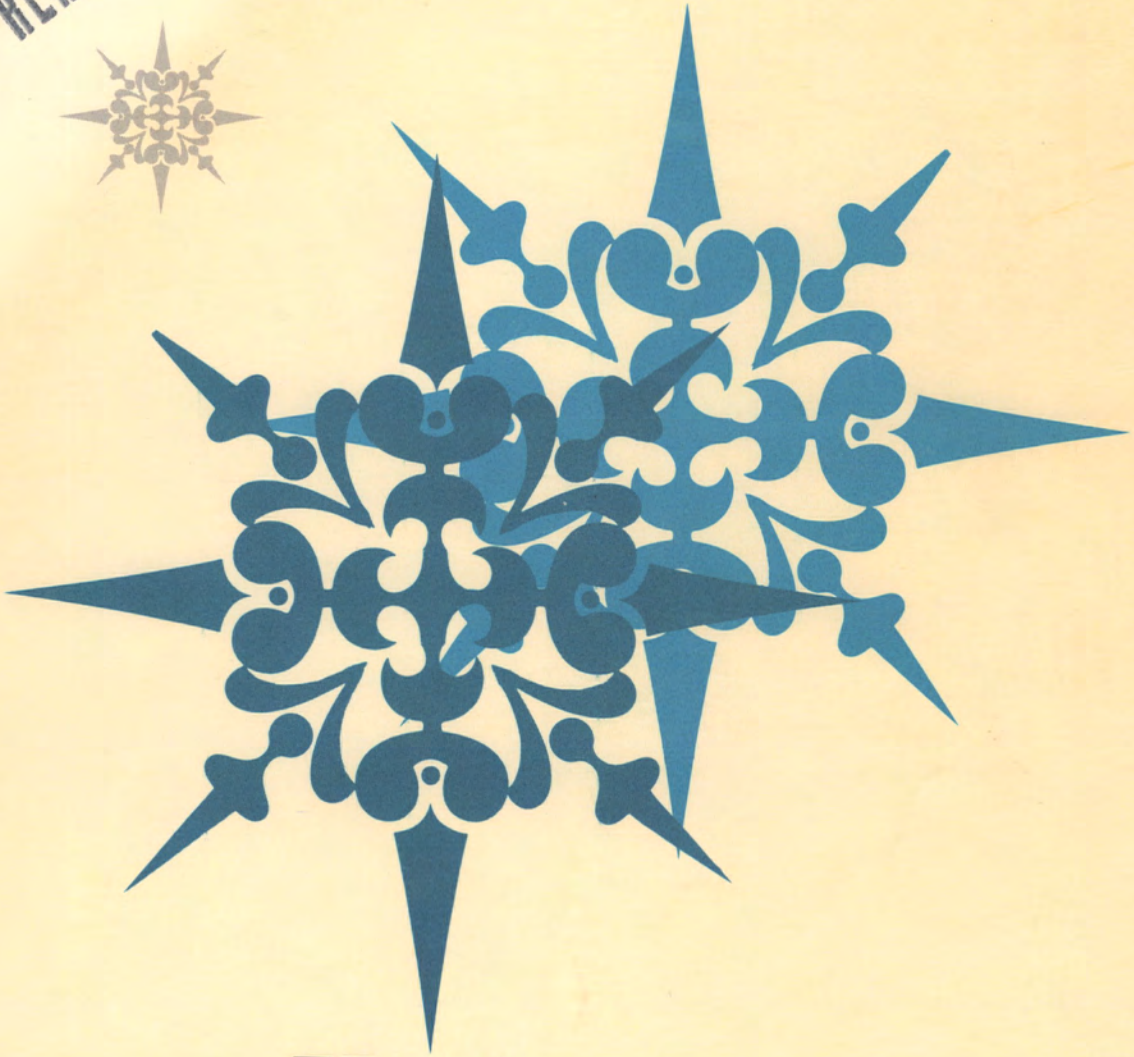


1973

Title News

the official publication of the American Land Title Association

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*Happy
New Year*

JANUARY 1973



President's Message

JANUARY, 1973

The first responsibility of an incoming ALTA president is to appoint members to serve on the many committees of this Association. I am pleased to report that, with the assistance of the Executive Committee, this has been accomplished. The names of those who are assuming these important committee assignments are in the recently-published 1973 *Manual of Organization* for our Association, which also sets forth the responsibilities of each committee. ALTA committee functions are important to the entire land title industry, and I am pleased to see that the able appointees listed in this year's *Manual* represent a wide cross section of the country and different size organizations with various methods of operation. Association members who wish to obtain a copy of the *Manual* may do so by writing our ALTA Washington office.

Certainly, I should like to thank the 234 members who have agreed to serve on the committees, as well as the 26 who have consented to assume the responsibilities of chairmen. The nearly unanimous response of the members in indicating a willingness to serve is an indication of our Association unity.

The way the goals and achievements of our industry can be attained is through the efforts of our committees. As with any team, the ultimate success depends on each member carrying out his or her assignment. Upon careful examination, you will see that much of the work of our committees is interrelated.

Last year was a traumatic one for our industry on the Washington scene and 1973 promises more of the same. I am confident our committees are ready to face the issues and other problems confronting our industry. Our ultimate success will require the cooperation of all our members and I know each of you will respond when asked for assistance.

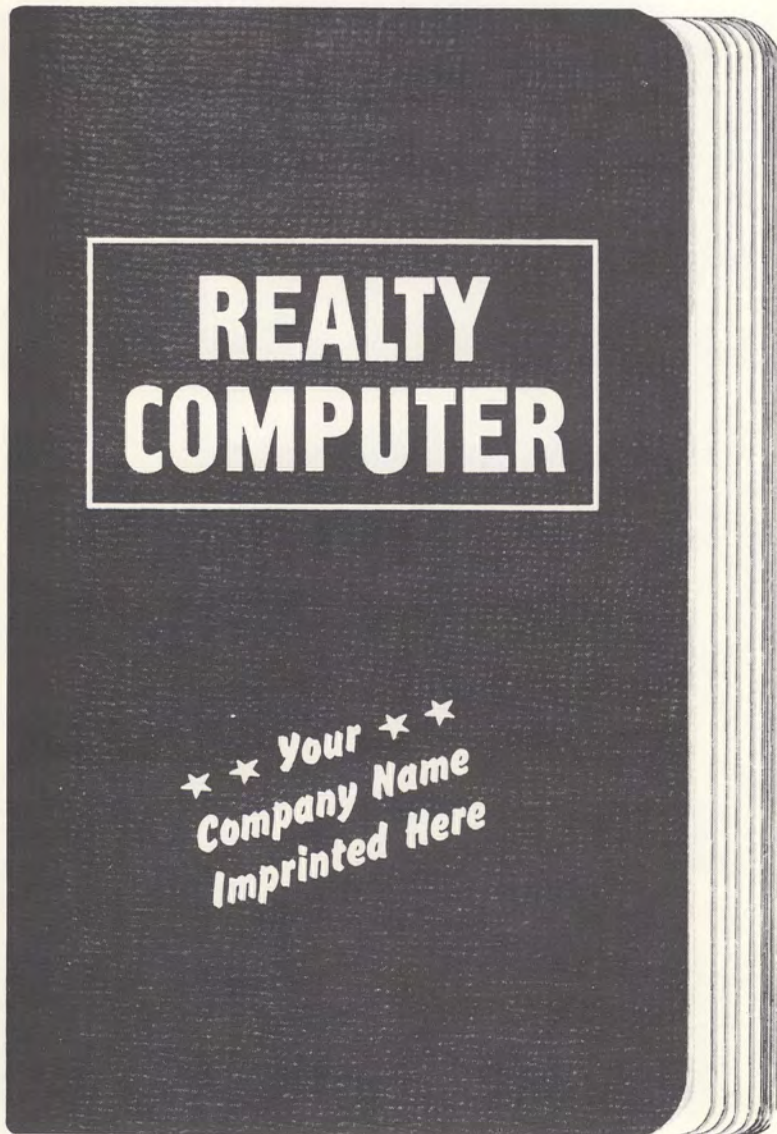
If you are not now serving on one of our Association committees and desire to become more deeply involved in ALTA work, I would appreciate hearing from you as to your interest. If you have ideas, questions, or suggestions concerning various committee activities, please let the appropriate committee chairmen know. Or, if you are not sure to whom your comments should be addressed, send them to our Washington staff for passing along to the proper committees. It's through the coordinated help of all members that we continue to build the strength of the American Land Title Association.

Sincerely,

James O. Hickman

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meeting timetable



1973

March 14-16, 1973

ALTA Mid-Winter Conference
Del Webb's TowneHouse
Phoenix, Arizona

March 30-31, 1973

Florida Land Title Association Mid-Year
Meeting
Hilton Hotel
Tallahassee, Florida

April 12-14, 1973

Arkansas Land Title Association
Fayetteville, Arkansas

April 13-15, 1973

Oklahoma Land Title Association
Camelot Inn
Tulsa, Oklahoma

May 3-5, 1973

Texas Land Title Association
Camino Real Hotel
Mexico City, Mexico

May 6-8, 1973

Iowa Land Title Association
Hyatt House
Des Moines, Iowa

May 10-12, 1973

New Mexico Land Title Association
Airport Marina Hotel
Albuquerque, New Mexico

May 10-12, 1973

Washington Land Title Association
Evergreen Inn
Olympia, Washington

May 23-25, 1973

California Land Title Association
Newporter Inn
Newport Beach, California

June 3-5, 1973

Pennsylvania Land Title Association
Host Corral
Lancaster, Pennsylvania

June 7-10, 1973

New England Land Title Association
Stratton Mountain Inn
Stratton Mountain, Vermont

June 8-9, 1973

South Dakota Land Title Association
Holiday Inn
Mitchell, South Dakota

June 14-16, 1973

Idaho, Montana and Wyoming Land Title
Associations
Pink Garter Plaza
Jackson, Wyoming

June 20-22, 1973

Illinois Land Title Association
Drake Hotel
Chicago, Illinois

June 21-23, 1973

Colorado and Utah Land Title Associations
Manor Vail
Vail, Colorado

June 21-23, 1973

Oregon Land Title Association
Ka-Nee-Tah Lodge
Warm Springs, Oregon

June 24-26, 1973

Michigan Land Title Association
Hidden Valley
Gaylord, Michigan

July 12-14, 1973

New Jersey Land Title Association
Seaview Country Club
Absecon, New Jersey

August 6-9, 1973

American Bar Association Annual Meeting
Sheraton-Park Hotel
Washington, D.C.

August 22-25, 1973

New York State Land Title Association
Whiteface Inn
Lake Placid, New York

August 23-25, 1973

Minnesota Land Title Association
Quadna Mountain Lodge
Hill City, Minnesota

August 24-25, 1973

Kansas Land Title Association
Wichita Holiday Plaza
Wichita, Kansas

September 6-8, 1973

Ohio Land Title Association
Salt Fork Lodge
Cambridge, Ohio

September 13-14, 1973

Wisconsin Land Title Association, Inc.
The Dome Resort
Marinette, Wisconsin

September 13-15, 1973

North Dakota Land Title Association
Villager Motel
Lincoln, Nebraska

September 14-16, 1973

Missouri Land Title Association
Hotel Muehlebach
Kansas City, Missouri

September 30-October 4, 1973

ALTA Annual Convention
Century Plaza
Los Angeles, California

October 22-24, 1973

Mortgage Bankers Association of America
New York Hilton, and the Americana
New York, New York

November 7-10, 1973

Dixie Land Title Association
Sheraton-Biloxi
Biloxi, Mississippi

November 9-15, 1973

National Association of Real Estate Boards
Sheraton Park, and Hilton Hotels
Washington, D.C.

Title News

the official publication of the American Land Title Association

Proceedings, 66th Annual Convention, American Land Title Association, Houston, Texas

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Pioneer National Title Insurance Company
Chicago, Illinois

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Washington, D.C. 20036

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GARY L. GARRITY, Editor

GENERAL SESSIONS

Address of Welcome

William P. Hobby, Jr.

Executive Editor and President, Houston Post; Texas Lt. Governor-Elect

I know that one of the principal subjects of concern to this group is the matter of state and, God forbid, federal regulation of the title insurance business, so I'll leave this one piece of wisdom with you.

That's the story about the doctor and the engineer and the politician who got to arguing about whose profession was the oldest, and the doctor said, "It says right there in the Bible, you open the Bible to Genesis, the

first book of the Bible, and you read where God removed a rib from Adam's body and created Eve and certainly that was a surgical operation. It says right there in the Bible that medicine is the oldest profession".

And the engineer said, "You know, it's not quite that simple. In fact, a few chapters earlier in Genesis, you'll read how God brought order out of chaos and created heaven and earth in six days."

And the politician sort of smiled and said, "Who do you think created the chaos?"

But seriously, Mr. President, you referred to our good weather. It's always like this.

It's after all only fitting that you should have your largest registration, largest attendance, at the meeting in the largest city in the largest of the contiguous states. After all, we just simply have more real estate around here to convey.

Response to Address of Welcome

James O. Hickman

*Vice President, American Land Title Association
Senior Vice President, Pioneer National Title Insurance Company, Chicago, Illinois*

Lieutenant Governor-elect Hobby, we are flattered to have such a distinguished guest and we appreciate you taking your time to welcome us to the great State of Texas.

The last time that our Association had a meeting in this area of Texas was 60 years ago in the City of Galveston. I suspect at that time Galveston was as large or larger than Houston. Since that time, as we all know, Houston has had a phenomenal rate of growth and now there are approximately two million people.

Your city, as the fastest growing area in the State of Texas, has moved from an agricultural commercial center to an industrial giant with a diversified economy based on petroleum refining, chemical manufacturing and shipping through its deep water inland port. I note that Houston ranks first in the United States in oil field equipment manufacturing, first in the United States as a

refining center, first in the United States in pipeline transmission and third in size as a seaport.

Titlemen always seem to be interested in history and, although I did not have an opportunity to run a chain of title on the City of Houston, I was able to do some research. Interestingly enough, one of my prime sources of information was a book, *Houston*, by George Fuermann. The editor of this book is also the editor of the *Houston Post*, of which Mr. Hobby is publisher. I was intrigued by Sam Houston, the hero of the battle of San Jacinto in April of 1836, which assured Texas its independence. The history was very interesting in that Sam Houston grew up living with the Cherokee Indians, and in 1829 was elected governor of Tennessee. Three months after he was married, he and his wife separated and Houston resigned as governor of Tennessee. He went

back to living with the Indians and migrated to Texas to work on Indian problems. He was on the scene as Texas was fighting for independence from Mexico and served as first governor of the Republic of Texas and after Texas was admitted as a state in 1845, served as its first senator and later governor.

Another interesting facet about this study was that when Texas became a state, part of the lands that were in the Republic of Texas were turned over to the United States. This included portions of New Mexico, Kansas, Wyoming, Oklahoma and Colorado. As a former Coloradoan, I can claim the distinction of once belonging to the Republic of Texas and Houston being my capital city. I know all others at the Convention, who cannot claim to be Texans, will claim Houston as their adopted city after our meeting here this week.

Mr. Hobby, we thank you for extending a welcome to us today.

President's Report

John W. Warren

1971-72 President, American Land Title Association
Senior Vice President, Albright Title and Trust Company, Newkirk, Oklahoma

Ladies and Gentlemen of ALTA—Welcome to Houston and to the sixty-sixth Annual Convention of this Association.

Many matters affecting our Association and its members have transpired since we last met in annual convention in Detroit.

You will recall that the operation of title insurance companies and their relationships with financial institutions were under scrutiny by Senator Proxmire's staff. We had thought that Mr. Proxmire's main concern was over title company efficiency and over interlocks that existed between officers and directors of financial institutions and those serving title companies in similar capacities. We were also told that there was some concern over the variations which existed between owner's and lender's title insurance coverage and cost, but there was an acknowledgment that title underwriters' profits did not appear out of line. The HUD-VA closing cost study required by the Emergency Home Finance Act of 1970 was progressing and was then keyed for completion by the year's end. The real estate market was very active and members' profits were at record levels. Some of these elements of the "good life" have remained in 1972, but the sudden and expanded thrust to regulate home loan settlement costs has involved your Association and its members to an extent never before experienced. To meet these responsibilities, especially on federal levels, has involved your Association and many of its members in areas in which they have had little prior experience.

In the latter part of October, we were confronted with the Title Charge Reduction Act introduced by Senator Proxmire, and all of the associated newspaper publicity that our members were unreasonably profiting with little risk at the home buyer's expense. It was discouraging indeed to find that those responsible for this legislation and the unfair newspaper comments written in its support made little or no effort to obtain first-hand information about the components that make up the title evidencing process. It seemed more important that they have their "pound of flesh" and that it was to be the title industry from which it came notwithstanding combined title and escrow charges contributed only a small part of the total settlement costs involved in home buyer transactions.

Without going into the exact chronology of events, suffice it to say that our industry has been constantly bombarded with the threat of federal regulation, either based upon existing legislation or incorporated in newly introduced or pending bills in the Congress. The Emergency Home Finance Act of 1970 gave direction to HUD and the VA to conduct studies and make recommendations to the Congress as to legislative and administrative actions that should be taken to reduce and standardize settlement costs for all geographic areas and, in addi-

tion, to prescribe standards governing the amount of settlement costs. In early March the HUD-VA study was completed and their written report released. Their report largely paralleled the findings that were made independently by ALTA's Research Committee. A June target date was proposed for publication in the *Federal Register* of FHA-VA settlement cost proposals and an indication was made by HUD that once these proposals were developed, our industry would be given reasonable opportunity to comment upon their fairness before they were published. This did not prove to be the case and many ALTA members feel the first proposed maximums published by HUD and VA this summer are unreasonably low.

During this period consideration was being given by the Congress to the 1972 Housing and Urban Development bill. Also during the period our industry was confronted with interlock provisions of House Resolution 5700, the Banking Reform Act of 1971, and Congressman Patman's settlement regulatory bill House Resolution 13337. The Senate Housing bill was passed on March 2nd (S. 3248) and contains some material differences from the House version and Title IX thereof which includes settlement costs and practice regulatory provisions and which as of today has not been passed. This legislation has necessitated the filing of written statements, personal appearances and the oral testimony, first of Al Long, and thereafter of Jim Schmidt, who appeared as ALTA's official spokesmen in connection with these Congressional hearings. We are indebted especially to these men, to the Federal Legislative Action Committee, to the Research Committee, to the Executive Committee, to our Washington staff, and our general counsel, Tom Jackson, who have all worked tirelessly and at great personal sacrifice in behalf of this Association and its members not only in connection with federal legislation but also with the HUD-VA proposed maximums.

In early July, proposed HUD maximums were released for six geographical areas. We expressed disappointment in a letter to Secretary George Romney at HUD's failure to contact local title companies for advance input in developing these proposed FHA settlement cost maximums prior to their release. We were told this resulted from a lack of time and the fact that some FHA regional directors felt they were already familiar with title service charges and practices in their respective areas. HUD-VA in the meantime gave until July 31, 1972, in which to file comments upon the proposed maximums and subsequently, at least in part through our efforts, extended the time for filing comments, first, to August 31, and more recently until October 15, 1972. In the meantime the VA has published in the *Federal Register* similar but not identical

standards governing the amount of settlement costs allowable in connection with VA guaranteed and insured home loans in the same six locales—and first gave 30 days following August 26, within which to file written comments, and more recently, extended the time for filing such comments to October 15, 1972. Also, as announced to you in my letter of August 28, we joined in cooperation with a number of title insurance companies to express in a legislative manner our opposition to rate regulation of title insurance and other settlement charges by the federal government. We have indicated our support of a recent substitute House bill offered by Representative Robert G. Stephens, of Georgia, which would repeal Section 701 of the Emergency Home Finance Act of 1970, empowering the present HUD-VA intrusion into real estate settlement transactions. This substitute bill was reported out of the House Banking and Currency Committee two weeks ago ready for consideration by the House when the House Rules Committee voted on Wednesday, September 27, to deny a rule that would have allowed the entire Housing bill to reach the House floor during the current Congressional session. This matter will be updated and more fully explored by Bill McAuliffe who will be pinch hitting for Tom Finley, a Washington, D.C., attorney, when he makes separate appearances at our two section meetings Tuesday morning. Tom's present involvement in changing legislative matters prevents his scheduled appearance.

Now to avoid the impression that our Association is a group of "a-gainers", it must be clearly stated that many of the aspects of proposed regulation, whether by HUD or impending Congressional bills, we have repeatedly asserted we do and will support. These items are, among others—

- (a) That we support the development and use of a uniform settlement statement;
- (b) That we support the advanced disclosure of settlement costs;
- (c) That we support the prohibition of giving or receiving of unearned fees in connection with the issuance of title insurance, i.e., kickbacks.

We strongly feel, however, that real estate settlement transactions are essentially local in nature and, to be effectively regulated, such regulation must be at the state level. We feel that free and open competition is still an effective regulation upon charge, and that to maintain reliability, title insuring companies must realize reasonable profits upon their investment in plant and personnel.

I have devoted the greatest part of this report to regulatory matters that have confronted your Association, this because the largest part of our energies have been spent by necessity with these problems. There are other important achievements and changes

that have been made during the year in which I think you might be interested.

In January, we employed an outside public relations firm, Burson-Marsteller, to assist in developing a more favorable public image of our industry. This firm has contributed greatly to the material used in Congressional and HUD matters and is now promoting live interviews of industry leaders before TV, radio and newspaper groups aimed at making our industry better understood. Mr. Larry Zoeller, of that firm, will make a presentation at the local title company public relations workshop Tuesday afternoon.

All committees have been functioning and active. The Public Relations Committee has developed and released TV public service film clips, radio public service spots, home buyer clinic columns, and the blueprint film has received wide acceptance and distribution.

The Committee on Improvement of Land Title Records has been expanded with the appointment to the committee of an abstractor member.

Changes have been effected in the *Directory* format, making it an even more valuable tool of the industry.

The ALTA-ABA Conference has been quite active and we have had some success in resisting the unfavorable aspects of a related ABA resolution sponsored by the State Bar of Georgia. Al Long, chairman of the ALTA Conferees, will report in detail about this at the General Session meeting Wednesday morning.

We are indebted, too, to the continued ef-

forts of the Standard Forms Committee and to their special work on developing the zoning endorsement which its chairman, Marvin Bowling, will be discussing with you at the closed general session Wednesday afternoon.

ALTA has contributed \$7,500 in helping to sponsor a conference on compatible land identifiers, which was conducted by the American Bar Foundation in Atlanta, Georgia, on January 20 to 22, 1972.

The Olympic Hotel, in Seattle, Washington, has been selected as the site for the 1976 ALTA Annual Convention.

By adopted amendment, your Association has deleted part of the Preamble to the Model Title Insurance Code, to facilitate efforts by this Association to encourage the adoption of the Code by the several states.

This Association has established procedure whereby members sustaining reimbursable committee expense must submit their claim for reimbursement within 60 days from the time such expense is incurred otherwise the member will be denied reimbursement.

Members of the staff have continued in the "Operation Grassroots" visitations to members in their home communities in the hope of making the Association more meaningful to its members and more responsive to their ideas.

By action taken at this meeting, our Association has employed the research organization, Arthur D. Little, Inc. effective October 1, 1972, to collect cost data and other data relative to those areas where HUD proposes regulation of settlement charges and, in addition, to work toward the development of

profitability formula and data which will be acceptable to the NAIC—all assignments to be conducted under the direction and supervision of the Research Committee, Standard Title Insurance Accounting Committee and Liaison Committee with the NAIC.

We have selected the Sheraton-Boston Hotel in Boston, Massachusetts, as the site of the 1978 Annual Convention.

Also, we have added 28 new active and three new associate members to ALTA.

And, finally, we are grateful to Jimmy Harris, to Gloria Bartram, and to the members of the Texas Land Title Association for their great efforts in seeing to our comfort and well-being while we are in attendance at this Annual Convention.

I think you will agree with me that this has been a busy year, sometimes one of disappointment and frustration, and yet one of over-all achievement. We have found that we have power when united and none when divided, and that we are responsive in time of crisis. It is impossible for me to single out the many members who have made invaluable contributions to this Association and its members, for in naming some, as I have done, I may overlook others equally worthy of your praise and recognition. Therefore, I express my personal thanks to all of you who have worked in behalf of this Association either through committee or individually.

