deeply concerned lest our major problems be neglected by overemphasis upon efforts to discover an instant technological solution to a highly complex situation.

Manpower and Productivity

We pledge our support to the newly established Construction Industry Collective Bargaining Commission which has been charged with developing programs to expand industry's manpower training opportunities and to influence more reasonable wage settlements in the public interest.

The serious shortage of skilled craftsmen in all construction trades, aggravated by the prolonged failure of government to foster an adequate manpower training program, has inevitably resulted in enormous increases in wage rates. Unsupported by little, if any, increase in productivity, current construction wage increases add to an already dangerous inflation. Even if the economy is restored to stability these increases will continue to add automatically to higher housing costs.

The rigid and restrictive apprenticeship requirements imposed by construction trade unions artificially and unnecessarily increase the shortage of trained construction mechanics while members of minority groups and others seek jobs for which they could be easily trained.

We call upon government to start *now* to encourage training of the hundreds of thousands of mechanics who will be needed if America is to achieve its housing goals.

Because of the present imbalance at the bargaining table, the Congress should require mandatory arbitration of economic issues in the construction industry when requested by either party to the bargaining.

The prevailing wage requirements on certain federally-assisted rental housing serve needlessly to increase costs and resultant rents. They should be abolished.

Resources for the Future

Increasing housing production to the levels needed would raise the possibility of severe strain on the supply of materials.

A commission should be established to conduct a continuing review of resource requirements and supplies in the housing industry; to provide information to the industry; and to recommend policy to assure an adequate supply of essential materials and products.

The crisis early in 1969 in the price and supply of lumber and plywood should not be permitted to recur when housing production takes an upturn. We urge quick enactment of the pending National Timber Management and Conservation Supply Act and revision and restructuring of the management and sales policies of the Forest Service.

Land Use

NAHB is dedicated to the efficient

development of land—the nation's most precious natural resource—to the end that it serve the people's economic, social, recreational, and aesthetic needs for centuries hence. Land can be developed economically by private industry only within a rational framework of local, state, and federal land policies.

Yet arbitrary whim, politics, local jealousies and capriciousness, and lack of a comprehensive national land use policy thwart continuing efforts toward its rational and sensible use.

The cost of developed land increased by an average of almost 12 per cent each year during the past decade; the cost of raw land has soared at an even higher rate in the last five years. Rising land cost deprives millions of citizens of decent housing in reasonable proximity to where they earn their livelihoods.

We support federal financial and technical assistance and other incentives to promote state and local laws, codes, and ordinances responsive to sound and comprehensive land planning and use, and to assist appropriate local provision of utilities and community facilities for urban growth.

We urge state and local communities to abandon exclusionary zoning and subdivision regulations which distort the cost of land, reduce the supply, raise housing costs, and effectively bar lower and middle income families from housing.

We urge local communities to be responsive to the development patterns of neighboring communities and jurisdictions and to work together on area-wide or regional comprehensive planning, not in competition with or without reference to each other.

We urge the federal government to use powers already available to it to encourage local communities to engage in sounder land use practices.

We urge state governments to be more active in the formulation of policies to encourage more efficient use of land within their boundaries and thus to spur more needed housing production.

As a matter of prime necessity we also urge a more vigorous and coordinated program of federal, state, and local governments in the creation of efficient public transportation as an effective means of opening more land for housing and making land more accessible to jobs.

EDP Firm Acquires Idaho Title Concern

Computing and Software, Inc., Los Angeles, has announced the acquisition of The Title Insurance Company of Idaho in exchange for an undisclosed number of shares of common stock.

Headquartered in Boise, the Idaho concern operates 18 offices in six northwestern states, where current records are maintained of practically all properties in the immediate regions.

Title Insurance Company of Idaho will become a subsidiary of Computing and Software, under the continued management of John B. Bell, chairman of the board, and George V. Russell, president.

Computing and Software, Inc. is in business in the management and operation of computing centers and application of specialized information exchanges.

C. A. Scranton Dies in Chicago

Word has been received of the death of Cassius A. Scranton, retired senior vice president of Chicago Title and Trust Company, January 10 in Chicago.