It has indeed been an honor for me to have served you as president during this year of challenge and I think you for allowing me this privilege.

Award of Honorary Membership to William H. Deatly

Remarks by
Ernest J. Loebbecke

Chairman of the Board, The TI Corporation (of California), Los Angeles, California

I know there are many here who would like very much to perform the task assigned me today. Bill Deatly, whether competitor, fellow title man or associate, has, above all, always been a friend. No matter what circumstance led to being with him—and with Helen Louise—that warm feeling of friendship always remained long after the meeting was over.

Bill started as a certified public accountant. It was in that capacity that he was exposed to The Title Guarantee and Trust Company of New York. Bill's training and knowledge were drawn and tempered in the forge of the depression. The Title Guarantee and Trust Company was not only a title company—it was also a trust company and a bank. As such, the company was beset by the problems of the depression from three sides—and it needed all of the help it could get. As a result, on May 15, 1933, it brought Bill aboard. The original personnel card merely says—company administration. But soon he was assistant comptroller—then in 1934 comptroller. In 1937 he became vice

president. In 1941 he was elected to the board—in 1943 vice president and general manager and in 1950 president and chief executive officer. He held that position until 1964 when he came to Los Angeles as executive vice president—finance of Title Insurance and Trust Company.

During all of those years Bill was a builder. He successfully brought The Title Guarantee through the depression—getting it out of the banking business and at the same time building it back as one of our country's leading title insurance companies. And, as he did all of this, he recognized the importance of participating in and contributing to the welfare of the title industry. He served on many committees at both the state and national level. His leadership was recognized when in 1953 he became president of the New York Board of Title Underwriters. Then in 1958 he became president of the New York State Land Title Association, and in 1962 his dedication and leadership were recognized by his election to the presidency of the American Land Title Association.

Bill could have decided to coast at the end of 1963. He had received all of the honors his industry could bestow on him—he had finally solved all of the vexing problems of his company's trust activities and finally had merged The Title Guarantee with another company. He had passed his 60th birthday. But not Bill. He and Helen Louise moved to Pasadena—he took on one of the most demanding jobs in our company—he became a leader in his church, and became involved in other community activities. Although now officially retired, he comes to the office nearly every day—his advice and counsel are sought by all of us. He and Helen Louise have made a host of friends—and, his golf game is improving.

In short, it is a distinct honor for me to present to you a warm friend—a businessman of outstanding competence—a title man dedicated to our industry and to our Association who has earned the affection and esteem of all—William H. "Bill" Deatly as an Honorary Member of the American Land Title Association.

Remarks by
William H. Deatly

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

Well, what do you say at a time like this? What do you think about? I'd be less than gracious if I didn't express my appreciation to Ernie for that glowing statement of my achievements. It departed a little bit from the truth in some places, but I welcome it anyway.

I think the thing you think about at a time like this is the fellows who helped you along the way in your career, and the first man that I recall is Freddie Condit, who was president of this Association in the middle twenties. He was an officer of TG in New York. I think I learned the title business at his knee. He was one of the most highly regarded gentlemen in the industry in his time.

The next man who comes to mind is Stewart O'Melveny. He was finishing his last year of service on the board of governors of this Association when I was beginning the first year of my first term on the board. Stewart was president of this Association in the early thirties, during this period that Ernie spoke about—the time of the mortgage debacle and the bank holiday. No finer gentleman ever lived and I have the privilege today of occupying an office right across the hall from him and have an opportunity to

chat with him whenever he comes down, which is quite frequently.

We go on to the forties, and I recall Jack Rattikin and Charlie Buck, both fellows who helped me along with sound advice during the years of my start in this Association.

I remember my first meeting. Mort Smith was president of this Association. He remained a firm friend and a great supporter during the remaining 10 years that he remained in this business.

I recall Eddie Dwyer. He gave me my first committee assignment in ALTA. He wanted to revamp the Code of Ethics. I think, if I'm not mistaken, it remains today as it was adopted in the early fifties.

And then you come to the decade of the sixties and I remember that old curmudgeon, George Rawlins; a delightful fellow, Lloyd Hughes; and a man that received the honors of this Association too late in his career, Gordon Burlingame of fond memory.

And I recall with great pleasure the years of service with Joe Knapp, the great states-righter.

There are, of course, many others, most of them are still active members, and I won't mention any names for fear that I would

leave someone out.

But it has been a great pleasure to have served this Association. There were challenges along the way and it was fun to participate in the solution of them.

When I went to California in 1963, as Ernie said, it was really '64 because it took a little while to decide to pull up the roots after 61 years in New York. I asked Ernie for a job description. He said "Just look around. Anything you see that needs doing, go ahead and do it", and one of the great privileges was that I had a fine group of associates to work with.

You know them all. They are still active in the company, but we had a great time for seven years. I think one of the things I was concerned about after I turned 60 was that I had observed so many executives who got paid more and more for doing less and less, but Ernie saw to it that that was reversed.

I think I've listened perhaps to a thousand speeches during my active career, but I never heard one that was too short. So I'll end by thanking all of you for this great honor that you've bestowed upon me. Thank you.

The Sky No Longer Is The Limit

Lt. Col. Henry W. Hartsfield, Jr.

United States Astronaut

It's a real pleasure to be here to attend the opening general session of the American Land Title Association. I always enjoy meeting people who are interested in land development and to you people who are in Houston for the first time or those coming back, we would like to extend to you a hearty welcome.

We may not have very much vacant land left here, but there's still room to breathe in the space capital of the world.

I feel that perhaps you and I may share similar goals. If some of the pessimists are correct, we may eventually deplete the resources of our earth; and then we can use our spacecraft to journey to and open land offices elsewhere, perhaps on another planet. In that case, your business and mine are bound to boom.

Not too long ago, I was told that we could still apply for 160 acres of land to homestead in New Mexico. The only problem was water. One hundred sixty acres of the desert without water. That's a commodity that man has not learned to live without. He must depend on it for his existence.

I've also seen "deeds" in the area of the Cape being sold for a plot of desert on the moon, in spite of the fact that there are no

rivers, and no water's yet been discovered there. But there is one big advantage. You can jump six times as high while looking for it.

I suppose the biggest drawback, however, is the lack of oxygen. Somehow man has never learned to live without that element.

I can sympathetically envision the problems you professionals may have with real property laws and title insurance on a new planet.

Seriously, speaking of water and oxygen, man has learned much from our voyages to the moon. For example, films from a surface ultraviolet camera, a spectrograph that was left on the moon by Apollo XVI, indicate that the earth's present source of oxygen is not primarily photosynthesis as we thought in the past, but oxygen formed as the result of the disassociation of water vapor in the upper atmosphere.

Many of the NASA films from this camera reveal details never before seen of the earth's geocorona, a massive cloud of atomic hydrogen enveloping the earth. That is also believed to be formed by the disassociation of water vapor.

Yes, I guess you're interested in land. So are we. We are learning secrets of the land

on the moon, land on other planets such as Mars, but more importantly, we are learning how to protect the land, water, and atmosphere of this fragile little spaceship called earth. And if all else fails, we'll learn how to survive in space.

Our first adventure on another planet began a little over three years ago. On June 20, 1969, I'm sure that most of you, like myself, were glued to a chair in front of a television set watching Neil Armstrong take "one small step for man, one giant leap for mankind". I'll bet that some of you felt the same emotions I did. It was truly one of the most exciting things I've ever witnessed. We were really watching history in the making, and it was witnessed around the world. It made me proud to be an American and be a part of that.

I remember stepping outside that night and looking up at the moon. It was kind of hard to believe that there was a man like myself actually walking around on that romantic silvery ball. It was really awe-inspiring!

But how did all this come about? Where did it start? It wasn't too long ago, as you recall—back in October of 1957—that Sputnik I shocked the world. We were initiated

into the space age, a new era in the history of man.

Then in February of 1958, we launched the first U.S. satellite, Explorer I. Incidentally, it made the first scientific discovery from space, the Van Allen radiation belt.

The manned space flight era was introduced with the launch of Yuri Gagarin in Vostok I in April of 1961. A month later, in May of that year, Al Shepard rode Freedom 7 on a short suborbital flight and became the first U.S. astronaut.

We've come a long way since those days, from the 30 pound Explorer to a 300,000 pound payload capability with a Saturn V. We can send over 100,000 pounds to the moon using that booster.

American astronauts have logged over 8,596 manhours in space. Thirty-two Americans have flown in space. Twenty-two have orbited the moon and ten have walked on the moon, a record that we can all be proud of.

We live in a different world today, I think, because the United States did recognize the challenge of space and boldly made the necessary investment to meet it.

In 1961, President Kennedy told the Congress how when he was a boy, he and others would be exploring and they'd reach a fence blocking their passage. They'd throw their hats over the fence. Then they would have to follow. The President, the Congress and the American people threw their hats over the fence called space and we had no choice but to follow them.

In one move, President Kennedy committed us from the 30 pound Explorer to manned Apollo, which went to the moon and safely returned.

Let's examine briefly the conditions which started Apollo. First we had a clearcut national goal with a competitive challenge. Secondly, the President came to recognize even then the effect he wanted from space on the economy and on international affairs. We had support from the top. And third, it became symbolic for the New Frontier. Apollo became the people's challenge. We had complete public support.

Apollo started much more easily than any of the exploration programs of the early explorers, for example Columbus, Magellan or Drake. Columbus spent many years searching for his initial funding, but he had problems. Back in 1490, a gentleman by the name of Hernando de Telavero completed a four and a half year study of Columbus's proposals.

His findings were five. First, it was vain and impossible. Second, the ocean was not navigable. Third, there was no more land to be found. Fourth, you could not return from such a voyage, and lastly, this many years after the Creation, there could not really be anything new.

Fortunately for all of us in the room, not everyone paid close attention to Columbus's detractors.

To quote Dr. Edward Teller, father of the H-bomb, when Columbus took off, the purpose was to improve trade relations with China. Now that problem's not solved yet, but look at the by-products.

Let's look briefly at where we are and what to expect in the future.

President Nixon made a speech recently which outlined a threefold purpose of our space program. He said that the first purpose is exploration, and he said our great nation will always be an exploring nation if it wishes to remain great. Second is the

gaining of scientific knowledge, and third is the practical application of that knowledge.

To achieve the purposes of this program, he outlined six specific goals which I would like to reiterate for you.

First is to continue the exploration of the moon. Incidentally, I ran across something the other day I thought was kind of amusing. I'd like to read it to you. It goes like this:

"What do we want of the vast worthless area, the region of deserts, or shifting sands and whirlwinds of dust? To what use could we ever expect to put these deserts or these endless mountain ranges? What use do we have for such a place? I will never vote one cent from the public treasury."

The moon? No, Daniel Webster talking about California.

Our last lunar flight for some years to come will be Apollo XVII, to be launched on the night of December 6 this year. That night launch should really be something spectacular.

The second specific goal is exploration of the planets. Last year we sent a Mariner probe to Mars which has sent back some spectacular photographs and data. This caused us to completely revise our concept of Mars. Next year we will launch a Mariner spacecraft to Venus and Mercury. This will be the first spacecraft to Mercury, which is the closest planet to the sun.

As you know, Pioneer X is now in transit to Jupiter, the most massive planet. This spacecraft, which is the first one to Jupiter, is due to arrive next year in December.

In 1975, we hope to launch two Viking spacecraft toward Mars to make a soft landing.

The third specific goal of our space program is the reduction of the cost of space operations. We will do this primarily through development of the Space Shuttle. The Space Shuttle will be a manned reusable space vehicle which will be used for a wide variety of space missions in earth orbit. The Space Shuttle will deploy in earth orbit scientific and application satellites of all types. Since it can carry payloads weighing up to 65,000 pounds, it will replace most of the expendable launch vehicles currently used.

The fourth specific goal laid out by President Nixon is the speed-up of practical applications of our space technology. We are doing that through developing an advanced COMSAT, third generation weather satellites, a navigation satellite and an earth resources satellite. But we also have a program that's very active now in which all the little discoveries and inventions that are made in space research are documented and sent to the people who might possibly be able to use them.

The fifth is to achieve greater international cooperation, and to do this we are soliciting international cooperation and contributions to the Space Shuttle program and of course, you've heard about the recently announced joint docking mission with the Russians. We hope that this will be only the first step in international cooperation and hope that it will help to ease world tensions.

The sixth specific goal is the extension of man's capability to live and work in space. We will achieve this with Skylab. That's what I would like to concentrate on for the next few minutes.

I am presently working on the support crew for Skylab. After working on Apollo, I thought that nothing could beat that, but I find Skylab is very exciting. It's a very inter-

esting program. The Skylab is scheduled to be launched next April 30 on a Saturn V booster. The next day, the first crew will be launched on Saturn 1B booster and activate the lab for a 28-day mission.

The crew for the first mission is Pete Conrad, commander, Joe Kerwin, science pilot and Paul Weitz, pilot.

The second mission crew is Al Bean, Owen Garriott, Jack Lousma, Jerry Carr, Ed Gibson and Bill Pogue man the third mission.

I'd like to show you a film now that tells about Skylab. It can do a much better job than I can possibly do with slides and talking.

Incidentally, I'd like to tell you that this film won the Honor Certificate at the American Film Festival. It won second place in the science division at the Film Festival in Belgrade, Yugoslavia, and it also won the coveted Scenic Golden Eagle Award here in the U.S.

(Movie is shown)

This is the place, I believe where space begins to pay off.

In closing, I would like to make a few remarks about something that's been on my mind lately.

There are many today who believe that science and technology, as instruments of change, are the roots of our world-wide uneasiness. I cannot support that belief. Technology is merely a tool for the capability of man. These inanimate tools can be used productively or abused in such a way as man directs.

There is no logical point in blaming technology for the failings of man. The specialists who directly developed the technologies only produced what was demanded by a hungry world—a world demanding better living conditions, more comforts and luxuries—a world with little or no concept of the price that nature would demand in return for its wasteful practices.

The solutions will not come if we blindly and arbitrarily stop all progress. It can only come from a responsible application of science and technology and some good common sense.

The years ahead promise even greater shifts in the way we live, the things we buy and use and the work we do. We should look forward to these changes and use them to seek new strengths and new opportunities for the future.

Science and technology are furnishing mankind with the tools to make the future do what we want it to do, but it will require long range planning to assure the availability and effective use of these tools.

Ten years ago, John F. Kennedy said, "Space achievement may hold the key to our future on earth." That future is now!

I'm sure you've seen photographs of earth taken from lunar distance. You can see the giant cloudy weather systems encircling the blue earth. You don't see any artificial boundaries. I might point out—national boundaries. Frankly, when you look at these pictures, it's difficult to believe that so many of us live on such a small planet. Yet, today the world has over three billion inhabitants; and the number will grow, according to some guesses, to six billion by the year 2000.

In the last 30 years, only the last 30 years, as a result of the rapidly expanding population, the world has consumed more of its natural resources than since man came on the face of the earth.

The oceans are in danger of dying now because all the pollution ends up in the seas.

The earth is washed by the rains which carry everything into the oceans where life has diminished drastically in the last 20 years.

As a noted biologist said recently, "Calling the population explosion a problem of under-developed nations is like saying to a fellow passenger, 'Your end of the boat is sinking.'"

So the views of earth made from space have made us realize that we are, after all, all fellow passengers on the small spaceship called Earth. We must share this tiny speck in space together. As I tried to point out, our studies from space will be a direct benefit to us on earth.

Much of what goes on in space, especially in the sun-earth relationships, and the cos-

mic rays from deep space, affect our environment, and our ecology, and probably even our biology.

Space is an infinite laboratory into which we are bringing instruments, the equipment, and eventually the skilled experimenters to unravel the mysteries we can only guess at here on the earth's surface.

And so while many of today's ills can be attributed to our use of modern technology, the long range cure, and more important the prevention of future ills, can only be based on facts that are not now well established or perhaps not even known.

This I think clearly demonstrates the need for continued research and development. The knowledge we have gained thus far is

only the beginning, and men with vision will look ahead to the future. It was a long road to achieve the victory of the lunar landings, and it took many people working together as a team to accomplish that goal.

Similarly, it will take a massive worldwide commitment, involving the investment of men and materials, and the assembly of a vast organizational system to solve some of the problems that beset our world today.

What I am suggesting is that if we all work together as a team, with the determination that achieved the lunar landings, we can and we will find the ways and means to solve our earthly problems of land, water, air, and humanity. Thank you.

Report of ALTA Group Insurance Trust

Phelps Connell

Association Group Manager, Mack and Parker, Incorporated, Chicago, Illinois

Good morning. If you'll now mentally get yourselves out of your Skylabs and put your feet back on the ground, I'll try to give you some facts about something that we know is with us and is perhaps a little more real in our everyday lives.

The firm I'm with is retained by the trustees to help them operate the plan. These trustees are members like yourself: Mort McDonald, The Abstract Corporation of Deland, Fla.; Dick Fox, Chicago Title Insurance Company; Bob Beardsley of the Douglas County Title Company of Roseburg, Ore.; and, of course, Bill McAuliffe, the executive vice president of your Association.

On their behalf, I would like to let you know that the plan of life and health coverage is alive and well. In fact, it's downright ornery—I guess that's a Texas term. Last year it paid out \$128,000 in life and medical claims and it had enough premium to support it. Many of you are in the insurance field. You know you must take in as much premium as you pay out in claims to keep your plan healthy. I am happy to say that we were able to do that.

The plan and the trust are fiscally sound due to the good management of the trustees.

I'd like to review briefly the purpose of this trust. Since the plan started, fringe benefits have grown to be a very significant business necessity to attract and help you to keep capable people. At the same time, they've also become a more and more substantial business expense.

Recognizing this, ALTA has brought members better life and medical benefits at lower cost through their combined mass purchasing power. This is of particular help to the smaller companies who really can't buy too well on their own.

I should mention here that this goal has been achieved over the years, without financial benefit to the Association. The plan is strictly a member service, self-supporting

and benefiting only those who participate in it.

Trustees keep the plan modern by periodically changing the benefits and adding new ones.

On July 10 of this year, the trustees met to review finances and decide on some changes that they had been considering. If action symbolizes the success of a meeting, they really had a successful meeting. They made a number of changes.

First of all, they increased the maximum life volume to \$25,000 for employees earning \$10,000 or more per year. The schedule of benefits offered in the life insurance program is scaled to earnings, and benefits for the various lower levels of income were proportionately increased.

In the health coverage, there have always been three optional health packages available. They are designed to suit a company's needs and its budget. Depending on the local labor market in your area, your medical area costs and your corporate expense limits, you can select the best package from the three.

The trustees decided to add a new medical package called Option 60, paying up to \$60 per day for hospital room and board benefits for 120 days, plus \$1,200 in extras before a deductible is charged. After this \$100 deductible, the plan pays 80 per cent up to a maximum benefit of \$20,000. In fact, all three of the options—this is a fairly recent innovation as well—now pay up to \$20,000 in maximum benefits.

Because we're here in Houston, and I'm sure a lot of you are from Texas, I should mention at this point that in the state of Texas this plan is not available. The Texas state laws indicate that a plan such as this must have a separate trust and must have at least 100 lives insured before it can be offered to others in the state. We have not achieved this, but we can very easily if we can get 100 Texans to agree to enroll.

These new life and medical benefits I mentioned, the \$25,000 life and the new \$60 option, are available November 1. In fact, we have a campaign on right now which will continue through the next couple of months. You may have received some mail recently and you will be receiving some more to tell you how you can go about enrolling.

Incidentally, if you answer the mail, our company will be happy to compare your present benefits to the benefits of this plan at no cost to you, so that you can reach a decision on whether the benefits are better or not as good as the plan you have, and how the cost stacks up compared to your current expense.

I'll be able to give you more information before I conclude, about how you can enroll, but in the meantime I'd like to tell you about a very important new decision that the trustees have made.

To introduce it, I'd like to ask you a question. I want you to think about it very carefully, if you will. The question is, how many children do you have on your payroll? That's right, children.

Your company payroll records, of course, carry only the names of your employees, but there are in fact many children on your payroll as the children of your employees. Payrolls support families, not just employees. Similarly, the wives are included in this package.

With this in mind, will you reluctantly imagine that late last night you had a call and one of your loyal employees had suffered a severe heart attack. It'll be months, perhaps years, before he can return to work. He's married and the father of two children—not an unrealistic situation.

His eyes, the eyes of his family and relatives, and the eyes of your fellow employees anxiously look to you for help. His future and perhaps even the future morale of your company will be greatly influenced by what you

can do for him.

But can you really help him? And for how long can you help him? If his disability is expected to continue for many years, what then? How long can you afford to pay double salaries for one job? At one point, you will undoubtedly have to make the decision to discontinue his salary.

It may be that 90 days after his salary stops his family will be bankrupt, his credit rating nonexistent and his financial security shattered.

Statistics prove that not only a great many people become disabled, but a substantial percentage of those disabled remain that way for a long, long time.

For instance, for every hundred employees between the ages of 25 and 64, 39 will be disabled for at least three months during their career. Of those 39, 12 will be disabled for at least a year. Of those 12, 10 will be disabled for at least two years, and of those 10, eight will be disabled for three years or more. Disabilities lasting a year or longer strike someone in this country every 2½ minutes.

We deal with this in many plans in our company, and I can assure you that it happens.

So you see, disability is very real. And those difficult business decisions—in a sense they are really human problems that result from employee disability—could burden you at any time. That's why your Association has taken an important step in solving the employee sick-pay dilemma.

I am pleased to make the first announcement that the trustees have adopted a new program of long-term income protection for members called the IMAGE Plan. We have had some brochures specially printed so that we could introduce it at this meeting. This plan, by the way, is available in Texas.

IMAGE was selected because it provides a permanent solution to the employee disability problem. The plan relieves management of being forced into situations in which they can't do anything but make negative decisions. It helps you, in other words, to make positive plans for disabilities which may occur in your companies.

This new plan is a natural supplement to the life and health packages I talked about earlier, but it need not be purchased in con-

junction with them. You can enroll in this program to supplement whatever other programs you may have in your company at this time.

The IMAGE Salary Continuance Plan is underwritten by Combined Insurance Co. of America, who for years has been providing income protection plans for Associations like yours and their members. By working closely with the Insurance Trust, Combined has tailored this program to meet the particular needs of ALTA members and their employees.

But to see what makes IMAGE the best of its kind, let's look at the plan in more detail.

When you or an employee becomes sick or hurt and unable to work, IMAGE pays 50 per cent of monthly earnings up to a maximum benefit of \$1,000 per month. The money is payable up to five years for disabilities caused by illness and for life, if accident is the cause.

An important feature of IMAGE is that benefits are paid in addition to any other benefits that you or your employees may be entitled to. I'm talking about such things as social security, workmen's compensation and many other programs, individual or group, that they may have.

ALTA gives you, as the employer, a choice of three plans or deductible periods. If, for example, you select a 30-day deductible for your firm, benefits will be paid after disability has gone beyond 30 days. The deductible periods of 30, 60 or 90 days are designed to match the length of time which you choose to be liable so that you don't pay for something that you don't need in that period.

Rates vary depending on the waiting period of the option that you've selected. The cost of IMAGE is far below what individual firms could acquire on their own. There is actually up to a 40 per cent group saving because of the total buying power of ALTA member firms.

Even with the low cost, you need not bear the entire cost yourself. You may share the cost with your employees or even provide the opportunity for your people to buy it themselves. The average employee will appreciate that you as his employer are offering him something he could not obtain on the open market. He can, in a sense, make his income secure by having a very small amount de-

ducted from his paycheck.

IMAGE has several tax advantages too. If your employees pay their own premiums, their benefits, which hopefully they won't need are tax free.

If you decide to install IMAGE as a company benefit and pay the premium yourself or share the cost with your employees, your share is tax deductible as a business expense.

Firms with no formal sick pay plan face a double tax on benefits. In other words, payments you make on your own to a disabled person may be taxable for both you and the employee, according to the Internal Revenue Service. IMAGE solves this problem at both levels.

The plan also pays off by enhancing the value of your company, of course, as a good place to work, and the word does get around. If you put this in force, it doesn't take long for your employees to talk among themselves and appreciate it.

It's hard to measure this good will, but the people who work for you will know that they are protected against any long-term financial catastrophe that may occur.

Other IMAGE features include a waiver of premium during disability, aviation and military coverage, and special underwriting privileges during open enrollment periods.

Complete IMAGE information will be mailed to all member companies when the charter enrollment period commences in January, at the conclusion of the life and health campaign now in progress.

Don't let employee disability force you to make a critical decision on how much to pay or to whom and for how long.

I remind you that an Association benefit plan is only as good as the number of members that enjoy it. I urge you to take advantage of these plans. To give you more information about them, we have a booth out in the foyer; I'll be there most of the time. We have literature on the new Life Plan, the new Medical Plan and on the new IMAGE Long Term Disability or Salary Continuance Program.

I'll be at the exhibit after this session for anyone who may want to talk about these plans, and I'll be here all day Tuesday and Wednesday.

The Realtors Washington Committee at Work

Realtor Fred R. Hunter

Chairman, National Association of Real Estate Boards Realtors Washington Committee; Fred Hunter Associates, Fort Wayne, Indiana

President Warren and members of the American Land Title Association, I bring you greetings from one of your sister associations, the National Association of Real Estate Boards, and from its president, Fred C. Tucker, Jr., of Indianapolis. I welcome this opportunity to appear before you this morning to discuss some of the problems that our total industry is having in making its views

known to the people who control all of our lives and our industry. I am speaking, of course, of our federal government.

When I arose this morning, the first thing that confronted me was an article in the Houston paper. It was on the front page, as a matter of fact, headed: "Nader Calls on Congress to Devote Session to Reform." He talks about the problems with the federal

government, but not all of them, because he couldn't put all that in one article. Rather, he talks about some of the problems. One of the statements he made, and I quote from the *Houston Post* this morning, "Nader estimates at least 5,000 lobbyists, or 10 for every member of Congress, keep pressure on Congress to help specialized outside interests. The best known of these are the military

lobby, the oil lobby, the tobacco lobby, the automobile lobby, the American Medical Association, the AFL-CIO, the National League of Cities, and the U.S. Conference of Mayors." I'm somewhat put out that we were not listed within that group. It is, however, amazing that when you look at that group, you note that America's largest industry, that of housing, and all the organizations, such as the ALTA, the Mortgage Bankers Association of America, the National Association of Mutual Savings Banks, savings and loan people, the builders, and Realtors, are not in that group. So I stand here somewhat humble this morning in an attempt to tell you what we have tried to do in our own little way, in and about Washington, and about the makeup of our own governmental affairs division, the effectiveness or lack of effectiveness of the organization, and so forth.

Basically, our governmental affairs division, which is in Washington, is made up primarily of two organizations. One is the Realtors Washington Committee, which is our legislative and if you please our lobbying arm, and is headed by a very capable man by the name of Jack Williamson, whom most or some of you may know. He is our staff man there, and that is the committee of which I am the chairman. This committee is comprised of Realtors from throughout the United States. There are approximately 80 people on the committee who are picked because of their interest in politics, interest in governmental affairs, and also because of their acquaintance with some of the Senators and Representatives—particularly those Senators and Representatives who are on those committees with which we must work in order to affect legislation. I am speaking of the Senate finance committee, the House and Senate banking committees, the House housing subcommittee, and so forth. We meet four times a year in general session, at which time we receive a briefing from our secretary-counsel and his assistants as to what legislation is being proposed that affects the real estate industry across the country. It is not any surprise to you that these elements of legislation also affect the American Land Title Association and your work. Our purpose is to define the areas of interest and to attempt to provide some input into the Congress, some expert input into it, that will help them make wise and judicious decisions. I don't mean to be cynical but the longer I'm involved in this the more I recognize that making it possible, or making it desirable, for wise and judicious decisions to emanate from Congress is virtually impossible. So I have to agree with Ralph Nader that we need a session of reform. Our method of operation is quite simple. As I mentioned before, we meet, we digest the facts, we discuss it, we decide what position we think our organization in general should take. We present it to our membership. We come up with a policy decision, a policy statement, and based on this policy statement we appear before the committees of Congress and hope that they will not look upon our appearances as purely self-serving and recognize the wisdom of our position, and so forth.

The second part, and perhaps the most important part, of our governmental affairs program is a rather new organization known as REPEC, standing for the Real Estate Political Education Committee. About four or five years ago, right here in Houston, we had a doctor speak to us. Actually, he appeared

before a committee of our organization. Because of the tremendous impact he made on this committee, we asked him to appear before our entire delegate body and explain to us what the doctors were doing as far as their political activities were concerned, and to explain to us the makeup of their AMPAC, which is their political education arm. I am somewhat embarrassed to say that I can't remember his name. He was quite a speaker, and he really turned on the Realtors of America, because we at that point began our own political education committee. The purpose of the political education committee is to educate the Congressmen and Senators by providing campaign contributions, and I don't think that there is a better way of educating them than doing that. As just an example, early this year, when we were battling in the so-called settlement cost fight in Washington, there were a lot of people who were making a lot of statements relative to what they thought ought to be regulated and what they thought ought not to be regulated. Our former automobile salesman from Michigan, a man by the name of Romney, I think it is, mentioned that he thought that the real estate sales commission should be regulated. (Did you get that down, sir?) (Yes.) The gentleman here is from HUD. I don't really worry about what I say. I am a private businessman, I work on a commission. I have been investigated every year by the Internal Revenue Service and by the Labor Department and everyone else, so I don't think that there is much, that there is anything, that they can do that they have not already done. So I'll be pretty frank, perhaps more frank than some of the rest of the speakers. At any rate, it came to our attention that a certain member of Congress, the head of a certain committee, really thought—or at least indicated he thought—that the real estate sales commission should be regulated. I had always thought that this country was born and bred on free enterprise. I could not see why in a free enterprise system, where we work on the law of supply and demand, and the basic economic philosophies of the country lie in understanding the fact that high profits breed ruinous competition—which they do and do in every industry—why there was any need whatsoever in regulating the real estate sales commission. But at any rate, this statement was made, or at least we thought it had been made. Our secretary-counsel was quite put out at this. He talked with one of the aides of this individual and he said this, "You know your boss is in a fight for re-election this year; if he continues to make statements like that . . ." Actually, what he said was, "These erudite and esoteric comments emanating from the Congressman are certainly not going to create an eleemosynary attitude among the Realtors of America." Apparently, this guy knew what he was talking about. He further said, "I don't see how the Realtors of America would ever approve a \$5,000 donation to your boss's campaign if this is what he said." Later that afternoon, we were told that that wasn't what he said. We had obviously misunderstood. That sums up pretty well the method of operation of our political education committee. Our purpose is to go around to the Realtors and gather in money through direct donations for the purpose of affecting legislation. And we have to do this.

I was at French Lick, Indiana, this past weekend attending the convention of the Indiana Real Estate Association. At one of the meetings there we raised \$7,000, not in

pledges, but in checks from about 500 Realtors. Some of our members thought this was pretty good, but the week before that I was in Chicago and I happened to be watching the "Today" show when the Grand Imperial Potentate of the Shrine was being interviewed. He was telling about the Shrine hospitals across the country and about how the financial program that supports these hospitals came up \$100 million short. He explained that they requested each of the 900,000 Shriners to contribute \$100, and they got their \$100 million. If all of the people in this country who are engaged in the real estate business—the Realtors, the builders, the title people, the suppliers, and on and on—could realize and really believe that when the free enterprise system is attacked, their individual jobs are in jeopardy, then perhaps we could raise enough money to educate the legislators. All we really have to do is tell it like it is. But for some strange reason, the people who have the most to lose are the hardest to convince and certainly the hardest to get money from.

You may wonder why we must do this. Let us analyze our legislative processes. What are the sources of legislation? Why on earth did the Congress of the United States even suggest that settlement costs should be regulated? Imagine for a moment, if you will, a young lady in McLean, Virginia, who works for some powerful Senator. She goes to work in the morning and that afternoon she says to her boss, "Senator, I would like to have the afternoon off; we are going to close the deal on our new home." And so he gives her the afternoon off. She goes to the bank, or the Realtor's office, or the title company, or wherever they close deals in Washington. They close the deal on her home, and she comes back the next day and is she upset! She comes in and says, "Senator, you know what they did to me yesterday? We were supposed to close the real estate transaction, and when we got there, we had to have \$50 more than that Realtor told us we would have to have." And the Senator says, "By God, we will see to it that it won't happen again. We will regulate those real estate closing costs." (Now the gentleman from HUD laughs at \$50. Okay, that's not unusual either. They laugh at a lot more than that in Washington.)

A recent article from *Barron's* states, and I quote, "In Washington, HUD is trying to dispose of 54 low income townhouses that cost the government \$76,000 to build." That is what they laugh at in Washington and this is why we are here. This is where a lot of the input comes from for legislation. It is our job to see to it that at least some of the input for legislation comes from people who live west of the Potomac.

Unfortunately, however, when we appear before a Congressional committee our testimony seems to have very little effect on the members of Congress. They project the attitude that since we are deeply affected by the proposed legislation, we cannot be objective and every statement we make must, as a consequence, be totally self-serving. I get the impression that more credibility and wisdom is attributed to the girl from McLean, Virginia, than to someone in the industry, or worse yet, they would rather believe a sensational isolated example dug up by a columnist than to look at the broad base of facts presented by people who know the situation best.

A truly dedicated individual decides to do something for his country and he runs for

Congress. If the Congressman who had been there died or something like that, there stands a reasonable chance of someone new being elected. So he gets to Washington and he is dedicated and full of vim and vigor. After a couple of years, he gets that disease known as, "Potomac Fever". His paramount purpose in life is to become a permanent resident of Washington. He rationalizes and says, "I have got to do that which is politically expedient, because if I do not do that which is popular among the people, I won't be re-elected. If I am not re-elected, I can't help my people." This is true to a certain extent, but many of the things that must be done in this country are not necessarily popular. I think that sometimes our representatives in Congress lose sight of the fact that this is not a democracy. It is supposed to be a republic. The difference between a democracy and a republic, as I understand it, is that in a democracy the will of the people is always supposed to prevail, but, in a republic, we elect people who are supposed to be of higher intellect, and they are supposed to make judicious decisions based upon their knowledge and intelligence. If they are merely going to read the masses of letters that people send them and then act accordingly, legislation could be controlled by an extremely vocal minority who could indeed be self-serving.

Let me give you an example. Several years ago, there was considerable controversy in Indiana about the proposal to build a port along the southern shore of Lake Michigan in an area known as the Dunes. It appeared that every conservationist in the state was opposed to the port on the grounds that it would take part of an area that in their opinion should be used for recreation. Most business interests in Indiana were in favor of it. Our neighbors from Illinois, including Senator Douglas, were opposed to it. Senator Douglas thought the area would make a good park for the people of Chicago. The fact that a port in Indiana would take business away from the port in Chicago probably never entered his mind. I wanted to know what our senior Senator from Indiana thought about the project. The next time I went to Washington, I stopped at Senator Hartke's office. After the usual niceties were over, the conversation went something like this:

Hunter: "Senator, what is your view on the proposed port for Northern Indiana?"

Hartke: "It is being considered by the Senate."

Hunter: "I understand that Senator. What do you think about it?"

Hartke: "I get a lot of letters opposing it."

Hunter: "I'm not surprised, but what is your opinion?"

Hartke: "The Isaac Walton League is against it."

Hunter: "So I've heard. Senator, are you for it or against it?"

Hartke: "I don't get many letters in favor of it."

Hunter: "Do you just count the letters or do you have an opinion of your own? If you are just going to count the letters pro and con, the people of Indiana would be better off if we sent an IBM machine to Washington in your place. That would be a lot cheaper and probably more accurate."

Hartke: "What do you think?"

By this time he could tell that I was in favor

of the port because it would result in more business for all of Northern Indiana, so I told him that I thought we needed the port.

Hartke: "Well, I'll tell you what I'm going to do. I'll make a speech on the floor of the Senate opposing the port. It will be printed in the *Congressional Record* and I'll send copies to the Isaac Walton League, and then I'll vote for the port."

We both laughed, and I left. It is my understanding that he did exactly what he said he would do. But, let's get back to the subject at hand. What are the sources of legislation? Obviously, Congressional action is one of them and the other primary sources are the numerous federal agencies such as the Department of Housing and Urban Development, the Justice Department, and the Bureau of Internal Revenue. All of which, in a sense, have a tendency to legislate through their interpretations of the laws that are passed in Congress. There are times when the interpretations of these federal agencies affect the housing industry more drastically than the Congress does. For example, the Justice Department has been attacking alleged practice of standardizing fees for not only Realtors, but also lawyers and other professional groups, and yet just recently the Department of Housing and Urban Development seemed to be adamant in its desire to standardize real estate brokerage commissions even to the extent of setting a minimum brokerage fee. The two agencies should start talking to each other.

A computer needs a program. It needs input. It needs a data bank and there is also a need for a method of reviewing the results. The government certainly has the facilities for filling its data bank and the American public seems to be capable of reviewing the results. It is in the first two requirements, namely the program and the input information of legislative committees such as ours and yours, that we must function if the end results are to be satisfactory. There is a phrase in data processing known as "GIGO—garbage in, garbage out". It is true in government, just as certainly as it is true in the computer industry. You can see how important it is for the expertise of legislative committees to be made available in the institution of programs and in the providing of the proper input.

The other day before this organization, Murry Kennedy said that it would be difficult to standardize closing costs on homes. I would change but one word in that statement. I would remove the word, "difficult", and in its place insert the word, "unnecessary". The implication is that closing costs are unjustifiably high and that, as a consequence, the consumer is being taken advantage of.

We all know the importance of title insurance, abstracts, and things of this nature. If they think for a moment that a mortgage banker or any other agency or organization that is lending money is going to absorb the cost of title insurance or is going to forego the necessity of it, they are wrong. And, if I were a consumer advocate, I would much rather have the costs that I'm paying for in the purchase of a home out where I know what they are, rather than have them hide it in the interest rate or something like this. And if you gentlemen don't get back your costs and make your profits, you're going to go out of business. And then where are we going to be? How are we going to sell real

estate without title policies or abstracts? It's impossible. One of the biggest reasons we need title insurance is to protect ourselves from the federal government.

When I read about the hundreds of millions of dollars spent on such things as the Rayburn Building, when I read of the cost of some governmental programs, many of which serve no useful purpose, when I read of the almost unbelievable governmental purchases, it becomes obvious to me that it is not private businesses that need regulating, but rather it is the government itself that needs regulating.

It has long been an axiom that the price paid for participating in a governmental program is eventually governmental regulation. I listened in amazement several years ago when the Realtors of America supported a governmental program that would subsidize moderate income families in the purchase of homes. There are several things fundamentally wrong with this concept. First, the program could never have provided homes for the homeless or for indigents because the lower limit of required income was too high. Second, it provoked a gap in the housing market by subsidizing \$15,000 home buyers into the \$20,000 home market, and incidentally literally stole the equities of many families who had purchased homes in the 10 to 15 thousand dollar market several years ago, because the program lifted the best prospects for these homes into higher price homes and destroyed what I guess you might call the natural filtering process in the housing market. Finally, the program in one sense provides an incentive for members of a family to either lie about their income or reduce their income in order to qualify for a governmental subsidy.

Many Realtors apparently believed that low down payments and lower monthly payments increase business and as a consequence were self-serving in their attitude toward the subsidy program. The fact is that low down payments merely bring prospective purchasers on line a little sooner and once the initial pressure caused by the change in down payments is relieved business drops back to the previous rate. Lower monthly payments made possible through the subsidy merely raised the sales prices of new homes. This extra cost to the American taxpayer will be a millstone around our necks for years to come. The real sad part about the "235" and "236" programs is that families who truly need assistance do not qualify.

One of the basic concepts on which this country was founded was that an individual could improve his lot in life through hard work. If an individual wanted to work hard and save his money, someday he could buy a home of his own. This is not possible in Russia, but of course, there are no land title people in Russia nor are there any Realtors. Furthermore, if the government of this country continues in its attempts to provide all for everyone, there will be no land title people here, nor will there be any Realtors, nor any homeowners, nor any freedom. It is incumbent upon the membership of the American Land Title Association to get active politically, not for the purpose of being self-serving, but for the purpose of helping to preserve the American way of life by helping to provide the intellectual input to that giant computer in Washington.

In closing, I would like to tell you a short story. Every morning on my way to work, I pass a little Pentecostal church. On the front lawn of this church is a small blackboard

that serves as a directory. One morning, I saw the message on the blackboard: "If you are through with sin, come to church on Sunday." Beneath this, someone had written, "And if you are not, call 466-7356." And so it is I say to you, if you are through with this

country and with your industry, all you have to do is sit back and relax, it will go away without your doing anything. But if you are not, then get behind Mr. Warren, your president, and Mr. Hickman, your incoming president, and help them point this country in the

right direction. This is the greatest nation the world has ever seen. It has done more for more people than any nation in history and one of the greatest things about this country is that the people can give it direction if they only will. Thank you very much.

ENERGY: The Challenge Ahead

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Ladies and gentlemen of ALTA and guests, I am pleased to have this opportunity to discuss with you a subject in which every American has such a vital stake . . . the energy situation in the United States today. When I refer to energy, I am talking about all of the resources that supply the tremendous energy needs of our country: oil, natural gas, coal, nuclear and hydro power.

The United States has been blessed with a wealth of energy resources and for many years we have had available a relative abundance of reasonably priced domestic fuels. In a sense, we, and the world for that matter, have been burning our energy candle at both ends. Energy prices have not, in some instances, reflected the true cost of that particular resource. Hence, we have encouraged a growth of energy demand while not providing adequate incentives for development of additional energy supplies.

Today, however, the situation is changing. And it is changing rapidly. The choices of available fuels are becoming more limited and the U.S. is no longer self-sufficient in energy supplies.

You may have heard the current situation referred to as an "energy crisis". The word crisis conveys a picture of severe hardships or catastrophe which is not entirely accurate. I prefer to look upon the present situation as an energy problem. By the use of the word "problem", I am implying that solutions are possible, hopefully before we find ourselves in a true crisis situation.

There are really two different aspects to the nation's energy problem. The first has to do with inadequate electrical generating capacity and breakdowns in electrical transmission equipment. These problems have caused the brownouts and blackouts which have occurred in various parts of the country in the past five years or so. The second, and more basic problem, stems from the growing gap between U.S. energy demand and the availability of domestic fuel supplies.

My remarks today will deal with the latter problem, or the fuel side of the energy problem. I will begin by discussing the role of energy in our American society. Next I will review the U.S. energy outlook through the year 1985; and finally, I will discuss some of the important energy policy issues which the nation is facing today.

Energy and the Economy:

Energy is an essential ingredient in the quality of life that has been achieved by our society. The average American family, for example, consumes directly and indirectly the energy equivalent of about 30 gallons of oil per day. This is about three-quarters of a barrel of oil each day for each family. Throughout the world, social gains have been greatest, and the standard of living highest in those nations where the per capita consumption of energy has been at relatively high levels and has been increasing steadily over the years.

In comparing the per capita consumption levels of several countries with varying economic outputs and standards of living, it is apparent that there is a very good correlation between standard of living and per capita energy consumption.

There is also a direct relationship between economic growth, as measured by gross national product, and energy demand. We are currently forecasting that U.S. energy and GNP will grow at an annual rate of slightly over four per cent per year, compounded during the next 15 years. Most other forecasts are predicting energy growth rates in this same general range.

Other areas of the world should experience even higher growth rates during the same period. Demand is expected to grow at a rate of 5.4 per cent in Europe, 8.2 per cent in the Far East, spearheaded by Japan, 6.3 per cent in other areas of the free world, and 4.9 per cent in the communist world. This results in an overall growth rate of 5.4 per cent for the total world, which is higher than our projected growth rate, by quite a bit. These figures reflect the growing demands of the emerging nations, as well as other nations which are developing rapidly into major industrial powers. The numbers suggest that the U.S. will be facing stiff competition on a global basis for energy supplies in the future.

Energy Demand by Consuming Sectors:

In forecasting future energy requirements, the demand for each of the three major marketing sectors: industrial, residential-commercial, and transportation is analyzed in detail. Energy demand is usually measured in either quadrillions of British thermal units

(Btu's) or equivalent barrels of oil per day. A Btu is the amount of energy needed to raise a pound of water one degree Fahrenheit and a barrel of oil is equal to 42 gallons. Total energy demand is projected to reach over 60 million barrels per day, in equivalent energy, by 1985 . . . nearly double the consumption in 1970.

Transportation

The transportation sector accounts for about 25 per cent of the nation's energy demand. This is the energy required for automobiles, trucks, trains, airplanes and ships. I would like to digress here for a moment to illustrate what I meant when I said earlier that energy requirements for each of the sectors needs to be studied in some detail in order to come up with a forecast like this. For example, since automobiles consume about one-half the energy required by the transportation sector, it is quite important to have a good fix on the future utilization of automobiles in the United States. At the present time, there are about 85 million automobiles or passenger cars on the road. Thus, it is clear that even if there were a sudden change in automobile size, horsepower, etc., there would be only a gradual effect on the total energy consumed by this form of transportation. Our studies indicate that, during the forecast period, the number of automobiles on the road will continue to increase with the total reaching something like 125 million cars by 1985. The annual miles per car per year will also continue to increase through the 1970's. Unfortunately, the average miles per gallon will decrease, even though cars and engines will be somewhat smaller. This increased fuel consumption will result primarily from the addition of improved emission control systems. To a lesser extent, more fuel will be required for increased usage of accessory equipment, such as air conditioning, power steering, power brakes, and all the extras we like to have on our cars. The net result is that we forecast gasoline consumed by passenger cars will increase from about 4.5 million barrels per day, today, to around 7.5 million barrels per day by 1985.

As a result of this and other factors, the transportation sector will maintain its approximate one-quarter share of the total

U.S. energy demand.

Residential-Commercial and Industrial

The residential-commercial and industrial sectors currently account for about 30 and 45 per cent of total demand, respectively. The energy requirements of both of these sectors are increasing and each sector's share of the 1985 demand will remain essentially the same as it is now.

Energy Demand by Fuel Source:

I would like to emphasize that this forecast of future energy demand assumes a continuation of present governmental policies and general economic conditions. Significant changes in either one of these factors could have an effect on the roles played by the various fuels particularly toward the end of the forecast period. Let's turn our attention now to how the total energy demand might be met in the future.

Nuclear

We are forecasting that nuclear power will experience extremely rapid growth and capture 11 per cent of the total energy market by 1985, compared with an almost insignificant percentage today. This tremendous growth rate is based on installing one 1000 megawatt power plant every other week in the 1980's. To place this in perspective, it is like adding an equivalent of two Hoover dams per month to the nation's generating capacity. In making the forecast, we assume that fabrication delays and environmental problems can and will be resolved during this time period.

Hydroelectric, Geothermal and Coal

Hydroelectric and geothermal power contribute a very small amount of the total. We see a resurgence in coal. This is our most plentiful natural resource aside from uranium. Coal's share of the total demand is forecast to increase from 18 per cent today, to 21 per cent by 1985.

Natural Gas

On the other hand natural gas' share of total energy demand will be declining rather sharply from one-third today to about one-fifth by 1985. As you all know, gas is a very desirable fuel because of its clean burning properties. However, since the 1950's the Federal Power Commission has controlled the wellhead price of gas sold in interstate commerce. And this price has been controlled at levels substantially below the price of alternate fuels. This low price has stimulated demand and has also discouraged exploration for new supplies. So, as of today, we find ourselves in a gas shortage situation where adequate supplies are not available to people who would like to have new gas service. The present customers will continue to be served. In fact, I think you may have read in your local newspapers, especially in the upper midwest and the east coast, that a number of customers have been turned down by some distributors. The Washington Gas Light Company which serves the nation's capitol came out in March and said that they would be unable to serve additional customers all the way down to single family residences. They just didn't have the natural gas supplies.

Synthetics

Turning our attention to synthetic fuels, the task of arriving at viable methods of

converting solid fuel resources such as coal and oil shale into synthetic hydrocarbon liquids and gas has occupied the attention of both government and industry for a number of years. The contribution of these fuels to total demand is expected to be about two per cent by 1985.