He joined Chicago Title's abstract department in 1905; transferred to the guarantee department in 1913; was made title officer and assistant secretary in 1921; and was named an attorney in the law department in 1925. In 1936, he was elected vice president and head of the title legal department and, in 1948, he became a senior vice president.

He retired in 1950 and went into private practice with a Chicago law firm.

California titlemen gathered at a surprise luncheon to honor George N. Penniman on his retirement as manager of the Penniman Title Co., Santa Cruz, Calif., office. He had served 43 years with the company. Among those present at the luncheon was Ross Pierce, president in 1913 and 1948 of the California Land Title Association. Penniman entered his father's title business upon graduation from high school. In 1935, he became manager of the Santa Cruz office. In 1952, the company opened a second office in Watsonville (Calif.), which is operated by Warren Penniman, Sr., president. Warren Penniman, Jr., now manages the Santa Cruz office. In the photograph, George Penniman, center, receives a congratulatory certificate from his nephew, Warren Penniman, Jr., at the luncheon. Warren Penniman, Sr., right, watches as George Penniman in turn hands the official seal of Penniman Title Co., to Warren Penniman, Jr.

meeting timetable

1970

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

April 8, 1970
New England Title Association
Hartford, Connecticut

April 16-17, 1970
California Land Title Association
Palm Springs, California

April 30-May 1-2, 1970
Arkansas Land Title Association
Velda Rose Tower
Hot Springs, Arkansas

May 3-4-5, 1970
Iowa Land Title Association
Holiday Inn
Davenport, Iowa

May 7-8-9, 1970
Texas Land Title Association
Astroworld Hotel
Houston, Texas

May 7-8-9-10, 1970
Washington Land Title Association
Bayshore Inn
Vancouver, British Columbia

May 14-15-16, 1970
Oklahoma Land Title Association
Oklahoma Hotel
Oklahoma City, Oklahoma

May 21-22-23, 1970
New Mexico Land Title Association
Los Alamos Inn
Los Alamos, New Mexico

May 21-22-23, 1970
Utah Land Title Association
Tri-Arc Travelodge
Salt Lake City, Utah

May 22-23, 1970
Tennessee Land Title Association
Gatlinburg, Tennessee

May 24-25-26, 1970
Pennsylvania Land Title Association
Shawnee Inn
Shawnee-on-Delaware, Pennsylvania

June 17-18-19, 1970
Illinois Land Title Association
Stouffers Riverfront Inn
St. Louis, Missouri

June 18-19-20, 1970
Colorado Land Title Association
Antlers Plaza
Colorado Springs, Colorado

June 24-25-26, 1970
Michigan Land Title Association
Holiday Inn
Traverse City, Michigan

June 24-25-26-27, 1970
Oregon Land Title Association
Sunriver Lodge
Bend, Oregon

June 25-26-27-28, 1970
Idaho Land Title Association
Shore Lodge,
McCall, Idaho

June 26-27, 1970
New Jersey Title Insurance Association
Governor Morris Inn
Morristown, New Jersey

July 19-20-21-22, 1970
New York Title Association
Whiteface Inn
Lake Placid, New York

September 10-11-12, 1970
Minnesota Land Title Association
Fairhills Resort
Detroit Lakes, Minnesota

September 10-11-12, 1970
Wisconsin Title Association
Conway Hotel
Appleton, Wisconsin

September 11-12, 1970
South Dakota Land Title Association
Kings Inn
Pierre, South Dakota

September 11-12-13, 1970
Missouri Land Title Association
Stouffers Riverfront Inn
St. Louis, Missouri

September 17-18-19, 1970
North Dakota Land Title Association
Ramada Inn
Minot, North Dakota

September 18-19, 1970
Kansas Land Title Association
University Ramada Inn
Manhattan, Kansas

September 24-25-26, 1970
Ohio Land Title Association
Statler Hilton
Cleveland, Ohio

October 14-15-16-17, 1970
ANNUAL CONVENTION
American Land Title Association
Waldorf-Astoria Hotel
New York City, New York

October 22-23, 1970
Nebraska Land Title Association
Lincoln, Nebraska

October 25-26-27, 1970
Indiana Land Title Association
Indianapolis Hilton
Indianapolis, Indiana

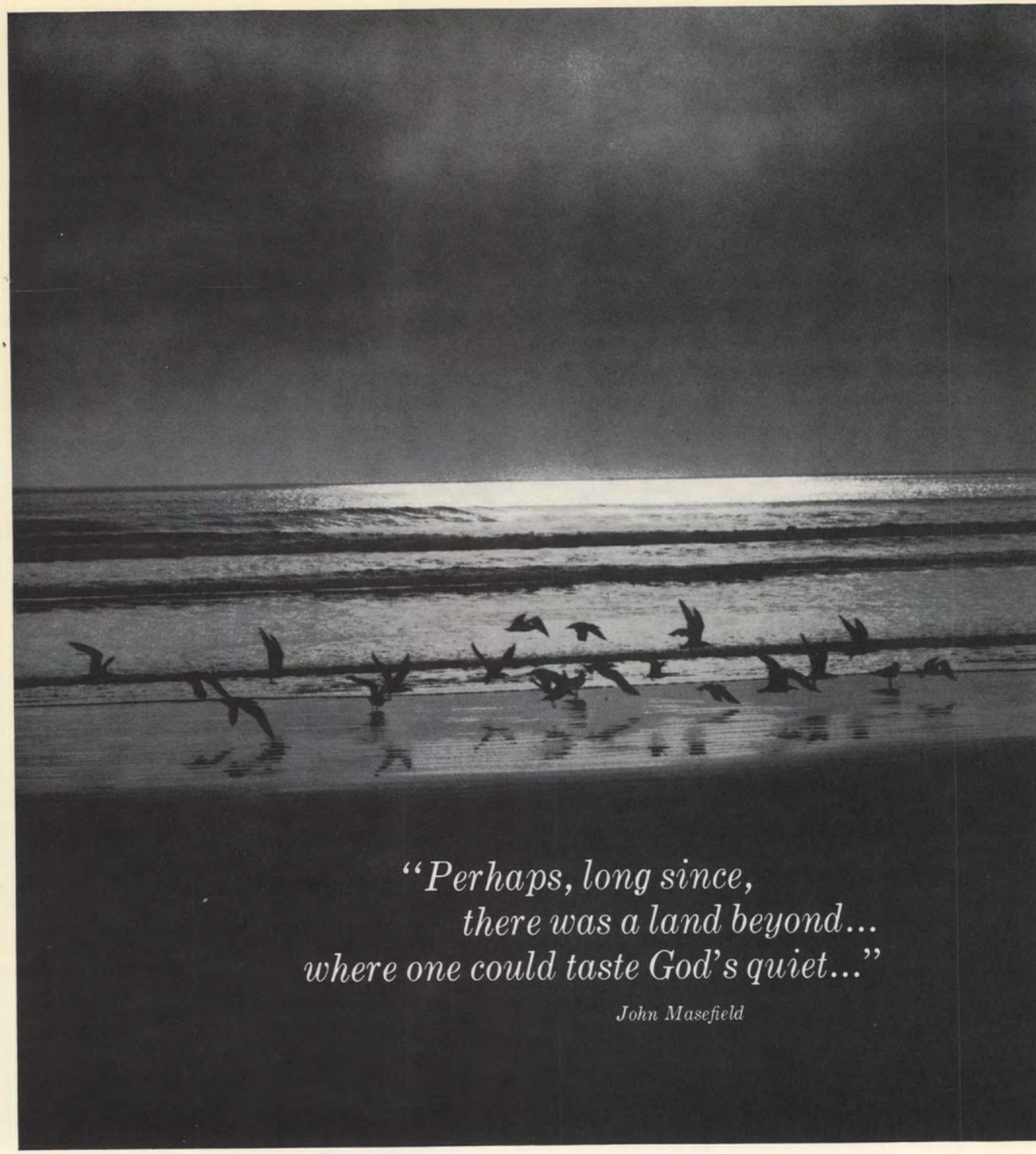
November 6-7, 1970
Land Title Association of Arizona
Tucson, Arizona

December 2, 1970
Louisiana Land Title Association
Royal Orleans
New Orleans, Louisiana

1971

March 3-4-5, 1971
ALTA Mid-Winter Conference
San Diego, California

October 3-4-5-6, 1971
ALTA Annual Convention
Statler Hilton
Detroit, Michigan



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