Many of us can remember the old gas plants which used to make low Btu producer gas from coal, particularly in the east and midwest. This was before natural gas was available nationwide. Well, we have come full cycle now. We are talking about doing the same thing again on a massive scale. There have been several full scale coal gasification projects announced recently, based on essentially the same technology. However, this time they will be increasing the thermal content of the gas so that it will be compatible with the natural gas that is flowing through the nation's pipelines. If these projects move ahead as planned, some gas made from coal will be available later in this decade.

Oil

The balance of the total energy demand is supplied currently by oil which accounts for about 45 per cent of our total energy needs. Oil is expected to maintain essentially this same share through the forecast period.

U.S. Petroleum Supply:

Since oil plays such an important role in meeting our energy demands, I would like to take a closer look at where future supplies may come from. Domestic production has supplied roughly 80 per cent of our needs throughout the past 12 years. Also, during this period a substantial amount of spare crude oil producing capacity was available in the United States to meet emergency needs. That spare capacity is now gone. Since April of this year, domestic oil production has been running essentially at full capacity. At least for some years to come the country will be dependent upon imported oil to meet its rapidly growing demand.

What we are saying is that from this point on essentially all the growth of demand will be met by foreign supplies. I might add that this forecast assumes that the problems surrounding the proposed construction of the trans-Alaskan pipeline will be solved. Hopefully, this oil will begin flowing to the lower 48 states in the late 1970's. And by 1980 we hope that the North Slope oil production will be two million barrels per day.

The reasons for the U.S. production leveling off are similar to those causing the natural gas situation. The other factor, that I didn't mention before, is that we have used up much of our reserves of easily accessible crude oil. As we move into the frontier areas, such as the deep water offshore, the Arctic, and deeper inland wells, the cost of finding and developing petroleum supplies has risen rather sharply. The price of crude oil has not kept pace with these increasing costs. Increased taxes have further reduced economic incentive for domestic petroleum development. Also, a very crucial problem, and one to be resolved in Washington, is that there has been a slowdown in recent years of the leasing of federal offshore lands for oil and gas exploration because of environmental concerns. These lands contain some of the most promising areas for discovery of new oil and gas reserves.

We are forecasting by 1985 that about 60 per cent of our total petroleum supplies may come from foreign sources. Essentially, all

our growth in imports will come from member nations of the Organization of Petroleum Exporting Countries, which is known as OPEC.

The nations making up OPEC are Abu Dhabi, Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and Venezuela. Most of these nations are located in the Middle East and Africa. In terms of bargaining power, the OPEC countries control about 80 per cent of the free world oil reserves, while the United States and Canada control less than 10 per cent of these reserves. The OPEC countries have already demonstrated their ability to use this bargaining power. Since early in 1969, the posted price of foreign crude oil has increased in the neighborhood of 40 to 50 per cent. The posted price of domestic crude oil during the same period, has gone up about 15 per cent. The magnitude of future price increases is uncertain, of course, but the fact remains that the gap between foreign and domestic crude prices has narrowed quite drastically.

The United States growing dependence on these OPEC reserves places us in direct competition with the European countries and Japan. Europe and Japan are already highly dependent on imported oil as nearly 100 per cent of Japan's supply and 60 per cent of Europe's supply comes from imports.

The increasing dependence of the consuming nations on foreign oil supplies will likely create a significant realignment of economic and political interests among the countries of the free world. On one side, we have the consuming nations who will have little choice but to make up the short fall between their total demand and their domestic supply with foreign oil purchased from OPEC countries. On the other side, we have the OPEC nations, fully aware of their position of power, and intensely interested in maximizing the benefits from their position. And outside, and this is significant, outside of this producer-consumer relationship we find Russia. Russia is the only major world power which will be self-sufficient in energy resources during the forecast period.

It is clear from this developing situation that the patterns of energy supply will be different from those in the past. Just how different depends upon a number of factors. We are quite hopeful that through good faith negotiations with the OPEC countries the international oil companies will be able to continue to work out satisfactory arrangements with the producing countries.

Energy Outlook:

You will recall I mentioned at the outset that the forecasts presented were based on the assumed continuation of present government policies and economic conditions. There is still time to affect the outcome of these various forecasts by altering our policies and providing a more favorable climate for the development of our indigenous energy resources.

Fortunately, there are some encouraging signs that the winds are now shifting a bit. The problem is being recognized by a number of industries, and certain government and industry leaders, and now we are seeing changes. There have been a large number of energy studies conducted in the past two or three years, and the results of these studies are having an impact in the Congress. These studies have helped to turn the spotlight on the energy situation and now the public is also beginning to come alive on this issue.

The problems are moving off the oil pages and onto the editorial pages and front pages of the newspapers.

We are saying that the country needs to develop a coordinated approach to the energy problem, guided by coherent energy policies. The primary objective of these policies should be to assure the development of adequate energy supplies to meet the nation's needs both now and in the future, consistent with the achievement of national goals for economic growth, environmental protection, and national security.

In developing energy policies, five areas deserve special attention. These areas are economic incentives, environmental protection, land use, oil imports, and energy efficiency.

Economic Incentives

In the category of economic incentives, it has been quite obvious that the cost of providing future energy supplies is going to go up. As I mentioned earlier, oil and gas costs are increasing as the search for these fuels moves into more hostile areas, such as the offshore waters, and the Arctic. Increasing public demand for environmental protection, which is very important, is also adding to the cost of both producing and consuming our energy fuels. New energy sources, such as synthetic oil and gas from coal will cost considerably more than current supplies.

It is essential that fuel prices be allowed to keep pace with rising costs in order to provide adequate supplies. Also, we feel that federal regulation of natural gas prices should be removed as soon as possible and the free market should be allowed to work to bring out additional supplies and adjust supply and demand.

Almost invariably, however, any attempts to increase fuel prices are vigorously attacked. For example, the Federal Power Commission has been strongly criticized by some consumer groups and some congressional spokesmen for recently allowing some long overdue increases in natural gas prices. These protests persist even though the new prices are still well below parity with other fuels. The irony of this particular situation is that the artificially restrained prices on domestic gas have retarded development of these supplies. So what has happened is that the utility and transmission industry has had to look for imported LNG from Algeria and other eastern hemisphere sources and other gas supplements. All of these supplements will cost several times as much as the current price for natural gas. So, we have a situation similar to one you run into at the supermarket. Something is a very great bargain but they are all sold out, and this is the problem we are facing in natural gas. We do

feel that with some form of decontrol the supply/demand outlook for gas can move toward a more balanced situation.

Environmental Protection

In the environmental protection area, the considerations for environmental protection must play an integral role in future U.S. energy development. However, protection of the environment must be kept in perspective. It is certainly not the only goal our society seeks today. So the environmental problems which are delaying the development of vital energy resources, such as the oil in Alaska, must be resolved with a reasoned, balanced approach.

Land Use

In the area of land use, as Mr. Hunter pointed out, land use planning and management is rapidly becoming an important public issue; one with which most of you are directly involved. It is relatively easy for the public to see how land use management can effect housing and recreational activities, etc. It may be somewhat less obvious that land use policies can also have a critical effect upon the development, transportation, and utilization of the nation's energy resources. In fact, there is strong pressure in many sections of the country to prohibit completely the construction of power plants, oil refineries, terminals and other heavy industrial plants. The state of Delaware, for example, recently passed a law prohibiting construction of any industrial facilities or unloading terminals in their coastal zone. So, what we have now is a situation developing along the east coast where it is becoming more and more difficult to move energy across the coastal zone in an area in which there is rapidly increasing energy demands and essentially no indigenous energy supply. In addition, there have been public protests against allowing exploration for oil and gas off the east coast. This oil and gas, if discovered, could help to provide that area with a close and secure source of energy.

Oil Imports

In 1959, President Eisenhower became convinced that low-priced foreign imports were weakening the domestic industry to the point of threatening national security. As a result the oil import program was established, and basically, this program provides incentives for the development of domestic energy resources by preventing uncontrolled imports into the United States. The oil imports policy question is extremely complex and it is becoming more so as time goes on. The program will continue to undergo changes as our dependence on import grows.

While these changes are both necessary and desirable, it is essential that the basic objectives of this program be retained. Over dependence of any major segment of energy consumers on foreign imports should be avoided if possible.

Energy Efficiency

Energy efficiency is a new area which is evolving and emerging rapidly. Efficient energy use should be promoted obviously. The energy industry and government should exercise positive leadership by inviting all American users of energy to conserve these valuable domestic resources through wise use, application of more advanced technology and elimination of waste.

I think it is interesting that only about half of the total energy consumed in this country is converted into useful work. The remaining half is lost in the form of waste heat. While we certainly cannot achieve 100 per cent conversion, there is a tremendous technological challenge for finding new methods of recovering portions of this wasted energy.

Conclusion

In conclusion, let me make a few statements on what we might expect in the future as far as energy is concerned. Over the next five to ten years, American consumers are going to face some inconveniences in the form of limitations in the types of energy fuels available for their use. For example, I have mentioned earlier that certain consumers who may prefer to use natural gas will be obliged to use other fuels to meet their needs in the future. These inconveniences will result from trends already set in motion by environmental and economic pressures which cannot be reversed within this time period. In the short term, we have no alternative but to become increasingly dependent on imported oil and gas.

In the long run, that is beyond the next five or 10 years, these trends can be altered. But as a nation, we need to take certain actions and we need to take them now. We must accelerate the development of domestic oil, gas, coal and nuclear power to meet the needs of the next decade. And we must complete the technology for synthetic fuels production and nuclear breeder reactors which will be needed in the latter part of the century. And we also need to press our research efforts for new non-mineral energy sources, such as nuclear fusion and solar power for the 21st century. If these goals are achieved, the United States and the rest of the world will look forward to continuing progress through the effective use of energy. Thank you.

HUD Settlement Cost Regulation

Dale A. Whitman

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Ladies and gentlemen: It is a pleasure to be with you this morning to discuss the work of your industry as it relates to the settlement costs paid by the buyers of homes in this country. I appreciate your hospitality in inviting me to be with you here in Houston, and I hope communication will result which will be helpful to HUD as well as to you.

I would like to begin by giving you a brief review of the background of the federal government's role in controlling settlement costs. Then I will mention the important events of the last few weeks and try to give you some informed comments on future prospects for the government's role.

In August, 1969, the Commission on Mortgage Interest Rates, in its report to the President and the Congress, expressed concern with closing costs and suggested that HUD and VA make a joint study to recommend steps for reducing and standardizing these costs. In 1970 the Ad Hoc Committee on Home Financing Practices and Abuses, chaired by Mrs. Leonor K. Sullivan of Missouri, expressed similar concern about title searches and settlements in the District of Columbia. As a result of these and other expressions of interest, the Congress enacted Section 701 of the Emergency Home Finance Act of 1970. This legislation directed HUD and the Veterans Administration to do two things. First, we were to undertake a joint study and make recommendations to Congress with respect to legislative and administrative actions which should be taken to reduce and standardize settlement costs. This study was completed in January, 1972, and I am sure that most of you are familiar with it. It is a thorough and excellent piece of work, and I make that statement objectively, since I was not involved in its writing. The report carefully analyzes the elements which make up settlement costs and makes a number of perceptive observations about the ways in which these costs might be reduced.

The other portion of Section 701 of the Emergency Home Finance Act is the language under which HUD's proposed regulatory action has been taken. There has been a good deal of misunderstanding about the meaning of this language, and I would like to analyze it carefully with you in order to make the record clear. The Congressional language not only authorizes, but *directs* HUD and the VA to "prescribe standards governing the amounts of settlement costs allowable in connection with" . . . the financing of FHA and VA housing. This language instructs us to do exactly what we have done—that is, to propose maximum settlement charges that may be made for various services in connection with the sale of houses to be financed with FHA and VA loans. Please notice that the language says we are to "prescribe standards governing" the settlement costs. Although some have suggested that these "standards" should be merely advisory and not mandatory, it is obvious that unless the standards are made binding, they will not

govern anything. Moreover, the statute refers to the standards as governing the costs "*allowable*", which plainly suggests that costs above the standards we might set would be disallowed. Thus, we think that our procedure of proposing maximum charges is fully justified by the legislative mandate.

In order to respond to these instructions from Congress, we were faced with the problem of developing a method of setting standards for (in the statute's words) "reasonable charges for necessary services". Since this procedure is an important part of our program, and since it has not been widely understood, I would like to explain it in some detail. We began by making a survey of all FHA and VA loans closed in the United States during the month of March, 1971. We obtained data on all items of settlement charges made in connection with these loans. We took a stratified sample of the nationwide data from this survey and analyzed it to determine what charges were actually being made for various settlement services in each state and in each area of each state in the nation. Our report to the Congress, which you may have studied, contains summaries of the results of this part of our analysis.

But learning about *actual* charges was not enough; we had to establish standards for *reasonable* charges. In order to do this for the items about which you are most concerned—title examination, title insurance, and settlement fees—we attempted to identify those states in the country where these charges were lower than we would expect to find in light of the laws, methods, and customs in use. After studying the data, we were able to identify 14 states in which costs were lower than we would have expected to find after taking these factors into account. Please note that these were not necessarily the 14 states where absolute settlement costs were lowest. On the contrary, these states represented a rather wide range of absolute costs and also a wide range of methods of title assurance—personal search, abstracting, personal search plus title insurance, abstracting plus title insurance, and title insurance alone. These were states which, considering the laws and methods of title assurance in use there, appear to have reasonable costs. These states became the basis for our procedure to establish maximums.

We took the basic cost data from these 14 states and *adjusted* it for various factors to reflect conditions in other parts of the nation. Adjustments were made for such factors as the complexity of the laws affecting title, prevailing wage rates, and other economic factors. For example, by adjusting this basic data for the economic and legal conditions which exist in Washington, D.C., we were able to make a prediction about what reasonable charges should be for settlement services in the Washington area. We performed these adjustments, not only for Washington, but also for a number of other areas around the country where costs ap-

peared to be quite high. The results confirmed our beliefs that charges in these areas were excessive. In some cases actual charges were very far above the level which our computations predicted, even after taking into account the relevant legal and economic differences.

These computations were used as the basis for proposed maximum charges for a number of metropolitan areas where costs appeared to be too high. We then obtained the comments of FHA and VA field office directors, their staffs, and in some cases members of affected industries, before settling on proposed maximum charges for six metropolitan areas. On July 4, 1972, we published in the *Federal Register* a proposed regulation setting forth these proposed maximums. On August 26, the Veterans Administration published a set of regulations which were quite similar to HUD's, with such changes as were necessary to fit the VA's overall regulatory framework.

The response to our proposed regulation has been impressive, at least in terms of quantity. We have received thus far about 800 letters. Roughly 95 per cent of these were written by suppliers of real estate settlement services, and nearly all of them oppose the regulation. Attorneys have been the most frequent commenters, with title companies in second place and surveyors, escrow companies, and others trailing behind. The most frequent criticism, as might be expected, is that the rates suggested by the proposed regulation are inadequate to permit the firms involved to remain in business at a profit.

If you agree with these comments, I hope you will tell us what the charges should be. I can assure you that we will review the comments very diligently. Unfortunately, many of the comments received to date are not very helpful in providing us with specific data indicating that revisions in the maximums are needed. Please bear in mind that the regulation we published is a *proposal*. It is not final, and is certainly open for alteration to the extent that the evidence objectively shows a need for change.

Perhaps this is a good point for me to suggest to you some of the goals which HUD has in mind in adopting these regulations, and to allay some fears about results which HUD does *not* intend to cause. First, let me assure you that we do not intend to dry up FHA financing, or to drive lending institutions away from the FHA market.

On the contrary, our goal is to create an FHA financing system which will function well and which will protect the consumer while still allowing the providers of title-related settlement services to earn a fair profit for their work. The future role of FHA is certainly an important issue, and one which is under active consideration in the Department, but it is plain that its role will continue to be an important factor in the nation's residential lending picture.

Let me state in positive terms some of the goals we are seeking in this regulation. The

Congress, in the 1970 law, stated that home buyers should pay reasonable prices for necessary services. We want to eliminate unnecessary services and unnecessary payments. Everyone familiar with the title industry recognizes that a great many payments are made to persons who provide no service at all. Sometimes these payments are called "kickbacks", "referral fees", or by other euphemisms. They constitute a tremendous burden on home buyers, because they greatly inflate the cost of legitimate and necessary settlement services. I suspect that most of you would also prefer to eliminate these payments, but find yourselves unable to do so and still remain competitive. We believe that your industry and HUD can work together to squeeze these unnecessary payments out of the title business.

Surveys are another example of settlement services which are frequently unnecessary. I would estimate that in roughly 90 per cent of all single-family residential transactions, an actual survey is unnecessary, and a rather simple inspection of the property, perhaps performed by the lending institution's appraiser, would suffice equally well. Yet in many areas of the nation surveys are routinely required, and their cost charged to home buyers—although in some cases no actual survey is made. Although it may seem remarkable to some of you, there are a number of areas where title policies continue to carry an exception for matters of survey in spite of the fact that a survey has been made available to the title insurer. Since the typical home

buyer can hardly be expected to read and understand the details of the fine print in his title insurance policy (even if he had an opportunity to review it prior to the closing, which he generally does not) the result is that he assumes he is covered for survey matters—a result which might even be considered a fraud on the consumer.

Under the present system of title transfer in this country, the consumer has the primary incentive to reduce the inefficiencies which prevail. Thus far, the consumer has been impotent, but he is beginning to make his voice heard. As you may know, the Housing bill reported out by the House Banking and Currency Committee on September 21 would have repealed HUD's authority to set maximum settlement costs. However, the House Rules Committee determined not to report the bill to the House floor, and it appears that the House bill cannot be enacted in this session. HUD's authority is therefore intact at this time, and we will continue to receive and evaluate comments on our regulation until October 15, or beyond that date if Congress has not then adjourned. When we complete our evaluation of the comments, the Secretary will make a decision concerning the next step in HUD's efforts to reduce costs to a reasonable level. The influence of the consumer is being felt, and will continue to grow.

Let me caution you that the title industry as we know it in America today is not inevitable. It was not created by any decree

from on high and there are many industrialized nations which operate quite efficiently with no counterpart to American title insurance. Whether you can retain your position in the long run depends on your willingness and ability to meet the needs of consumers. Let me suggest five ways in which you can increase your ability to serve the home buying public.

First, many of you use policy forms which offer protection far below that which ought to be available to home buyers and lenders. The 1970 ALTA standard forms provide models which are, in my judgment, quite good, but many of you continue to use older forms or to add exceptions for survey matters (even when surveys are available to you), for mechanics' liens, for rights of access, and for other matters which home buyers need protection against. Consumers are becoming increasingly aware of the lapses in the protection offered by title insurance policies they buy, and they are going to demand that those lapses be corrected. After all, if you are to act as insurance companies, you must take some risks. The risk premiums you typically charge can easily justify your assumption of these additional matters, in order to provide policies which give comprehensive protection. It is all too common for lenders' policies to delete exceptions while owners' policies retain them. The traditional exceptions for zoning and eminent domain should be deleted from both lenders' and owners' policies,

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Perspective: Pass-Through Securities

William A. Wildhack

*Director, Mortgage-Backed Securities Division
Government National Mortgage Association, Washington, D.C.*

I do have an understanding of why a number of people are not here and are probably sunning themselves or taking a nap. The city of Houston is an exciting place, and to hear the people of Texas, but more particularly of Houston express the enthusiasm they have for their state and community, is not unlike my situation.

I am here to extoll the virtues of mortgage-backed securities to you. Many of you may well know of mortgage-backed securities. The American Land Title Association and the mortgage-backed securities program have some ties that go back to the genesis of our program. Incidentally, I might point out that the mortgage-backed securities program in general is not really a new concept. As Frank Harney from Metropolitan Life pointed out, the mortgage-backed security concept is one which his company used in the early 60's, and in fact goes back further than that.

When GNMA, the Government National Mortgage Association, decided to commence a mortgage-backed securities program, as authorized by the Housing Act of '68, GNMA chose as the original director for the Office of Mortgage Backed Securities a gentleman who I had the pleasure of working

very closely with, a man named Austin Frum, who was pirated from Jackson, Gray and Laskey in Washington. I guess that's the reason it has taken two and a half years to get to talk to the title companies. Your chief counsel was not too enthusiastic about what we had done.

GNMA, as an entity unto itself was created by the 1968 Housing Act. It is the successor within the federal government to the Federal National Mortgage Association. FNMA had a problem, in terms of the accounting techniques of the federal government. Everytime FNMA bought a mortgage, it counted as a cash outlay against the budget. As you may know, the federal government does not have a balance sheet, it only has what amounts to a profit and loss statement, so that every time a mortgage was purchased it counted as a cash outlay, without a corresponding increase in the asset side of the balance statement, inasmuch as there was no balance statement.

In order to rid the federal government of this little problem of several billion dollars of potential cash outlay, FNMA was spun off into a private corporation, and the government functions were left with the newly

created Government National Mortgage Association, known as GNMA. Since that time of spin-off, GNMA has devised a couple of ways of maximizing the expenditures which it was left to make.

One of these ways, and perhaps one of the better known ways, is what is known as the tandom plans, under which GNMA buys mortgages at a price, an artificially high price in many instances, and then sells the mortgage at a market price, either to FNMA or to any other mortgagee. The tandom plan has provided, in times when money was beginning to get expensive and tight, a very good source of stimulation for the mortgage market.

Also included in the authorization in the Housing Act of '68 was provision for the creation of a mortgage-backed security program. Now as I mention mortgage-backed securities are an old concept. My grandfather bought a hotel in Indianapolis, by buying up a bunch of mortgage-backed securities during the depression; and Metropolitan created what amounted to a mortgage-backed security during the 60's. The new dimension to the concept of mortgage-backed securities was provided by the application of a federal

government full faith and credit guarantee to securities based on and backed by mortgages. The system works fairly simply:

A mortgagee creates or buys a group of FHA, VA or Farmers Home Administration mortgages, takes the documentation to a custodian—that documentation of course including title policies—and the custodian instructs GNMA that proper documentation has been received. At that point, the issuer of the securities, the mortgagee, provides GNMA with a listing of the holders of the securities, those parties to whom the securities are to be issued.

The sales of securities have been accomplished, both through direct placement from the mortgagee, but more predominately through the investment banking fraternity on Wall Street, I would judge that probably 85 per cent of the securities sold have been sold through Wall Street. At the present time, about 5.3 billion dollars in securities have been marketed over the past two and a half years. At this point in time, the greatest competition that mortgage-backed securities on a new origination have is the active secondary market which prevails in mortgage-backed securities. Right now I would guess that something in the area of three hundred million dollars worth of mortgage-backed securities is traded on the secondary market, monthly. This secondary market is a key to some aspects of mortgage-backed securities which we'll get into later.

One of the real features that is an attraction to a mortgage issuer is the retention of the servicing of mortgage-backed security. It is no longer a possibility that an investor can withdraw servicing without cause, or with cause, on a mortgage-backed security. GNMA does have regulations as far as the ability and the conduct of servicing by an issuer, but those standards are not affected by the desire of a Bowery Savings Bank to get into the mortgage loan business itself, as an example.

This servicing, as long as it is done according to the standards of the mortgage banking industry, is secure, a feature that mortgage bankers have not found in the past. In terms of the holders of mortgage-backed securities, this security is a unique thing. First of all, it provides for the purchaser of a mortgage backed security a great deal of simplification. There is no longer the requirement that one must have on hand, in file, mortgages, notes, surveys, title insurance policies. It is no longer necessary to make inspection trips to Hawaii in the wintertime. All of these things which were great burdens to the investors in mortgages have been eliminated. But of course the greatest feature of mortgage-backed securities in the eyes of most of the investors is the liquidity which is available by having a government security and being able to market it at any time.

The secondary market of roughly 300 million a month, speaks to this point. I would guess that you have 300 million dollars worth of secondary sales, truly secondary sales, of mortgages a year, that that is a spectacular year in the secondary mortgage market. But other funny things can be done with this strange thing that we have developed.

For instance if you are a bank, a mortgage-backed security this morning can be considered, for portfolio purposes, as a mortgage, and if you find that you have a need to shift that mortgage-backed security, that same instrument, can be transferred on your balance sheet from a mortgage investment to a government security investment. So this

kind of chameleon like quality has added an entirely new dimension to a number of portfolios. The use of this mortgage-backed security as a collateral instrument is far more acceptable than the mortgage instrument. In addition to the ability to liquidate it, to use it in different ways in your portfolio, the acceptability as collateral at a bank is becoming increasingly important as the interest rates on short term borrowing goes up.

One of the things which was a difficult thing to overcome about a mortgage-backed security is, that it has a very strange cash flow. The modified pass through security is that security which is most often issued. It guarantees principle and interest, whether or not received on the underlying mortgages. This means that if payments do not come in to the mortgage servicer, that they nevertheless be passed through to the holders of the security.

Any prepayments received must be passed through to the holders of the securities. This has created a kind of cash flow that bond buyers simply were not familiar with and were not used to handling. Some people went back into history and they made some very interesting observations. Had they had mortgage-backed securities in their portfolio over the last 20 years or 30 years, the net yield on their portfolio, by virtue of the cash flow off of mortgage-backed securities, and the opportunity to re-invest at current rates, would have brought their portfolio yields up enormously.

Cash flow which originally was envisioned as a burden to the holders of securities, is now envisioned by many as a blessing. Now one of the major reasons for mortgage-backed security to be originated in the first place, it was the hope that a greater sector of the total financial community would be able to buy this security versus mortgages. This has been largely true, but not to the extent that some would have liked.

I would point out that in terms of dollars even the most optimistic estimates, have been exceeded by new sources of money into the mortgage industry. The fact that we have 5.3 billion dollars in outstanding securities, with roughly 25 to 30 per cent of these securities being held by non-traditional mortgage investors, brings us to about a 1.6 billion dollar investment by the non-traditional sources, which doesn't sound like a whole lot, except for the fact that the original estimates for the size of the total issues at this point was in the area of 1.5 billion dollars by the time the program was a year and a half old. So in terms of dollars, we have been successful in terms of getting new money into the industry. I think the main reason that mortgage-backed securities are successful is that it is a better product; it is the way that mortgages can most effectively be marketed, both from the purchaser's point of view and from the issuer's point of view.

Now the yield on mortgage-backed securities at the present time is about 25 basis points less than the book says the yield is going to be on mortgages purchased at an acceptable price. I would point out that there is a good deal of dissimilarity between mortgages and mortgage-backed securities.

If you are a holder of mortgage-backed securities you do not in any way share in the losses which occur because of unreimbursed foreclosure expenses. You receive your payments the fifteenth of every month, that being the equivalent of the principle and interest which is due on the mortgages on the first of the month. Now that's an over-

simplification, but let me simply say that the 25 basis points between mortgages and mortgage-backed securities are more than deserved. In fact, I would suspect that the deserved disparity between the yield book readings on probable yield on mortgages as opposed to mortgage-backed securities should be widened, and I suspect that they will be when the virtues of marketability, etc., are fully understood and appreciated.

We're getting into some interesting situations as far as ranges of maturity at this point. The mortgage-backed security started off basically as pools of mortgages, 30 year FHA and VA mortgages, which had correspondingly a 30 year maturity on the securities. Since the time the program was originated, we have branched into securities based on and backed by 40 year multi-family loans, 25 year hospital loans.

Just by way of interest as far as 242 hospital loans are concerned.

Since the time that we announced the program for mortgage-backed securities backed by hospital loans, the FHA has issued and had initial endorsement on, I believe, six FHA 242 loans, and five of them had mortgage-backed securities. Now the virtue of mortgage-backed securities as it applies to the larger loans is a very distinct one. You are able to divide up a large loan among a number of smaller holders, without having the cumbersome participation agreements, etc., that are involved in a whole loan. Additionally, you don't have to have an FHA approved mortgagee as a purchaser of the loan. It can be anybody, any financial institution, anybody at all including individuals. There have been a number of individuals who have participated in the mortgage-backed security program, roughly 1 per cent. One per cent of 5.3 billion dollars is a good deal of money.

The other day we had in Puerto Rico a purchase of about 3 million dollars in mortgage-backed securities by one family.

In addition to hospital loans of 25 years, we are now embarking on a program of mobile home loans, using 15 and 20 year FHA title one loans.

In addition to these maturities, as a mortgage-backed security gets older its maturity obviously comes down. So 15 years out those original 30 year maturities are going to have a 15 year maturity, so you are getting into all sorts of variations on ranges of maturity and anticipated cash flows. Of course the mortgage-backed security and its chameleon like qualities are attributable to the full faith and credit guarantee attached to these securities.

Now full faith and credit guarantee is something that you should understand. A full faith and credit guarantee means that, in a practicable example, if you as a holder of mortgage-backed securities do not get your payment on the fifteenth of the month, you get hold of the Government National Mortgage Association—not me, somebody else there please—and tell them you haven't got your payment. You might very well get a Treasury check immediately, to give you the payment you have coming your way.

We have direct borrowing authority with the United States Treasury, as opposed to the many other kinds of government obligations. If there actually is a default on some other types of securities, that default would have to be covered by an appropriation from Congress, and that is not the case here. This is the equivalent of having a United States government security, with all of the direct

obligation features that are available on the best quality security.

The largest purchasers of mortgage-backed securities are savings and loans, who simply wish to make life easy for themselves, understandably so, by buying mortgage-backed securities to fulfill their mortgage purchased obligations.

They are the one type of institution that does not have the opportunity, as far as the federal bank board is concerned, to call this a security. They must call it a mortgage investment, and interestingly, for some strange reason, a conventional loan investment. All other institutions, and also savings and loans in terms of their IRS status, treat this as a participation in a real estate loan and treat the income in the same way, including writing off discounts or premiums in the same manner as they do a mortgage purchase. But as I indicated, while they are writing off the discount as they would a mortgage purchase, it may very well be over in the government bond section of their portfolio.

One of the things that started out with mortgage-backed securities has been tailored packages. Let's say that the southern California carpenters union decides that their pension fund should make an investment in mortgages, but doesn't want to get involved in the actual purchase of mortgages. They buy a mortgage-backed security, but they require that all of the mortgages in that mortgage-backed security, backing that mortgage-backed security, be of union construction in southern California. It's possible to do it this way. Provided the union is willing to pay a good enough price to have this kind of a mortgage-backed security pull tailored on their behalf, then it will be done.

One of the things that mortgage-backed security and mortgages in general have not either been in the position to talk about much, or for lack of accurate information have really not gotten into, is what is known as semi-annual bond equivalency. Now semi-annual bond equivalency simply comes down to this: a mortgage which has a nominal 7 per cent, or in the case of mortgage-backed

it would be 6½ per cent. Nominal face rate does not give the investor the same yield as a bond, which is purchased with a nominal face rate of the same amount. Because of the monthly flow of principle and interest to the investor, the mortgage-backed security investment has a semi-annual bond equivalent yield, some seven to 12 basis points higher than the bond. Now that is an over-simplification, because the two instruments really aren't the same, but the thing that is important about it is that here we have a mortgage-backed security which bears the full faith and credit of the federal government, paying monthly payments of principle and interest, offering the marketability, the bankability, the liquidity features, which a bond does not and in fact, on an equivalent basis, it gives a higher yield than the nominal face rates. It's going to take a great deal of selling to get this kind of a point across to traditional investors.

One of the interesting things that's been done by some issuers of mortgage-backed securities, principally savings and loans and savings banks, is that they have been issuing mortgage-backed securities and holding them in their own name.

Now what this allows them to do is to shift from their borrowing situation, if there actually is a borrowing situation, with their local friendly neighborhood bank, from mortgage borrowing to government security borrowing rates. Now incidentally, banks can use mortgage-backed security as collateral at the discount window and borrow at exactly the same rate as any other government security, and so it's very advantageous portfolio-wise for a bank to hold either their own or others' mortgage-backed securities.

Let's say that in a time such as today, holding mortgage-backed securities as both the issuer and holder doesn't seem like the best thing to do even though you've got a bunch of them that you are holding. You have the opportunity, if you are the issuer and the holder, to in effect call off the whole deal, to discontinue the backing of this mortgage-backed security by the mortgages, free the mortgages for, let's say, sale as whole

loans to someone who is willing to take you out of them at a price that seems right for mortgages, not mortgage-backed securities.

Now in the process of holding these mortgage-backed securities in the issuer's name, many of the issuers have discovered that prices move, and they are able to get out of them at a much more advantageous price. Immediate delivery prices, according to Wall Street, are a quarter to an eighth of 1 per cent better than each month out. In other words if you wanted to make a delivery today, your price might be X, and if you wanted to make your delivery three months from now, they would discount today's price by roughly three-eighths, an eighth for each month into the future. We're getting into some interesting pricing situations too on mortgage-backed securities.

Very shortly, the Chicago Board of Trade will announce a futures market for mortgage-backed securities. We have some fear about entering into a futures market. It's a little bit like soybeans and plywood and pork bellies and things like that, and we kind of hate to get mixed up with these kinds of connotations, but it's probably going to be the best thing for the mortgage market to have a really established futures market.

Right now there is a very well established futures market in mortgage-backed securities through each of the investment banking firms, so we have come a long way in two and a half years. We're not into construction loans with full faith and credit guaranteed securities. The point we are principally interested in making to you and to everyone else is that perhaps we are looking at it too subjectively, but we see the mortgage marketing methods changing enormously. We've really entered a new phase as far as mortgage marketing is concerned, where it is done not with whole loans, but with securities based on and backed by those loans. We're very excited about it; we think that you as part of the established mortgage system should be too, and we're most happy to have your suggestions and to give you information that could aid you in helping us develop that system to its highest point. Thank you.

Real Estate, The Economy, and The Future

Julio S. Laguarda

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Thank you President Warren. The first thing I would like to do is apologize for not taking the opportunity of participating with all of you people in your activities in the convention that you've had here in our city for the past several days. Unfortunately we had an executive committee meeting and finance committee meeting of the Brokers Institute in Chicago on Monday and Tuesday, which required my being out of the city, so neither my wife nor I were able to accept your hospitality, so we apologize to you.

When asked several months ago by Mr.

Garrity and Mr. McAuliffe to speak before you on real estate and the economy and to somewhat look into the future, I expressed to both of these gentlemen that I was neither an economist nor a fortune teller, and therefore being only a practicing Realtor, would do my best to answer the call and to give you my thoughts as to real estate in the future. Well they expressed to me that they wanted some down-to-earth stubby little fellow from Houston to come before you and give you a local approach to this problem, and they also expressed to me that they would put me on

last, to be the cleanup hitter.

I got to thinking about all of the people that you were going to hear and their very profound comments and statements, and I was reminded of a baseball story—being the cleanup hitter to this group—that involves Uncle Charlie Grimm. Now a good many of you aren't old enough to remember Uncle Charlie, but for years he was the manager of the Chicago Cubs.

He never was too successful as a baseball manager, but he always maintained his sense of humor. It seemed as if Uncle Charlie was

in the midst of another losing season, as was the case generally with the Cubs in those years. He had a call one afternoon from out in the boondocks, someplace in Brokenbow, Okla. or Clute, Texas or someplace. And this scout said, "Charlie", I have absolutely found the greatest prospect in my entire years of scouting for the Cub organization. This kid is absolutely phenomenal. I have just seen him pitch a nine inning perfect game. In fact he struck out all 27 hitters. He said, "The kid's got a fast ball better than Feller. He's got a curve ball that nobody can hit and he's got poise and control. Why in fact with all those 27 hitters he struck them all out swinging, and it was only the 27th hitter that even got a foul tip off the guy. What should I do?"

Uncle Charlie answered back, "Hell that's easy. Sign the kid that got the foul, we're looking for hitters this year."

You know, following some people like Lt. Governor-Elect Bill Hobby, Glenn Justice, Fred Hunter, and Murray Kennedy to this microphone, and being here in Houston before a number of people who know me and know that I am no expert, that kind of puts me on the hot spot. And I am reminded of one other story about hot spots that I thought I would pass on to you. I just heard this one yesterday in Chicago. It concerns Premier Khrushchev when he was the new Premier. It seems as if his predecessor Premier Bulganin came to him and gave Khrushchev a small box, and gave him the advice that this box was only to be opened in the most dire of circumstances. When things were so tough that Khrushchev could not find a method to solve the problem, then he should go to this box to get him out of trouble.

Well several years elapsed and the Premier had almost forgotten about this box and there was a tremendous crisis that came up. I think this problem involved some sort of drought that came, the wheat crop didn't come up or something like that, and they were facing some very severe problems and there was a great clamour for Khrushchev's skin. So he went to this box and he opened it, and in this box were two envelopes marked A and B.

He opened the envelope with the A on it, and in it was a message that contained just three words, and those three words were "Blame Joe Stalin". So he called in his press people and said, "Look fellows we've got to pin all these problems on Joseph Stalin. He's dead, so let's put on a big campaign and get the heat off me." Well, it was successful and the crisis passed and Premier Khrushchev was forever grateful to Bulganin for giving him the box.

A few years later the Cuban missile crisis came along, and Khrushchev again was facing even greater pressure from the people in Russia claiming that he was not leading the country the way they saw fit. So he went back to his box and he opened the envelope with the B on it and in that envelope was also a message which contained just three words, and those three words were "write two letters".

Well, when faced with the task of making some predictions as to our economy and real estate, it required my doing a tremendous amount of research. So after several weeks of intensive study, I have come up with some predictions that I would like to give to you today, and if you would like, you may take out a pen and a piece of paper and write these predictions down, because I'm not like the normal economist that comes to you. They have some fancy way of telling you how

these things didn't happen that they predicted, thus getting out of the box, so to speak, but I am willing to stick my neck out and these are the predictions that I am about to make.

I think that we are facing one of the greatest booms in the history of this country, and this boom will continue for at least two to possibly three years. I base this on several factors. Number one, the current administration has been able to stop inflation. Inflation for the past 12 months has been held well below the acceptable 4 per cent level to something between 3 and 3½ per cent.

In addition, the rate of growth has been the highest in the history of this country. It has been for the past year something between — this is actual growth — between 9 and 11 per cent of actual growth of our economy.

Number three, jobs are up. In the last six months, there have been 3,100,000 new jobs that have been created in this country.

Number four, generally speaking, and I think you only need to look at the Wall Street Journal or other financial publications, profits are up generally across the board.

Lastly, real income per worker, which is probably the greatest measuring device, is at its all time high level for the last 12 months. The real income per worker in this country is at its all time high. All of these things lead me to believe, that this will provide us with a tremendous boom for the next few years. What caused these things to happen?

Well number one, I believe that generally the wage and price controls that were put in by the current administration, were successful in holding down inflation.

Number two, the fact that the excise tax was cut has boomed the automobile industry, which has resulted in hard goods being at a very high rate of consumption.

Number three, the investment tax credit has been reinstated, which will act as a stimulus for industry to again advance their programs as far as development is concerned. Now if all of these things come true in two to three years, I trust that you will remember the author of these comments. Now, if they don't come true, I would like for you to blame Mr. Pierre Renfret, an eminent economist who made these remarks at a luncheon that I attended on September 12. I'm not smart enough to figure out all those things, but I'll tell you, that guy is a very, very profound fellow and if you've followed his remarks in the past, you know that he has been right more than he has been wrong.

So with regard to those comments, obviously they came from someone who is more qualified to make them than I am. I believe that his general comments are basically fairly well in the line of logic to follow. Let's look at real estate for just a moment, and I'd like to make a couple of comments. These are my own.

The general growth situation in our country, which obviously affects your industry and my industry. While we are on that point, basically we are in the same industry, because if there are no sales, if there are no developments, obviously there is little need for title insurance or the title business. As far as the new towns are concerned, and I am now referring to cities like the one that you are in, Houston, Dallas, Denver, Atlanta, San Diego. In my judgment these towns will continue to grow, and continue to attract new industry, but they must be on the watch that they will learn from history, not to make the same mistakes that our more mature cities

in this country have made.

After all, the name of the game is not quantity, it is quality. The rush to growth must be carefully played against proper planning and proper organization of projects, in order for them to succeed and not to be the future problem areas such as, and I hope I am not stepping on any toes, but there have been problems, cities like Newark and Detroit, Boston and other of the more mature cities. I think these younger cities can well take heed of the past and examine history, in order to protect themselves against these problems in the future.

As far as the older cities are concerned, I don't believe that this country can afford to write off the Newarks, the New York Cities, the St. Louises, the Bostons, the Cleve-lands, and the rest of the more mature cities in this country. However, these cities are facing tremendous problems. They are almost beyond boot strapping themselves out of their own problems. In my judgment, the only solution to these problems will be federal aid, and it will probably require massive federal aid to solve these problems for the rehabilitation and thorough re-development of our major, more mature cities in this country.

Let's talk for just a moment about the types of real estate development, and what I see occurring in the future. Let's speak for a moment about shelter. The single family home in my judgment will be on the decline in the future. The reason for this is, number one, labor costs are going up. It is very difficult to get skilled labor to come out and build an individual home. You must take advantage of unit costs and unit costs breaks. The individual design of a home continually is presenting a problem as far as maintaining some relationship between cost and utility.

Secondly, land costs. The environmental aspects create situations which are going to make land more expensive in the future. The environment situation with regards to pollution controls for our manufacturers is going to make materials more expensive, so thusly I believe that the single family dwelling will decline in its use by our people as shelter. On the other hand, apartments, I believe, will be on the upswing, with the converse reasons that I gave you as far as single family is concerned: because of mass purchasing, because of higher density, because there also is an element that we've got to take into consideration. Like it or not, people today have fewer roots. They are not like you or I or our fathers or our forefathers, when they basically built a home, raised their family in that home, died in that home and passed the home on to the next generation. That's a thing of the past.

People do not have roots any longer. So in some instances, the apartment offers the solution in that it does not require the roots be so deep. Job continuity is much more fluid. It is nothing today for one to change jobs. In years past, if one lost his job or changed jobs, he was looked upon as a drifter or a floater. This is not the case today.

People are going to half a dozen or a dozen jobs in a career, which 20 years ago or 30 years ago was absolutely unheard of. So people do not have roots as they once had. The other facet of shelter that I look upon as being a growth area is attached housing. This is the ownership side of attached housing. I'm speaking now of the condominium, the townhouse, where a compromise is made, that basically the individual now can get some roots, can get some equity, can get

some tax benefits, but does not have any or many of the involvements that the single family home brings, and certainly in most instances, the cost can be reduced.

No longer is it the thing to do, to go out and take a small project of 100 acres and develop a single family subdivision, with the frontage on a major thoroughfare being the location for a neighborhood center and a gas station on the corner and a three acre park located somewhere in the back where you couldn't use the land anyhow.

I think that's a thing of the past and it's going to be on the wane. The desire of people to have green areas, to have parks, to have schools, to have segregated work areas, to have shopping areas that all flow into a continuous planned environment will be ever present and in fact be accelerating in my judgment. This is going to require, obviously, great deal more attention to land use. Another thing that it provides as far as the larger projects are concerned is inventory, inventory land. I think in the past that people have not been able to successfully anticipate the rate of growth, and as such, have just about the time they got their projects up to a point where they began to be profitable, they were out of land. I'm sure that you are experiencing this in your various communities around the country, the projects are getting larger and more complex and more sophisticated. This relates to every type of shelter.

I'm looking now at garden apartment projects. Gosh, I could remember not too many years ago, if a fellow built a 64 unit project, that that was really a hell of a deal. Today it's commonplace to see a 1000 or 2000 unit started and completed in one phase, so that the whole spectrum of apartment development has changed. The same thing with single family.

Look at the project up here that is being done with HUD money. North of our county the Mitchell Energy Corporation is doing a project which has 50,000 acres of land, which has to be, obviously, master planned to a very high degree, and will involve several years of development. So I think again that we are going to be looking at much larger, much more complex, much more sophisticated projects as far as the shelter situation is concerned.

Office space and commercial—generally I think that these areas are going to continue to grow and to be hot areas as far as development is concerned. However I think the same things can be said about these types of

developments, that can be said about shelter. Basically the involvements in these single projects are on the wane. It now is the vogue to have a completely planned project, and we've got a couple of them here in our city that are already well along their way and a couple more that are planned.

Perhaps you've had an opportunity to visit the Galleria complex, to see the combination of shopping and retail, of office space, amusement and recreation areas, and what will soon be the dwelling aspects of it, all combined in a single project. Greenway Plaza is another. Texas Eastern's project downtown will be a third. The Allen Center will be a fourth. It will be developed and done right here in the City of Houston, and I'm sure that you have your own projects in your own cities. I think that the developer who goes out to build the independent project on a small tract of land had better have a price break or something else going for him, such as a tremendous location, or he cannot compete against these major, completely planned, completely integrated projects.

As far as warehouse and manufacturing is concerned, I definitely feel that we are going to be on the upswing in these areas. There are a couple of reasons I base my remarks on.

Number one, I think that we are on the upswing as far as being able to compete with foreign countries. Why is this? Well for several years now, Japan, Germany, Western Europe, even some of the countries behind the Red Curtain, the Iron Curtain, have been able to beat the socks off of us because they had cheap labor. Well, today you see the standard of living in these countries, rising at a rate that is even faster in many instances than our own.

The case in particular in Japan is such that you can see the cost of wages rising at an ever increasing rate, and so they are going to lose this competitive advantage that they've had. Now I happen to believe that we still have the greatest amount of technology in the world, and therefore if we are given the proper arena and the proper competitive situation to do battle, and I think it is a battle, an economic battle, then I believe that this country can come out on top.

The second reason that I think that manufacturing and warehousing could be on the upswing, is because I believe that among the people who lead our country there is recognized the need for proper incentive for capital. Ladies and gentlemen, let me tell you

that the leadership of this country must recognize, and I believe that it does recognize, that if you do not have proper reward for capital, then capital will be like any other liquid.

It will flow to its most attractive or lowest point. You cannot withhold capital within this country. I believe that anyone who has any sense at all can recognize the fact that if you inhibit the growth of capital, if you do not allow its proper reward, then it's going to leave. And when we become a capital poor country, then you are going to see the United States of America on the downhill side. And I don't believe that anybody in their right mind could possibly want that alternative. Let me close by discussing with you a few problems I see on the horizon.

Number one, there are rumblings in Washington and in our state capitals having to do with the environment. I don't want to stand up here on this podium and tell you that we don't have problems with regard to pollution abatement and control of our natural resources, because we do, anybody knows that. I think that some of the legislation that is being proposed as solutions to our problems is without base, is ill-timed and has not been thoroughly thought out. What does this mean to you and me in the real estate industry?

What it means ladies and gentlemen is that we have a responsibility. We had better get involved in politics. We had better become concerned. We better stop talking about it and thinking about it and start doing something about it. In 1973, it appears as if there is going to be some massive legislation proposed having to do with the new tax law. Some of the particles that are being considered as pieces of that particular legislation are items such as the elimination of all accelerated depreciation. I urge each of you in your local community; don't depend on a national staff. As good as they may be, don't depend on some hired gun to do your job. The chips are down and you've got to decide whether you're going to be in the game or whether you're going to sit on the sidelines and watch somebody else play, and if you want to lose your industry, then you sit on your duff.

If you want to do something to save it, then you get involved with your actions and your deeds and your dollars. I thank you very much for the opportunity to appear before you and I welcome you to Houston and I trust that you will come back to our city again. Thank you.

California Presentation for 1973 ALTA Annual Convention

Allen C. McGurk

*President, California Land Title Association
Senior Vice President, Title Insurance and Trust Company, Los Angeles, California*

Ladies and gentlemen, when John introduced the preceding speaker, he introduced him as the last speaker of the afternoon. Now John, I know you can whip me at playing

golf, but I didn't know you were going to whip me up here too. I'd like to bring warm greetings and best wishes to you from the California Land Title Association.

Looking forward to your annual convention in California, and I could talk for hours about the great state of California, but we are limited by a tight schedule, we are going

to focus our attention on the actual site of the convention, the Century Plaza facility in Los Angeles, right next door to Beverly Hills, and to give you some indication of the facilities that you will enjoy. We are fortunate to have the sales manager of the Century Plaza Hotel here today, and it is my pleasure to introduce him to you. For any of you whose ancestry goes back to the old sod, his name rolls sweetly off of the tongue, Mr. Patrick O'Daniel. Patrick.

Comments by Mr. O'Daniel

I don't think I've ever been introduced before like that, but thank you, Allen, very much. It's always fun to get on the road and speak in front of groups about a great product, in this case it's a facility, the hotel. I had the opportunity earlier in the week to be at the Disney World complex, and speak in front of 1600 to 1700 international Pepsi Cola bottlers, who we trust will be in our facility in 1974, and at the same time was able to include Houston on my schedule to speak in front of the American Land Title Association. I have a few slides here to show you. When I speak in front of groups I regret that I don't have four or five days and 1,000 slides to show you of our staff, who really make the machine go and are the real true experts in putting on conventions.

We have approximately 1,200 people at the hotel that work various eight hour, ten hour, 19 hour, 24 hour shifts to enhance a convention of this nature. So let me grab the ticker here and I will step aside. Can we have the lights down. Okay, I'll go ahead and roll it.

The Century Plaza Hotel is an Alcoa development which was built approximately six years ago and has been the home of many, many real fine conventions. As you arrive in Los Angeles you will see this international landmark at the International Airport in Los Angeles. If you don't see this, you might grab a porter, because you might be in Boston instead of Los Angeles.

The hotel is approximately 25 minutes from the airport, seven miles from the ocean, right next to Beverly Hills. As you enter Century City, a 180 acre site developed by Alcoa, you will see fountains and apartment buildings such as these and quite a bit of office space.

This shot was taken from the front of the hotel, looking north as you see the Santa Monica mountains and the famous L.A. Country Club. Century City is, or rather was, 20 years ago the back lot of 20th Century Fox. Alcoa bought the 180 acres from 20th Century, and even now leases the property that the studios are on back to 20th Century. This is a nice shot of the hotel which has probably been in every major industry magazine in the country, and it gives you an idea of how we kind of change complexion at night. Here is one of the earlier shots taken in the daytime.

This is the rear view shot of the hotel, illustrating our Japanese Gardens and some of our restaurants. We have five restaurants and two entertainment night clubs. This is a shot of the entrance as you'll drive into it. This is a shot of our lobby court area, the

most famous and most popular area of the hotel. We serve cocktails in the lobby from 11 a.m. to 2 a.m. and you can sit here and enjoy the night life of Beverly Hills and probably literally see the four corners of the earth represented as people from all over the country and world walk through.

This is a view of the Garden Room open for breakfast, lunch and dinner, and in the evening we have a trio in there for dancing. This is a view looking across the open plaza into our cafe plaza or international coffee shop. This is outdoor dining, again breakfast, lunch and dinner and it is just delightful at noon time. This is a view of one of our bars, the Granada Bar, which is adjacent to an internationally famous restaurant called our Granada Restaurant. You can't really see it here, but the tile was shipped in from Italy and it has indirect lighting and it is just beautiful at night.

This is one of our two entertainment rooms, the Hong Kong Bar, where we feature jazz entertainment, George Shearing, O. J. Smith and some of the popular jazz groups in the area. We just serve cocktails, no dining in here. Across the open plaza we have our famous West Side Room. Eddie Fisher was there just this past month, Vicki Carr, Lainie Kazan and Jack Jones and that type of entertainment.

This is a view inside the West Side Room. It's a red velvet brass rail type entertainment room. We have five restaurants, but probably the most popular restaurant in Los Angeles is a Japanese restaurant and they have various types of seating arrangements in the restaurant. Here you check your shoes and proceed into a little private room with bamboo curtains and mats and you sit on the floor and then the gal comes and serves you. It's a real fun restaurant. Another portion of service is what they call steak tables, where you sit around a grill located right in the middle of the table, and the Japanese gal comes out and prepares the beef items and various things right on the grill in front of you, and then you eat with chopsticks right off of the grill.

This is a view of one of our typical guest rooms. Each room has a refrigerator, oversized twins, or queens, 24 hour room service, clocks, electric blankets and various other things making them very comfortable.

This is a parlor of one of our smaller suites. We have two types of suites, one type located at the end of each floor called the corner suite, and then we have the row of suites on the penthouse floor, which this is here.

Located in the hotel we have approximately 18 shops, dress shops, men's stores, what have you. And then there is our gourmet liquor store where, by the way, you can order liquor delivered to your room at retail liquor prices so no need to bring in liquor. This is a view of our meeting space. The large section there is our Los Angeles Ballroom, which we can divide up into three main areas. In front of that is the California Lounge, where we can set up hospitality areas, and then of course we have our smaller meeting rooms to the side.

We have an area called the California

Drive which is right on the large white area. It is a private driveway that we built for the hotel, as we felt we needed to have an access for cars coming in off the street for private banquets. In other words, we can house 2000 people in our ballroom for a major meal function and people can drive right off the street into our private driveway, without congesting our front entrance.

This is a view of our grand ballroom. We can seat 2000 people for banquets. We recently had President Nixon's fund raising banquet at \$1,000 a plate. It was the largest fund raising banquet ever in the history of the country.

For conferences, as I say, we have 35,000 square feet of excellent meeting space. This is a picture of the Governors' Conference, which was one of the first ones in the hotel. This is probably what we are most famous for—its a picture of the Astronauts' Dinner which we hosted in August of 1969. The White House came to us and said that they felt it would be appropriate to have this particular banquet in Los Angeles at the Century Plaza, and could we really put on a show. We went to our executive chef and he created a meal that had never been performed before. Subsequently he won the Chef of the Year Award, and this is somewhat like the Football Hall of Fame. Once you are elected to it you are there forever.

This is a view walking from our ballroom out to our exhibit area, which can be turned into the exhibit area. We can get approximately 92 8x10 booths right in front of the ballroom. We've had big shows such as I.B.M. and Zenith in the hotel.

One of the most famous attractions in California is Disneyland. Marineworld is located down the coast just a few short freeway miles from the hotel. Right directly across the street from the hotel is the American Broadcasting, A.B.C., entertainment center. They built this at a tune of \$40 million and it is directly across from us.

This is a lobby view. This is the view you see out of our lobby. It is connected on the plaza level, so you can walk out of the hotel under that fountain, across to either the Shubert Theatre, which you see on the left or the two cinemascope theatres which you see on the right. This is the building for the two brand new cinemascope theatres; one seats 1,000 and the other one 850 and of course we will have the latest Hollywood movies showing there.

Right adjacent to it is the new 1,850 seat Shubert Theatre, the most modern legitimate theatre in the world. "Follies" is presently showing there. There is an inside shot of the theatre with its purple carpet. Fantastic theatre. Nightlife is fantastic in Century City, as well as the daytime activities. We have a little putting green in back of the hotel, a very challenging little course. And of course you never know who you will meet around the pool during your free hours.

There she is and we wait anxiously to welcome you fine folks. Just get your reservations in early so we can be sure and take everybody. Thank you.

ELECTION OF NATIONAL OFFICERS

By proper nomination and second, the following officers were unanimously elected for 1972-73:

President—JAMES O. HICKMAN, Chicago, Illinois
Senior Vice President, Pioneer National Title Insurance Company
69 West Washington Street 60602

Vice President—JAMES A. GRAY, Benton, Arkansas
President, Fidelity Abstract Company
126 North Main Street, Box 644 72015

Treasurer—JAMES G. SCHMIDT, Philadelphia, Pennsylvania
Chairman of the Board, Commonwealth Land Title Insurance Company

1510 Walnut Street 19102

Chairman, Finance Committee—ALVIN W. LONG, Chicago, Illinois
President, Chicago Title and Trust Company
111 West Washington Street 60602

BOARD OF GOVERNORS (Term Expiring 1975)

JOE F. JENKINS II, Kansas City, Kansas
President, The Guarantee Abstract & Title Co., Inc.
Title Building, 727 Ann Avenue 66101

MEL KENSINGER, Colorado Springs,

Colorado

Executive Vice President, Colorado Title Guaranty Co.
121 East Vermijo Avenue, Box 609 80901

FRANCIS E. O'CONNOR, Chicago, Illinois
Senior Vice President, Chicago Title and Trust Company
111 West Washington Street 60602

E. GORDON SMITH, Dallas, Texas
Senior Vice President, Lawyers Title Insurance Corporation
310 Davis Building, 1309 Main Street 75202

ROBERT P. STEWART, JR., Dallas, Texas
President, Southwest Title Insurance Co.
701 Elm at Market, Box 50549 75250

ELECTION OF SECTION OFFICERS

ABSTRACTERS AND TITLE INSURANCE AGENTS SECTION

By proper nomination and second, the following officers were unanimously elected to serve for 1972-73:

Chairman—ROBERT J. JAY, Detroit, Michigan
President, Land Title Abstract Co. (Port Huron)
3161 Guardian Building 48226

Vice Chairman—ROGER H. WILLEY, Independence, Iowa
Manager, Buchanan County Title & Loan Co.

111 East First Street 50644

Secretary—LOLA L. GRAY, Benton, Arkansas
Secretary-Treasurer, Fidelity Abstract Company
126 North Main Street, Box 644 72015

EXECUTIVE COMMITTEE

ROBERT L. BALCH, Rupert, Idaho

President, Rupert Abstract Company, Inc.
301 Scott Avenue, Box 305 83350

CHARLES E. CLAY, Hot Springs, South Dakota
President, Fall River Abstract Company
141 South Chicago Street 57747

ROSS D. DRULINER, JR., Benkelman, Nebraska
Box 325 69021

E. G. FEUILLE, El Paso, Texas
President, Southwest Title Company
424 Texas Avenue 79901

TITLE INSURANCE AND UNDERWRITERS SECTION

By proper nomination and second, the following officers were unanimously elected to serve for 1972-73:

Chairman—ROBERT C. DAWSON, Richmond, Virginia
Executive Vice President, Lawyers Title Insurance Corporation
3800 Cutshaw Avenue 23230

Vice Chairman—DAVID R. PORTER, San Francisco, California
Senior Vice President, Title Insurance and Trust Company
100 Pine Street, 23rd Floor 94111

Secretary—NIC S. HOYER, Milwaukee, Wisconsin
President, Wisconsin Title Service Company, Inc.
700 W. North Water Street 53202

EXECUTIVE COMMITTEE

JAMES W. BRAY, New York, New York
Executive Vice President and Manager,
American Title Insurance Company

360 Lexington Avenue 10017

JAMES E. TYSON, Chicago, Illinois
Vice President, Chicago Title Insurance Company
111 West Washington Street 60602

DON P. WADDICK, Minneapolis, Minnesota
Vice President, Title Insurance Company of Minnesota
400 Second Avenue South 55401

BRUCE H. ZEISER, Boston, Massachusetts
Massachusetts State Manager, Lawyers Title Insurance Corporation
Ames Building, One Court Street 02108

Workshop on Local Title Company Public Relations

It Works!

C. Wayne Keech

Vice President and Secretary, Colonial Abstract Company, York, Pennsylvania

Chairman Dawson, members of American Land Title Association, wives and guests, it is indeed a pleasure to be here with you this afternoon, it's really been a great two days so far here in beautiful Houston. Back in July, there was no place further from my thoughts than Houston, Texas, and of course, about that time in July I received a phone call from Gary Garrity of ALTA asking me if I would be available to speak in the National Convention in Houston in October. After I picked myself up off the floor, I said, "Yes, I'd really like that", so here I am to speak on what I consider to be one of the, in fact, *the strongest points* that title insurance companies and agencies should monopolize on in the industry today, and that's *service and public relations*. Let's say it *service through public relations*. We could go on for many minutes, maybe hours, talking about all the facts and ideas and figures that are given to us in a lot of the beautiful literature from ALTA. I have always tried to read this literature as thoroughly as possible, many times maybe not getting to an article until two months after it was sent to me, but that might not be too bad either because that shows I am busy, either that or I was too lazy to read the article.

Back in 1971 when I came into the York county area, I had been familiar with the use of public relations in the title insurance business from a few years prior, because when with Berks Title I was a firm believer in the use of public relations at the level of the real estate salesman, the real estate broker and the general public. I pioneered in the Lancaster county, Pennsylvania area, an idea that was, of course, the ALTA idea of using the film clips on local TV, coordinating efforts with Berks Title, Commonwealth Land Title and Penn Abstract, Inc., all who had offices there in the city of Lancaster. We were able to work together to put on local TV a film clip ALTA had taken from a segment of the movie, "A Place Under The Sun" which we all are thankful for and familiar with. However, the use of this type of media is difficult to measure and sometimes takes many years before the response is shown in any direct means.

Now to get on to procedures as used on a smaller scale in an area which was next tackled by myself in York county, Pennsylvania. I moved into a hostile situation where York county brokers and salesmen alike have been for years, and years, and years,

dealing in a real estate mode that deals almost exclusively with members of the bar association of York county and where the local lending institutions are, or have been, previously owned and controlled by local members of the bar, everywhere from management to solicitor to legal counsel. The mere fact that the basic theory of FHA and VA markets being available in this area did not hold much weight. (The procedure used was what I believed to be inadequate and unfair to the consumer.)

Let me outline this procedure for you so that you will be aware of some of the problems that I was and am faced with. In FHA and VA type closings or settlements where title insurance was required, the home purchaser would be steered or had requested a particular attorney to represent him at the settlement and of course would be told when the settlement took place, that the only required title insurance was the use of mortgage title insurance to protect the loan, this is what the VA or FHA required, the owner's title insurance was not necessary, that he, the attorney, was assuring them with his certificate of title. Now, John Q. Public has no way of fighting this type of a comment *being* completely ignorant of procedures pertaining to settlements or closings the normal layman depends solely on discretion of his legal counsel in these type of matters. Consequently, when not told about the importance of owner's title insurance, the new home purchaser in the York county area had no knowledge of its existence. Now we in the title field would question this type of a comment because we all know that if owner's title insurance is not required an affidavit, disclaimer form (in Pennsylvania we have these forms) signed by the owners stating that they have been given the opportunity to purchase owner's title insurance and do not wish to do so. Now I do not mean to make any accusations that this form has not been signed, I only mean to point out that it is gone over quickly and the ordinary layman does not understand the form he is signing his rights away on. It was plain for me to see that the owner had to be educated as to the importance of owner's title insurance.

Another problem area which was and is difficult in York county was that the local lending institutions, even though in many cases were aware of *what* title insurance was, only a few, and in some cases only one

of the top men in these institutions knew of title insurance and the rest of the people that dealt with the local realtors and mortgage applicants, such as mortgage representatives and other bank personnel that processed mortgage loans, were completely unaware of the benefit that the use of a title insurance company can be to facilitate mortgage financing.

I was quick to learn that I had massive problems in this area that had to be overcome and overcome quickly if we were to deal with the local lending institutions in York county. Again, we had the standoff approach because of not wanting to implicate themselves on the bank level or the individual bank officer level with any of the local members of the bar association, which they have always had a high repore for and who have always in the past served them without question. Now let me stop for a minute and say at this point I could have been in York for only a few months and was somewhat stumbed by the type of situation that I was left with.

You might ask yourselves some questions as I'm delivering this resume to you: "How would you have handled the situation?" Maybe not the same way, maybe more effectively, and maybe with a completely different approach, however, my approach had to be something that had never been tried before in York county, something new, the following approach was used. Without much money being involved, I was able to solicit the aid of American Land Title Association and put together some articles into a column for the local evening paper, which I entitled "Blueprint For Home Buying". It's plain to see that I took this title, actually I kind of stole this title from ALTA's new movie, "Blueprint For Home Buying", but I felt that we could couple that column together with the booklet that's furnished by ALTA "Blueprint For Home Buying" and furthermore, we now had a movie that could be used. In coupling all three of these together, we could very probably, although there were some questions about how much, reach a certain amount of the general public, provided we had the opportunity to do so.

The opportunity came rather quickly, for we were told that York county was going to have a builder's show, and immediately I jumped on the band wagon to find out whether it would be possible for Colonial Abstract Company to have a booth at the

show where we could give out literature pertaining to title insurance and the importance of it, and show the movie "Blueprint For Home Buying". We knew that the York builder's show each year drew a large number of local people who were thinking of building a new home, plus the fact that we would be surrounded by home builders, mortgage men and other realtors who had not and might not have an opportunity to see this film. We rushed around rather quickly for a day or two getting everything together for the show, and with the help of TICP and ALTA, the show turned out to be a terrific success for Colonial Abstract. We had a room, I have a picture of it here with me today, which had roughly 25 chairs in it, curtained on three sides where we hung large posters showing a "Blueprint For Home Buying", a picture of a man and woman standing and looking at a blueprint, presented by Colonial Abstract Company. We showed the film twice each hour throughout the whole builder's show.

We had people there manning the facilities and giving out literature. We gave out thousands of pieces of literature, everything from "Horse Sense Helps", "Closing Costs and Your Purchase of a Home", "Seven Traps for Unwary Home Buyers", what have you that American Land Title puts out, we gave out and we answered quite a few questions from interested parties.

We also reached another very important area. Our booth was directly across from the booth which one of the local banks had, their booth was manned by a different representative from the bank every 15 minutes throughout the builder's show, which lasted three or four days. We not only educated that bank about title insurance, we brainwashed them, in fact, that's exactly what one of the mortgage reps said to me, he said, "I've seen that film so darn many times I can recite it to you backwards." We did educate that bank about title insurance. This is the kind of thing that you almost have to do in an area such as York county, and to do it in such a short period of time is almost impossible.

From the builder's show we did get applications, we more than paid for the booth space, the rental of the projector to show the film and the cost of sending and giving out literature all pertaining to the importance of title insurance. But, better yet, we proved to ourselves that the public is interested, the public is unaware, the public is uneducated and the public needs education very, very badly in this area. Again, let me say that dealing in an area that is controlled by the attorneys, in an area where your title insur-

ance company local competition comes from an attorney who is an agent for a title insurance company and owns an abstract company himself, makes it even more difficult to operate. The claudish situation which we were up against took and has taken a great amount of perseverance and will take a great amount more to overcome. *And that day might never come*, but I can assure you I will continue to try using every method that I have at my discretion.

From one newspaper, the other newspaper learns of your activities and they come and solicit you to help them with a promotion and this is exactly what happened in York county. I was asked to help with a spring guide for the local paper in their real estate section, and to help them with articles pertaining to the importance of title insurance so that the home buyer can be aware of the necessity and the benefit of such type of insurance. When you hear this type of a comment coming from a local newspaper, it gives us some hope for the future through use of the public media. In fact, when the representative for the newspaper who solicited our services for advertising purposes said that for every article that we paid to have run in the paper, he would run so many free articles for us showing the importance of the product to the general public, all we need do would be provide him with the copy to use. The word "free" sounds mighty good when sometimes you don't have the money to spend on public relations, but without educating the public where would your business come from, how would they know that you're there, how would they know that your product is the best product for the cheapest price, how would they know of the importance of owner's title insurance, how would they know that they have certain rights when it comes to purchasing owner's title insurance, how would they know that in Pennsylvania and some other states if they do not wish to purchase owner's title insurance they have to sign a form stating they had been given the opportunity? We could go on and on and on with how do they know, (they don't know, they're not told, and further more, there's some people that never want to tell them). The industry, you men and women, you title people, owe it to the general public to let them know, we have a great job to do. We have to educate the public and from the big city to the small town, title insurance has to become something that is wanted, respected and understood by all.

Let me outline for you briefly some of the direct problems which you all could come

up against and you think how you might handle them, from this maybe you will see what I've been up against in the area we have to deal with in York county, Pennsylvania. The real estate broker or salesman will say, "What are you asking me about title insurance for, what do you want me to do?" If the purchaser wants title insurance he requests it, why should I sell your product for you, are you selling my product for me?" "Why should I recommend you, what are you doing for me, you create the need and we'll tell them where they can get the best service" or maybe you'll get "We don't want to get involved in the middle between the attorney, the title company and the realtor, we have a good repore with the attorney, why should we jeopardize our relationship with that particular attorney by recommending you to do the title work over him" or you might get "He gives us referrals, where he might have divorce cases and other cases, what can you do for us, what referrals do you give to us?" We also get, "It might be the best, but it's a little impractical in this area." I've even got, "Why don't you go to another area where title insurance is more accepted by the lending institutions then try to deal in an area which is pro-attorney." Now I ask you ladies and gentlemen of the title insurance audience, if frustration could be measured, I've had a lot of frustration, but I'm determined that the story of title insurance is going to be told, that we give the best service and we have a product which is far superior to any other product in any competitive field, that our people are well trained, in many cases have been in the business for many years, that we are in a field which is recognized by the federal government and recognized by all of the more productive industries, establishments and lending institutions in this great USA of ours. We're selling title insurance, service, respectability and most of all we're selling ourselves as individuals and as companies who are dedicated to giving that extra ounce of service where it counts. Remember, if you're ready to give that extra ounce of service where it counts and when it counts, everything that I've said today and all the problems that I've come up against in my little community will be minimized by the over abundance of the self-assurance that public relations and the use of a full and complete program of such, no matter how minimal or how extensively used is a deciding factor for the success in a short period of time that Colonial Abstract Company has seen. And, remember most of all, *It Works!* Thank you.

Workshop on Joint Title Plant and Equipment

How It Works

Comments by

Edward S. Cutrer

President, Capital Title Co., Inc., Houston, Texas

Thank you Jim. I'm going to talk just a little bit about the setup, how Title Data was organized and why it was organized. Mr. Conway, who is the manager of Title Data,

will get more into the operations within that organization; and Mr. Oakes, who is with another title company, will tell a little bit of how he uses this output. Title Data, Inc. is

a Texas corporation organized for the purpose of maintaining a joint title plant in Harris County, Texas. It is structured to meet the requirements of the state law and the rules

promulgated by the State Board of Insurance.

The provisions of the Texas title insurance law require that all agents in the state have title plants containing indexed records showing all instruments of record affecting the land within counties served for a period of at least 25 years immediately prior to the date of search. There is a rule promulgated by the State Board of Insurance regarding joint plans and title plants which reads:

Two or more companies may combine their operations into a single abstract plant for the purpose of increasing the efficiency and speed of producing title evidence for examination purposes. In such event, if the base plants owned or leased by individual participants are not merged into a single plant, then all of the base plants in the joint abstract plants, when considered as one, must meet these requirements of an abstract plant as set forth. Now the ownership of these joint plants may be by corporate ownership, joint venture or partnership agreement, but the ownership must rest with the participants. The stock of title data is owned equally by ten participating companies, each having one member on the board of directors.

These directors meet monthly to review the operation of the title plant and to decide upon company policies. The basic rule governing the corporation is set forth in a joint plant agreement, which also serves as the by-laws of the corporation. Mr. Conway and Mr. Oakes will go further into that operation. At any time a company wishes to withdraw from ownership it has a right to do so and to have a copy of the plan. A company could withdraw and begin accumulating this title evidence in another manner, and not be penalized or have to curtail business for any period of time.

Houston lies within Harris County. It is the largest city in the southwest and it's the fifth largest community in the nation. Now the information I'm about to give you is not to sell Houston to the country or Texas, but it's to show you the magnitude and the type of economy currently being enjoyed by the Houston businesses. The downtown area is comprised of many new buildings, and some others that are under construction at this time will supplement the vast space that we have available now in downtown Houston. There have been other announcements of some projects, particularly this one which is owned by Texas Eastern Transmission Company, who owns this large area downtown.

This slide shows the Houston Center, and it is supposed to be, or is said to be, the largest single development in the entire world. Now there are several other areas that are developing quite rapidly, including the complex that we are having the convention in. We also have a section called Greenway Plaza. Now this is a proposed city within a city, which is located on our Southwest Freeway, and is about 25 per cent complete at this time.

We also have the golden or the magic circle area. I think one of the smaller title companies has their office within one of these buildings here. This includes the Galleria section, and I'm sure that your wives will show you what is there, because they are out shopping this afternoon. We have the Sharpestown area, this is out in the southwest area of town, and we also have what we call Uptown Houston. This is in the area of the Shamrock Hotel, which you see over on the

left here. There are also numerous business and industrial parks being built, such as Brook Hollow, and these are some of the pictures of the Brook Hollow Industrial Park. Of course there is River Oaks Bank and Trust Tower, which is the prestige building of Houston, mainly because Capitol Title Company Inc. has its offices within this building.

You can see with all this office space available, new businesses are moving into the area. And with this expansion of business these people need a place to live, and we have apartment complexes going up just about in every area of town, it just covers virtually every section. We also have people who want to enjoy the benefits of home ownership without cutting the grass, so we have many townhouses being built, and this demand is very great on these townhouses at this time.

In addition to this, we have many large subdivisions being developed and many of the small home builders are going at full speed, in addition to all of the small home builders that are in the area. These are some of the pictures of this new construction. In Harris County the court house document filings average about 1100 per day. All of these instruments are filed at the court house with the county clerk's office. It's a very modernistic office, and as each instrument is filed it's processed through the clerk's office and he brags about its being returned to the proper parties within 24 hours.

It's during this time that the instrument is in the possession of the County Clerk and is photographed. Title Data and each of the owner companies are furnished with a roll of microfilm.

I think you can tell from their operation, that the participating companies do not work in Title Data. Title Data furnishes the company, each of the participants, with the information as they request it. Prior to the inception of Title Data, each of the 10 companies were on some type of joint takeoff system, where the abstracted cards would be received in each office and then be filed into the plant. Based upon what Title Data is doing, this was quite a duplication of effort. Our original plans for Title Data were to accumulate all of the information, properly index it, and each year have a hard copy printout for five years. At that time we were going to merge the information for five years, and come out with one hard copy, and then proceed with yearly copies.

In doing this, you can well imagine that it was going to get cumbersome within the office and it was going to be quite costly. If you have seen some of IBM charges on this, you know that probably the slowest machine that IBM has is the printer, and the computer would have to be waiting on the printer and be charging all the time.

These plans have changed because we ran into a system where we could merge the plant every six months, and come out with a printout, but it is not a hard copy printout. We go directly from computer to microfilm. We have some of this microfilm in the back. After we are finished, if you would like to see what our finished product is at Title Data we'd certainly be glad to show it to you. Title Data has filed into its plant 1,300,000 instruments since its inception. This picture on the screen now is that of the file cabinets, I think it's 36 file cabinets that contain these instruments. Now each of the offices has within its plant 15 rolls of microfilm.

What you see represents those 36 file cab-

inets that each one of the companies would have to have if we were doing it individually. You know, there is a saying that a picture is worth a thousand words. Well we've got two pictures here to tell our story and show how this space is saved. Now we will get into more of a discussion, I hope, answering your questions.

We have our generals, which constitute one part of our plant. We have our surveys, our acreage, which is another three or four rolls of microfilm. And we have our subdivision which is the majority of the plant. We get in our office, every six months, this microfilm. Charles was talking about a new system that we just started, I think today or yesterday was the first day, that in addition to having a complete plant from September 14, 1967 through June 30, 1972 in our own office, we have another record from June 30 through September 30 in our office, so that we can have this current information also. This is very valuable to us, because some of our customers want a little free information that we feel we should be able to give them on current transactions, and in the past we have had to order it from Title Data at the time they wanted the information.

Now we are able just to get it out of our own plant, and look at our microfilm. We have the microfilm copies of the instruments in our office too, so that we depend on Title Data quite a bit, but we have it in our own office if we want to use it, if we want to go to a little more trouble. But we do have it real current.

By working together, the participants in Title Data are able to afford an efficient, dependable title plant with well qualified personnel. We have 10 companies to help with the cost and we feel that we can do it more efficiently. Each of us associated with this joint plant are just looking for the day when we can have it fully computerized, so that we can have it in our office by punching a button. But we are patient enough to wait until this becomes economically practicable. We're not going to rush into anything just to say, man we're on a computer. We're going to make sure that it pays us. Thank you. We will be glad to answer any questions.

* * *
(Questions and Answers)

MR. CUTRER:

Yes, we have about 19, I haven't checked to date, maybe 20 companies doing business in Harris County. There are six or seven, I guess, that are in another type of a joint plan operation, and then there are three of them that are in a joint takeoff.

Yes, all of it came in at the same time. Our joint plant agreement brings out that other companies can come in if the majority of the companies within Title Data approve it. Two-thirds have to vote them in, and they cannot get in for any less than what each individual company has paid, and we could charge them more, it's at the option of the members of Title Data. See, when they come into the plant, they automatically have a five year plant right now. We have paid for it, so they are going to pay the same thing that we have, even though they probably have another plant. They have to have another plant to get a license and they will have some duplication there, but we feel we couldn't let anybody in for any less than what we paid. We had it set up. I don't know that it's a non-profit corporation, but it is set up in such a way that each of the companies are assessed one-tenth of the op-

erating cost each month, so that we are paying this into the joint plant. Under the Internal Revenue, this is expenses off. It is not capitalized. If a company wants out of Title Data, they get a copy of it so that nothing can hamper their operation or slow it down.

I would say it costs us each month probably an average of about \$1,500, and I would say that it would run \$4,000 to \$5,000 for each company outside of it, and that is a very conservative figure, I think.

We send it in for a bringup to Title Data. This is one of the things that you can call in over the phone. You get three phone calls. Now you might think that Title Data may not be giving the service that it should, by not accepting more phone calls, but when you stop and think about it, if you've got ten companies that call three times a day that's 30 phone calls right there. So we try to hold these downs because, number one, you can get wrong information over the telephone, and also it is better to have it in writing.

Yes, each of the companies does its own recording, and we do it throughout the day. We are not restricted, like some of the companies, to file. Early every morning we send about three different runs out each day down to the courthouse to record.

The individual companies have agreements between themselves, and I think that if you have permission from your underwriter, that

they will let you depend upon . . . are you talking about the starters? Yes, it's up to the individual companies. Some of them are very proud of the number of files that they have and do not like to participate in anything such as this, but we do have agreements between ourselves.

I'd say that in a week, one of the big companies that is in our operation probably gets 250 orders, where the smallest one of the companies maybe gets 25 orders or 30 orders, but each one of them participates in the expense equally. They would have to have a plant anyway, this is the thing there, but on the xerox copies your cost is just the actual use, the number of copies you receive.

The general information is accumulated in Title Data also, and on it we have a microfilm copy in alphabetical order from September 15 up through June 30 of 1972, and then we have a hard copy print out every other day, so that when we are looking for generals from September 15 of '67 through June 30 of '72, we have to look at one record. We have another one, a hard copy in our office from June 30 through September 30 and then we have these two records, possibly three records.

The law states that in order to get a license, you have to have an abstract plant that has records for at least 25 years, and in order to participate in Title Data or in order

to participate in a joint plant, this is a rule promulgated by the state board, you have to have a 25 year plant. Well I think it is for the protection of the public in the state law, but I really don't know about the anti-trust part of it.

Let me explain just one thing. When we order from Title Data, we go to our microfilm reader printer, and we go to the subdivision and instruments that appear on there, we order from Title Data, and the film that we have is through June 30. When we order from Title Data, they sort out the IBM cards or maybe the computer run that they have by that time, and add to our list that we've already requested any of the instruments that have been filed on that property since June 30. Now we have the microfilm in our office through September 30, and we do not have to call on Title Data at all, because we have this in our plant and we can do it ourselves if we want to. It's just that on most of the microfilm reader printers—you all probably know the cost of it better than I do—I guess you can get two images on one piece of paper, but it would probably cost you 16¢ or something like that; whereas we can get four pictures on this xerox machine for a nominal cost, because we have to pay 30¢ for it. This is for the human, this is for the people having to get the copies and make them. It's not just the cost of the microfilm prints.

Comments By

Charles Conway

Vice President and Manager, Title Data Inc., Houston, Texas

Thank you Ed. I will try for the next few minutes to see if I can fill you in as to how we use this microfilm information. First we use a keypunch section which some of you are now using yourself. Here you see the girls with six machines and what these girls do. They take a roll of film each morning and they punch the following information on a card: the file number of the instrument; type of instrument; grantor; grantee; and legal description. If an instrument is not complete with the legal description, naturally that can't be put on but it will be inserted later by a system I will show you.

This information they receive to punch on this card is from our locate section. This is what we call our locate section. We get one hard copy as well as a microfilm copy each morning, and these men go through all of these instruments and pull out those that we call locates, and those that are acreage cards, or an instrument that may give the keypunch operator a little problem, and then we work those and add it into the card later on.

Next we have the arbing system, and this in my opinion is the key department to any good abstract plant. A plant that uses good arbing system, and the acreage department, make working surveys as easy as working a lot and block description. In 1967, when Title Data was formed, we were fortunate to be able to get a copy of the county tax maps, and we basically used the county tax number as our beginning point. But since that time they've been split many, many times, and as we cut a tract out of a larger tract, in our index we show a card that shows the original tract number, the new tract number and the deed file number by which it was cut out, so this way our abstract can just follow it right on back down the line.

Next we have the filing department. Here again, this is a very important department. What these girls do is, at the end of the day they take all the cards that have been keypunched, and sort them into a volume of page order, which is our control. A lot of counties, I understand, do not have volumes

and pages to maps. We are fortunate to do that here. These girls look for many things.

They check to make sure that the volume and page of the map is correct. That the lot and block and sub-division is correct, and if they find anything is wrong, they reject these back to the locate department, where they are re-punched until correct. These girls also work all of the orders that are submitted to us by the title companies, to either update or as a new order. As of yesterday, we started a new system which Mr. Cutrer will tell us about in a few minutes. From this department, after the orders are worked, they go to what we call our copy department. This is where we keep all of the hard copies of all of the instruments that we receive daily. We keep them in county clerk file number and as companies ask for these instruments, we just pull them out and make a xerox copy for them. I think this is just about it for me. Mr. Oakes will now tell you the relationship between the title company and Title Data. At this time I would like to introduce Mr. Oakes.

Harry B. Oakes

President, Southwest Land Title Company of Houston, Houston, Texas

Thank you Charles. My portion of the program will be to show you with slides, and to explain as we go along, how the individual member companies of this joint plant effort use the services of Title Data. Of course, the best way to do that is to take you through an actual order that we received, from the time it's taken down, down through the time the title opinion is written, typed up, and delivered to the closer for use in closing the transaction.

The first slide is one of our reception area and the closing officers are just off of that. As you go down the line, the secretary is in the open area and probably to a lot of you who are not from the metropolitan area or from southeast, you will be a little bit surprised to find that probably 90 or 95 per cent of all our closings in Harris County do take place in the title company. They are generally not closed in an attorney's office. Occasionally you will find some that are, but I will say where there is a new loan being put on it, that 98 per cent of these are closed in a title company. The individual orders of course are taken much in the same way that you take them.

We get them in the mail. A lot of times people will phone them in, and when they do, we have to start working on the order. We'll take the legal buyer and seller and other pertinent information, and get the order rolling. We fill it out in duplicate and then take it back to the abstract department which is the next shot. In the rear, against the wall over there, you see the closed files which we also refer to as starter files, and then these large file cabinets in the middle contain the card index system which this particular plant happens to have down through September 14 of 1967.

On that date we stopped the input portion of our abstract plant just completely, we just shut it off, and joined with these other companies in the beginning of Title Data. Further in the rear, against this back wall, we have all of our microfilm of the deed, contract, mortgage, all of the county clerk's records. Now we stopped our card index on the day that Title Data started, but we didn't stop receiving microfilm. Daily we receive microfilm. It gets to us about 24 hours stale, but that's not too bad. By the time the order leaves this department, hopefully within two to four days, we will be ready to close the transaction.

First of all, the duplicate order is sent back to the abstract manager, who is shown here entering the order in our large order book, and he is also filling out the Title Data sheet. A Title Data sheet is no more than a request for information. We request most of the time that all instruments filed since the beginning of Title Data be furnished to us, or a list of those instruments be furnished, file number and all. Then we ask also that they give us a copy, a microfilm or xerox copy of all of the instruments that have been filed since that date.

We could get this information out of our plant, we have it there, but we find it expedient and we find it cheaper to use the service of Title Data. They have the hard

copies, they could pull them immediately, put four copies on a xerox machine and shoot all four at one time. We do our examining from that copy. I think Title Data charges us 30¢ a copy. Our basic cost runs anywhere from \$1,300 to \$1,500 or \$1,600 a month; and then this 30¢ a copy for our company runs around \$700 or \$800 a month. But it's better then adding another employee or maybe two employees to shoot all these copies, and getting two more reader printers.

Right now we have about ten abstracters working, and we have five microfilm reader printers. We'd have to add more of each if we tried to do that. Now let me go back. This Title Data request sheet can also be used for just a check to date. We just pull it out of the file, put a copy of our title report with it, and send it back to abstract for a check to date. Sometimes they phone in these, most of the time it has to be in writing. I think they allow three phone calls a day, but anyway it could be done.

First of all, when the abstract manager or the abstract department gets the order, actually before this man here really enters it, there are several things that are done. We check to be certain that the property description is right and that we have the correct map reference. All of Title Data is tied to map references, it's indexed in that manner. We start with volume one right on up to the current time. Of course the abstracter surveys by abstract number, so it's very important that we get the right map reference. We also check for a prior file, to see if we have a base file or a starter file on that particular property or in that sub-division.

We take the extra—I told you we made the order out in duplicate—we take the extra one out and we order taxes with that one. We set up the file and then we also make what we call a green card to go in the plant to show that we now have a file on that particular tract of land. You'd be surprised—if one man has two secretaries, one of them might take an order and enter it and the next day, she gets it over the phone. And the next day the contract comes in and the other secretary opens the mail and will write out an order on the same property.

Abstract can immediately tell them, before they set up a file, that this has already been entered. Also, we use this too. It goes back up front and we make the buyer and seller cards. After the abstract manager fills in the Title Data sheets, he puts them in a box for a pickup, and at the same time turns the order over to the abstractor or chainer, to begin working in our plant. Next shot. That's our delivery boy. He's a good one and he is picking up the Title Data sheet now. We have regular delivery personnel and we make the stop at Title Data three times, once in the morning, once about noon and again about three or three-thirty in the afternoon.

If we have a super rush, this person can take the order down, stand there while Title Data checks it, and then bring it right back to the office. Okay, meanwhile back at the office here in the abstract department, we have an abstracter shown viewing the instru-

ments here on a reader printer. He is checking the title down from the time that the file was started. Usually we have a starter file of some sort or a base file on the sub-division. Occasionally we get some acreage and have to go all the way back.

This is another shot of a girl just making copies. If there are numerous instruments, we try to pull all the cards, shoot a copy of them on a xerox or other duplicating machine and put those instruments back so that they won't be misfiled, or won't lay around on somebody's desk for a long time. We go ahead and shoot a copy of them from our card index plant and use one of our lower paid employees to go look up the instruments from the file number, pull all the microfilms, shoot the copies, and then take them back to the more knowledgeable abstracter who has been freed during this time to do more important work and get it done.

Now let's switch over here for a minute to what comes out of Title Data. I think that's important. Originally we had these Title Data request sheets which are color coded by companies, though I think some of them have got away from that. Each company furnishes their own right now. Title Data does not furnish these forms, but they are all alike.

At the top you have the property description and you have the company's guarantee number, guarantee file number, and then the request as to when we want it checked from and whether or not we want copies. Title Data then takes it and shows what day the plant is posted through. Now some of you may wonder—if you saw some of the title reports coming back, we might send one off now and get it—what do you post it through, Charles? The 24th of September, yesterday. They don't put down here that the plant is posted through a certain date until all of the lookups have been made. Now actually your normal instruments will be no more than about three days behind. It's just that they will not post the plant until they have all of their lookups posted to the correct property.

Down below you have the instruments that are listed, and it also will show if one of the ten companies in Title Data has a guarantee file setup already. You'd be surprised how many times they do. A number of times, and I am sure that most of you run into the same situation, we get an order and another title company is working at the same time. At least we know that if one of the ten companies in Title Data does have an order working or if they have issued on the property before.

Okay, next slide please. This is one of our abstracters making a complete chain of title. We have shown more than one abstracter here, but ordinarily one abstracter will take the file all the way through. Here, though, they are chaining it out. Actually, showing the complete chain, the instruments will be attached to that chain. This person is working with the file after the Title Data information has come back, and after all the information has been pulled out of our files also. Now this same employee will check or have checked the general information files in

the same names of the present and the past owners to make sure that we haven't missed any judgments or any matters that are filed against the individual, that would affect title to the property.

After the abstractor or chainer has completed their work, we next see the examining attorney picking out the pertinent information to put this title report in the proper form. After he has done this, he gives the completed title report to our MTST department, magnetic tape selectric typewriter, for typing. I hate to really go into this magnetic tape because we're really getting into a new

system now. It's just that when Monte came by to make the slides, the other machine, redactron is the name of it, was sitting over in a corner and he didn't think he'd get quite as good a picture of that. But we're just now phasing out our MTST and going into this redactron machine with a double head, so that when the title report is typed out, we can put all of the information on that title report down on this one single card.

When we get ready then to send out our preliminary title report, we just take it back to the girl. She puts it in the machine and runs it off; no additional typing except may-

be the name of the proposed lender or the proposed purchaser. We use it one more time too. I don't want to forget that, it's very important when you begin typing the policy.

We use our MTST and now the redactron. We pull that same card out and use it one more time in typing the policies. Not all the information is the same, but she knows where to stop and where to start on it. I don't even know where to begin on that with you, but at least the correct legal is there and we will use the same legal every time. Once we've got it right it's right.

TITLE INSURANCE AND UNDERWRITERS SECTION

NAIC Update

J. Mack Tarpley

*Chairman, ALTA Committee to Establish Liaison with the NAIC;
Vice President, Chicago Title Insurance Company, Chicago, Illinois*

Your committee composed of Dick Howlett, Jim Hull, "Mac" McConville, Phil McCulloch, John Weatherford and the speaker has continued in its efforts to establish a proper liaison with the National Association of Insurance Commissioners. While it would be a gross overstatement to say we have met with great success in our efforts, we have, with the assistance of the federal government in its proposed intrusion into insurance rating matters, succeeded in at least getting the attention of the NAIC and a number of individual commissioners.

Since I last reported to you, the members of the NAIC Title Insurance Task Force have been designated. At the December, 1971 meeting of the NAIC there was named to that Task Force the commissioners of the states of Colorado, Michigan, Nevada and New York, with Michigan designated as chairman.

On January 21, 1972 your committee addressed a letter to the NAIC Task Force seeking to meet with them to assist them in their deliberations and calling their attention to the then pending Proxmire Bill known as S.2775.

On March 21, 1972 another letter was addressed to the NAIC Task Force transmitting to them material relating to Senate Bill S.3248, H.R. 13337 (the Patman Bill), and the pertinent excerpts from the report of Secretary Romney made to the House Subcommittee on Housing on February 22, 1972.

Also transmitted were copies of the statements made by ALTA to the Congressional Subcommittees.

On July 28, 1972, the Executive Secretary of the NAIC addressed a letter to the Commissioner of Ohio, New Jersey, California, Washington, Missouri, and the District of Columbia, with copies to all commissioners on the subject of title insurance. That letter calls attention to the proposed HUD regulations as they affect title insurance services and states in part as follows:

"After due consideration, your officers concluded not to submit comments to HUD at this time for the following reasons. First, the primary argument would have had to rest on the McCarran Act. That is, 15 U.S.C.A. Sec. 1012 (b) provides that, with certain exceptions not applicable to this matter, no act of Congress shall be construed to invalidate, impair, or supersede any law enacted by any state for the purpose of regulating the business of insurance unless such act specifically relates to the business of insurance. However, several states do not regulate title insurance rates so the argument is not as strong as we would like.

"Second, the proposed federal limitations on title insurance charges, in effect, expresses federal dissatisfaction with state action in this area. On the belief that the McCarran Act objection is valid (thereby depriving HUD of its authority) and if real abuses exist (which HUD apparently believes to be true),

HUD may seek from Congress an amendment to the existing law designed to lift this area out of the McCarran Act applicability. Such an action could become a precedent in other areas (e.g., inclusion of property & liability insurance or homeowners insurance as a settlement charge). Against this risk is the question as to whether the NAIC can ignore this development or let it go by default. On balance, it was felt that the NAIC would prefer to debate the McCarran Act issues in a factual context other than the title insurance area. (For example, not only is the rate regulation of title insurance not universal but also HUD could argue on the merits that it is not attempting to regulate title insurance rates generally on a country-wide basis or even in the specific areas mentioned; it is confining its activities to VA and FHA mortgages in which the federal government has a direct financial interest.) It is always better to demonstrate that state regulation is doing an effective job and that federal intervention is therefore unnecessary, duplicates existing regulation, creates extra expense, raises questions of conflicts of state and federal law, etc.

"Third, the absence of a submission at this time in no way deprives the NAIC from challenging HUD's jurisdiction at a later time if the precedent should subsequently prove to be a serious one. (Incidentally, as you may know, the NAIC has appointed a task force on title insurance which is con-

sidering a model law.)

"Although at this time the NAIC does not contemplate any submission, we are calling this matter to your attention since the second proposed regulation directly affects your states. Depending upon the circumstances therein, the status of your legislative authority, etc. you may want to consider whatever action is deemed appropriate. The purpose of this letter is merely to inform you of the current situation."

More than one commissioner has contacted HUD opposing the proposed action in setting maximum cost standards.

After obtaining a copy of the NAIC letter, your committee on August 10, 1972 again addressed a letter to the NAIC Task Force requesting the privilege of working with them in their deliberations.

No direct response or acknowledgement of any of such letters has been received by your committee.

However, on September 25, 1972 in an envelope addressed to the chairman of your committee there was received from the Michigan Commissioner a notice "To All Interested Persons" of a meeting of the NAIC Title Insurance Task Force to be held October 11, 1972 at Sioux Falls, South Dakota, in conjunction with the NAIC Zone IV meeting.

The notice invites comments generally, and specifically on the following:

- (1) The definition of "premium" and "fee". "Premium" being defined as risk rate and "fee" as a "package" charge. There is suggested that the definitions will cause conflicts or uncertainties in administering premium tax laws.
- (2) The draft to be considered requires that a title insurer be a stock corporation. The notice suggests that a non-assessable mutual could safely function.
- (3) The notice suggests that the minimum capital of \$200,000 and minimum surplus of \$100,000 is too low.
- (4) The draft contains a single line provision. The notice asks why not a mul-

tiply line operation with adequate regulatory requirements.

(5) Unearned premium reserves. The draft provides that investment income from the reserve shall be the unrestricted property of the company. The notice asks—Should NAIC declare that for title insurance investment income not be given any consideration. This seems to clearly indicate the current trend to include investment income, at least investment income on policyholder supplied funds (unearned premium and loss reserves), as an element of rate making. It also suggests that title insurance will be brought into the NAIC property-liability insurer profitability study.

The notice further inquires as to how the draft provisions relating to provision for and withdrawal of the unearned premium reserve correspond to existing state laws.

(6) Maximum limits of net retained liabilities. The notice questions how the draft corresponds to existing state laws.

(7) Questions whether the fair value of a title plant should be an admissible asset.

One or more of the members of your committee will attend the meeting and be prepared to speak.

As some of you are aware, individual commissioners, prodded no doubt by the action of HUD, have been active.

The title industry in Ohio has learned the hard way that to gain the benefits of regulation, particularly in the rating area, it must also accept some of the burdens of regulation. A comprehensive statistical plan is being required by the regulator. Fortunately, he will accept statistics prospectively and not require them retrospectively.

The industry in Nevada has participated in two informal conferences, the last with the governor. The result is an industry advisory committee to assist the commissioner and some financial assistance to the insurance department is involved.

The industry in New Hampshire has been requested to file the schedule of rates currently in use and to appear at a public hearing to show cause why such rates should not be reduced. That hearing is now scheduled for October 20.

From this point forward, I speak to you not as chairman of ALTA Committee and not as a vice president of Chicago Title, but as an individual who has devoted his adult life to the title industry.

Having attained the age where I am sometimes referred to as "a dirty old man" to which I respond that I prefer to be called a "sexy senior citizen", I wish to exercise one of the prerogatives of age and give advice and make recommendations to you even though they be unsolicited.

First, if we truly desire all of the benefits of state regulation, which I believe the vast majority of us do, we must learn that benefits are also accompanied by burdens which must be accepted. Place yourself in the regulator's chair and consider his responsibilities. The old response "but that's not the way we have always done it" is no longer valid in today's climate.

Secondly, rate regulation and the attendant requirement for justification is a rapidly accelerating fact of life for us. While I am fully aware of the rate service and rate advisory organization statutes of the several states and the consequences thereof, I wish to make the following recommendation to you.

ALTA should give serious consideration to the employment of a qualified third party who would work under the direction of the Research Committee to develop a comprehensive statistical plan for rating purposes to be utilized by members of ALTA and rating organizations of which they are members. And, further, that an attempt be made to procure the approval of such plan by NAIC as a model statistical plan for title insurance.

Such action could well minimize the burden of 50 statistical plans in the future.

The Public Is Your Not-So-Silent Partner

Thomas S. Jackson

ALTA General Counsel; Jackson, Laskey & Parkinson, Washington, D.C.

The term, "business is business", has in recent times taken on a new meaning. It has, for many years, been popular to attack "big business", but today the attack is on business, generally, big and little. When a Toynbee someday writes the history of our era—meaning, at least, telescoping events of the 20th Century—there will be a chapter which will deal with the impact of the geometric increase in government power in all the branches, legislative, executive and judicial. There are those who feel that there is an intelligent and planned attack on the private enterprise system, in which each independent

attack on business is part of the whole plan. Many, who disagree with this theory, feel that such a concept is a monstrous creature of frightening imaginations. But it may be enough to observe that Charles Evans Hughes is said to have opposed the income tax amendment with such an utterly ridiculous warning that someday government will be taking 25% of a man's income!

These matters are our concern, and they relate, at the beginning to what I have to say: The American system of economics is, in the end, built upon the play of incentives. The incentive to hard work is prosperity. This

Toynbee I speak of will someday catalog the events of this century which have tended toward destroying those with the enterprise to build businesses which employ other people. The whole system is sometimes collectively termed free enterprise.

When I first came to maturity, I studied as a young economist. Then, in the late 20's, the bug-a-boos of business as reflected in the business journals of the day, were chain stores, which it was feared would drive out small businesses; and installment selling by which consumers would spend tomorrow's income today; and collective bargaining,

which would give to the worker the power to dictate to the employer. Some of these dire predictions have been borne out. Chain stores have, in fact, driven the small grocer and haberdasher from the field. Collective bargaining did throw labor relations out of balance to the point where such laws as Taft-Hartley had to be enacted. Installment buying has become the basis for the great prosperity which this country enjoys over other lands, enabling the common man to have homes, automobiles and appliances; but we are no longer on a cash basis.

The major drive of today is what has been called "consumerism", but it is even broader than that. It is the development of a consciousness, fortified by action, that the businessman may no longer ignore or have his way with the public generally. Business and industry are no longer thought to be free indiscriminately to advertise; to impose unlimited conditions; to use land indiscriminately; to pollute our rivers and air; or to waste our natural resources. Restraints are imposed and conditions fixed by governmental action. The numerical superiority of consumers over producers results in a power through political action, and this power is substantially irresistible. Such is the source, so far as the members of this Association are concerned, of such excesses in regulatory statutes as the Truth-in-Lending Law, and the more recent efforts to inhibit institutions to lend money on their own terms.

Now the action is not solely with the Legislative and Executive branches of government. The courts are clearly in the act. One of the major developments of the last decade has been the acceptance of the courts of jurisdiction to issue judicial decrees in "class actions".

There is hardly any controversy between humans which cannot be presented in such form that it may be presented for resolution to a court. Matters which were once too small to be brought to the attention of the courts now may be lumped together so that the courts are expected to resolve a group of them as one controversy. Thus, for example, a few scattered individuals, acting in the name of all the voters, have persuaded the courts to decree that the states must reframe their constitutions to conform with what they consider to be the constitutional concept of "one man-one vote"; to require school authorities to balance the races in the schools, even by means of moving great numbers of school children by buses out of their neighborhood schools; to require employers to vary their employment practices to accommodate racial balance; to compel industries to take steps to avoid pollution; and a host of other things with which we are all well familiar.

To the businessman, the acceptance by the courts of jurisdiction in class actions brings to him the necessity of an awareness that he is no longer free to assume that a transaction closed will stay closed. He may no longer assume that he may sell his wares on his own terms. He may no longer assume that he may lend his money upon conditions he prescribes. The profit he thinks he earns this year, and has earned in the years past, he may discover can be taken away from him, through the device of the class action. Our judges now have the power and the instrumentality to intensify and enlarge, almost to an unlimited extent, their control over business. The businessman may be penalized by civil judgments or criminal prosecutions for acts which the courts deem wrongful,

often without clear legislative definition and sometimes for acts innocently done. A successful business may be ruined overnight as a result just of an oversight. I feel that the class action device has already been carried too far; but for our purposes today, what I think about class actions is not material. My purpose is to explain what the class action is, to help in a small way to give an awareness of the danger of it, and perhaps to suggest ways and means of avoiding disaster to some who may be caught up in this spider's web.

The class action is by no means new. It was part of equity practice in England before the Revolution. It had been generally recognized in the state courts, in equity proceedings; and 50 years ago the Supreme Court adopted a rule providing that:

"When the question is one of common or general interest to many persons constituting a class so numerous as to make it impractical to bring them all before the court, one or more may sue or defend for the whole."

See *Supreme Tribe of Ben Hur v. Cauble*, 255 U. S. 356, 65 L.ed. 673, 41 S.Ct. 388; *Smith v. Swormstedt*, 16 How. (U.S.) 288, 14 L.ed. 942.

This was (and still is) a rule of pragmatism; it is merely a practical device the courts were forced to devise to avoid a suit with a thousand plaintiffs and defendants. It is therefore an exception to the jurisdictional rule that, in a lawsuit, the judgment binds only those who are actual parties or who claim through persons who are parties. Where the court of a state decides a question of law, it was once thought that all courts of that state (or in the case of federal jurisdiction, the Supreme Court of the United States and all lower federal courts) would follow that rule until it was changed by the legislature. But hundreds of appellate decisions in all manner of cases have taught us that we can no longer rely on this principle, called the Rule of *stare decisis*, not only because a court, whose majority members disagree with the philosophy of the old rule, will be quick to find distinctions in the facts, but will also easily conclude that the rule does not meet the exigencies of modern times.

It is not easy to find an authoritative statement of the reasons why, in recent years, the intensive impetus we have observed has occurred in the number of class actions filed. One major cause is undoubtedly the great development in "consumerism" and "the public interest", represented by law firms which now specialize in these fields, supported politically by legislators both in Congress and in the states who are extremely vocal. While we see that there may be some limit to the standing of a few individuals to represent a large class in such decisions as that of the Supreme Court in the case of *Sierra Club*, the limitation may be less than actual, because while the *Sierra Club* as such could show no damages, that is not to say that some individual members of the Club could not contend that, for example, they live in the area where a large dam is to be constructed and would lose certain recreational and other rights they enjoy in lands to be inundated. It is not likely that a diligent lawyer, whose business it is to seek out such causes, and file suits thereon, cannot find some way of reaching an individual or a group of individuals who will lend their names to a class action.

Presently, the vehicle in the federal courts under which class actions are filed, is Rule 23

of the Federal Rules of Civil Procedure. This Rule, which involves complicated and technical questions of law primarily of interest from an intellectual point of view to the lawyers involved, but nevertheless of great importance to their clients, permits in the federal courts one or more members of a class to sue or be sued as representative parties on behalf of all

"****only if (1) the class is so numerous that joinder of all members is impracticable, (2) there are questions of law or fact common to the class, (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class, and (4) the representative parties will fairly and adequately protect the interests of the class".

Rule 23 also provides that, in order to maintain a class action, the action shall fit one of three classifications. First, it must be shown that the class action is necessary because separate suits could force the party opposing the class into incompatible positions, or because litigation by one member of the group, as a practical matter, will be dispositive of the interests of the others. The second class consists of class actions where the party opposing has acted or refused to act on grounds generally applicable to the class and is limited to instances of appropriate injunctive or declaratory relief with respect to the class as a whole. The most complicated and controversial class comprises those actions which are binding on all members of the class who do not specifically exclude themselves following notice of the action, and permit money damages for a described but not necessarily identified class. It is to be noted that the second class primarily concerns the somewhat less dangerous problem of procuring the ruling of a court as to future conduct, i.e., to prevent a continuing by the businessman of what plaintiffs assert is wrongful and unlawful conduct. In the third class, money damages may reach claims of astronomical size for huge but indefinite groups. Excluded from the group are only those who expressly, upon notice exercise an option to remove themselves from the case. One source has asserted that even where notice was mailed to each member of the class (sometimes notices by publication), experience shows that less than 1% of the class requests exclusion. It is reported that in one case where notice was mailed to two million class members, only twelve thousand responses were received, of which 90% were "opt-outs", thus only 0.6% of the class responded to notice. This factor involves a highly significant matter of judicial philosophy and psychology. Where one, or a very few, persons who have taken the trouble to reach a conclusion that they were wrongfully required to pay what might be a totally insignificant amount, and they fall into the hands of a so-called public interest lawyer, the insignificant claim suddenly becomes gargantuan if the claim involves a practice which the businessman has followed with respect to many other people. The odd and ironic thing is that it is better plaintiffs' material if the practice has gone on for many years and seems to be fundamentally established. In ordinary cases such a long practice never challenged, would give rise to an estoppel, a defense of the statute of limitations, or laches. But it is difficult to maintain such defenses in class actions. In such a posture, the insignificant claim becomes an instrument of disaster, even if the defendant-businessman (or businessmen)

firmly believe that the suit is completely un-sound and that they will eventually win. So far as the burden on the courts is concerned, one most respected judge has called the Rule 23 class action a "Frankenstein monster", and those representing the defendant-businesses have recognized that the class action is an instrument of duress, amounting substantially to blackmail. The risk of losing is just too great for the defendant to litigate if he is offered any reasonable "settlement".

The burden on the courts of this type of action has reached the point of being scandalous. A study of the situation respecting class actions was made by a knowledgeable and able committee of the American College of Trial Lawyers and published in March, 1972 by the Board of Regents of that organization. That special committee, in support of substantial changes in Rule 23 recommended by it, found that few statistics were available from sources such as the Administrative Office of the Federal Courts in Washington, D. C., where they ought to be found so they made their own study and discovered that since 1966, when Rule 23 in its present form was adopted, there had been filed in the one federal district, the Southern District of New York, 1,339 class actions in the five and a half year period ending with 1971, of which 1,003 were still pending. Of these pending cases, one was found to involve some six million claimants; and it was found that in several of the cases, the classes each represented in excess of one million alleged claimants. The report recited that if a conservative estimate of 300,000 is used as the average class size for the 1,339 cases brought in the Southern District of New York, then that one federal district has been compelled to handle the claims of more than 400,000,000 people, almost twice the population of the United States.

The description of the classes for which such actions have been brought would be comic if they were not so serious. Our office in Washington is defending a suit filed on behalf of all registered Democrats; another on behalf of all registered voters; suits have been filed on behalf of all subscribers of business telephones in New York County, all Master Charge Credit Card holders similarly situated, all consumers of gasoline in a given state or states, all homeowners in the United States, and even all people in the United States. It is to be assumed that there will be found, if an inventory could be taken, suits on behalf of all taxpayers, all bus riders, all bank depositors, all people having a family income of less than a given amount. One can hardly imagine a class for which an action could not be devised for some supposed wrong. The burden on the courts and the court system is truly beyond comprehension.

The business-defendants are subjected to a burden which is cruel. No official attention is being given anywhere to the ethical problems involved in where these attorneys get their cases; and I make no observations on that score. I have had enough experience in these class actions to know they seldom come accidentally to the plaintiffs' attorneys. But however they get there, when a lawyer receives a case which can be formulated into a class action, he suddenly may have, as we have already seen, six million clients. So he devises a lawsuit, which may be geometrically increased in size by finding that there are a number of other like businesses which have followed the same practice complained of, and he ties them all together in a single suit by including a count involving conspiratorial

violation of the antitrust laws. Having filed the suit, and having it caused to be served upon each of the sundry defendants, he then devises a set of interrogatories which he is now permitted to serve with his Complaint, or soon after, the preparation of the answers to which may involve untold expense and the devotion of an untold number of hours on the part of each defendant and its staff. There follows all sorts of discovery through which the defendants are compelled at their own often killing expense, to provide the evidence against themselves which the plaintiffs did not have at the outset. The expenses include lawyers' fees, court reporters, xerox reproduction, mail and postal charges as well as employee expense in digging out the information demanded in motion to produce records and documents, or to answer interrogatories. When the court has determined that the suit is validly brought as a class action, there comes the next big burden upon the defendant or defendants: there must be notice to the members of the class. The cost of these notices are seldom borne by the plaintiffs themselves, but more likely must be borne by the defendants if the notice is by mail, directly to all persons in the class, it may cost a great deal just to get their names and addresses, to prepare the appropriate notice and have it printed, and put it in stamped and addressed envelopes; and even if the notice is by publication only, the cost of publishing advertisements and the designation of the newspapers and journals in which they must be published, is a very great problem and very great expense. It is no wonder, therefore, that the instrument of the class action can be used as a blackmail device: million dollar settlements have been agreed to notwithstanding that competent observers and even the judges assess the merits of the plaintiffs' class actions as slight. The allowance of attorneys' fees passes all imagination. The fact is that the lawyers handling these class actions are often the principal beneficiaries. In suits in which settlements have been effected, as is the case of nearly all of them, the recovery on behalf of the class members may be a few dollars each, while the attorneys' fees run into the hundreds of thousands of dollars, even millions.

The problem will not go away. A 1962 Harvard law graduate has begun the publication of a quarterly journal, the sole purpose of which is to stimulate lawyers to be interested, and to know the basis for, class actions of all kinds. The first issue explains that a news letter about class actions is desirable:

"****because they're on the frontier of what's happening in enlightened and innovated law firms today. Measured by reported decisions, the agenda at professional meetings and comments in legal periodicals, class actions are clearly on the rise and an essential tool for the modern practitioner.

"Yet many lawyers are only vaguely aware of these new developments and the rewards which are available to the knowledgeable." ***

"Significantly, these cases—when won or settled on favorable terms—can be lucrative. Following the old equity principle that a lawyer who creates a fund for the benefit of a groups is entitled to a portion thereof, courts are awarding attorneys' fees up to 20% of sizable class action awards."

Describing a class action as simply an action

on behalf of persons whose claims are identical or similar, the first issue of this publication admonishes:

"The names of the class members need not be known at the time suit is filed if it appears they will eventually be 'ascertainable'. The ideal situation for plaintiff is when the names and addresses can be obtained from defendant's records but, a decision by the Supreme Court of California held that a group of taxicab passengers that could not be named or located was an 'ascertainable class' because the exact amount of the overcharges sued for could be ascertained from defendant's records, *Darr v. Yellow Cab Co.*, 63 Cal. Rptr. 724, 433 P. 2d 732 (1967).

Sundry "institutes" and seminars and panel discussions are being held in various parts of the country, recognizing the importance of the class action in development. The American Bar Association's National Institute, in a session being sponsored by the Corporation Banking and Business Law will hold in New York City, in the latter part of this month, a three-day institute entitled "Corporations Under Attack—Response to New Challenges", a large part of which will be devoted to a discussion of class actions and related problems. These seminars often serve to identify and advertise the "specialists" in this field.

The money incentive for lawyers to bring class actions, under the circumstances we have indicated, is many times greater than the incentives involved in lawyers defending them. The plaintiffs' lawyer is shooting for jackpot; his reward may be enough to make him independently wealthy for the rest of his life. Damage suit litigation is for peanuts in comparison. The class action is recognizedly taking the place of personal injury actions as the big bonanza in the field of the practice of law. It is a disgraceful situation, one which the American Bar Association is not properly handling, and which it probably is effectively incompetent to handle since its membership comprises lawyers of all interests, including a very strong representation of lawyers who make their business more frequently on the plaintiff's side than that of the defendant's. It is difficult to respond to the plausible argument of those who believe that the class action development is a perfectly logical and philosophically sound procedure. They say, if the plaintiffs can show that the defendants have in fact done something wrong, and have taken money from the public, even in small amounts among a great number of people, why shouldn't they be required to pay these sums back? And, they say, if the plaintiffs' attorneys who prosecute these suits take their pay out of the total award, what is there for the defendants to complain about? The answer in part lies in the concept that we have always understood the law to entertain the principle of accord and satisfaction, that a closed transaction is a closed transaction, that contracting parties (in the absence of willful fraud) are presumed to be able to contract on behalf of themselves. The courts exist for use by people who are willing to go to the trouble to sue, and the concept that one aware person may be able to instigate litigation for a whole host of people who frankly do not care and would rather go on to other things, is an abuse of the judicial process and not in the public interest.

This brings us to the very pertinent observation that men and women who take on the responsibility of acting as an officer and

director of a business corporation assume very great responsibility indeed. As a matter of fact, I doubt very much if most people who accept, with pride, the "honor" of serving as a director of a bank, savings and loan institution, title insurance company, or some other corporation operating through executives who make the real policy decisions, really realize that in this day of the class action and "big brother" supervision, they may become personally liable for mistakes made by the executive staff, quite without any actual conscious wrongdoing on their part. The directors may be unaware of the full significance of a resolution adopted by them on management's recommendation. Any director who raised a question and who voted against it, may himself be protected from liability, but negative response to a management recommendation might very well be unpopular; as a result, he remains silent, and is not recorded as opposed. In February, 1972, the opening remarks of Mendes Hershman, of the New York Bar, at the Institute of American Bar Association on officers' and directors' responsibilities and liabilities, after noting that "in the halcyon days of private enterprise" many things could be done that are now far more dangerous, contain the following:

"The empire builders' funeral march would be played (today) by the descendants of the supreme tribe of Ben Hur*** who had buried him under a blanket of class actions; accompanied by a swelling chorus of consumers led by a militant Miss America; attended only by an old family friend, the corporation's general counsel, whispering the words 'legal blackmail' and repeating in querulous tones a litany consisting of the revised Rule 23 of the Federal Rules of Civil Procedure.

"It may be that recent litigation like the SEC suit against *Texas Gulf Sulphur* *** simply identified existing liabilities of corporate officers and directors of which we were but dimly conscious. On the other hand, there are many who say the courts in these cases have created new liabilities by judicial construction. At the same time, what we tend to forget in the efflorescence of the securities cases is that suits predicated on well established and long identified liabilities are also on the rise."

Class actions have been filed against title insurance companies in several parts of the country. Most of these, notably in Colorado, California and Pennsylvania, involved anti-trust implications. The first line of defense is the McCarran-Ferguson Act, wherein insurance is deemed to have been left to the regulation of the states, and insurance companies have been thought to be exempted from anti-trust restrictions under federal laws under circumstances in which effective regulation lies in the states. And the latter is the problem: the counter-defense is that regulation in the states has not been effective, and is a sham, in many places. Whether it is or not, the class action is the tool by which the

question is raised. Formerly, we were concerned whether the antitrust division of the Department of Justice would get involved. Now, we have more to worry about, i.e., the class action filed by a public interest law firm, or others claiming, with varying degrees of bona fides, a "deep interest in the public welfare". There are other kinds of class actions being filed against title companies: in one case, a lawyer known for his preoccupation with class actions, has hastened to file a suit concerning the validity of a charge for the preparation of what one company unfortunately called "a title binder"; and in another, a class action has been filed asserting that a group of title insurance companies unlawfully made charges for dispersing the seller's check in escrow situations. In all of them, the danger of litigating the case through to the end, to stand on principle, is very great. It may turn out that settlement, however distasteful, may be required in the exercise of sound business judgment. The cry of "millions for defense; but not one cent for tribute", is a romantic and patriotic part of the history of the American character. But everyone who has ever been in a lawsuit, knows that it is really pure nonsense.

I am concerned with the lot of the underwriters; but I am equally moved to warn others who may be assuming that this dread disease would not reach them. In this historical parade, first come the big guys, and then come the little guys. Throughout the country, first the big plums will be picked off. Later, the lawyer in the smaller community will get in on the act. To him, the \$100,000 lawsuit with a prospect of a \$25,000 to \$30,000 fee, is not to be ignored simply because some lawyer in Chicago, Philadelphia or New York has hit for millions. There are some people who are only content with playing the blue chips at Las Vegas; but there are still plenty who play the dime machine.

So what can we do about it? First, I think the consumer movement generally must be brought into focus and held to reasonable standards. A massive publicity program has to be undertaken on behalf of the businessmen and tax-paying entrepreneurs of this country. Consumers generally, being the public, must be made aware that all is not gold that glitters: if the total movement, including that part involving class actions, destroys American industry and American commerce, and destroys the incentive of the individual to become an entrepreneur, the fable of the killing of the goose that laid the golden egg will come true on a scale unknown in the economic history of the world. Somewhere, through the Chamber of Commerce of the United States, or otherwise, such a movement must be launched. Secondly, and more important, the members of this Association, and particularly to those who are engaged in operating small businesses, must be aware that in every action you take, there is a silent partner looking over your shoulder, who may let you make a mistake running for a number of years and then slug you with a class action, imposing upon you the penalty of great expense and great risk. No longer

can you assume that what you charge or what you do is only your business. You must take a long look at all of your rate schedules, all of your practices in making payments to others for the production of business, including excessive entertainment expense, which may reach the status of a kickback. You must conduct yourselves generally as you would if you were a trustee. As I read such legislation as the Truth-in-Lending and the new proposals of Title IX to the Housing Act, I am aware that a heavy burden of looking out for the consumer is being placed on the businessman by legislation and by judicial decision. The consumer is no longer expected to look out for himself. He must be treated as one would a child, or an incompetent, with whom you do business at your risk, not his. It may be that legislation which, for example, requires you to state in advance all of your charges, is corrective, and in some respects desirable; but the fact is that you really should have been doing this sort of thing all along, and you would have avoided the trouble, damage, and even the criminal provisions to be found in the pending legislation. What practices you have followed in the past is history; you can do little about them. But carry my warnings in mind, you should take a long look at your own practices to make sure that you have followed in meticulous detail the admonitions of legislation, the regulations of your business in your locality, and meticulous good faith with your customers.

I think I may close with a quotation from the remarks of Professor Alfred F. Conrad, of the University of Michigan Law School, at the ABA Institute on Officers' and Directors' Liabilities, to which I have already referred:

"In fact many of the ways in which a company might want to violate the anti-trust laws of the Robinson-Patman Act would be in the monetary interests not only of the shareholders, but also of the laborers, the suppliers, and often the dealers. The persons protected by these laws are chiefly consumers and competitors.

"Viewed broadly, the corporate director's game is a little like football, which grew out of someone grabbing a soccer ball and running with it, and then a book-full of rules grew up out of fortuitous or tragic accidents, and out of the whims or prejudices of influential coaches. From the viewpoint of a lawyer who is trying to help the director score touchdowns, there are so many rules that you never make a gain without looking around to see how many red flags are lying on the ground. At the same time, a number of concerned parents, physicians and friends of the players think there are still too many undetected fouls and crippling injuries. Some day we might devote time to asking whether we could not do a redesigning job which would make the game better for everybody. But the first job *** is to analyze more closely what the various rules and penalties are, and how they work."

HUD Settlement Regulation and Mortgage Banking

Murry D. Kennedy

President, Mortgage and Trust, Inc., Houston, Texas

Recently much has been said and much has been written about the unreasonableness of settlement costs and statements have been made that these costs are unnecessarily and unreasonably high in some areas, and that excessive charges have been made to the borrowers by unscrupulous lenders. A study of settlement costs has been made by the Department of Housing and Urban Development and the Veterans Administration. Out of this study has come a demand for HUD to regulate settlement costs. I do not intend to go into any detailed discussion with you of the settlement costs survey because I was very pleased to read in the program that you have a talk scheduled on the proposed HUD settlement regulations by an official from HUD who obviously is far more qualified to speak with you on this important matter. I would like to point out my remarks in a different direction and relate these costs to the present regulations.

But first, I would like for you gentlemen of my generation to reflect back with me to the early 30's and for you younger gentlemen to listen to some ancient history prior to the days of HUD. At that time, mortgage bankers were few in number and their business was almost altogether residential. Methods and procedures and the forms of mortgage financing, while basically the same as today, were entirely different. First liens were usually limited to 50 per cent or 60 per cent of the property's value, often requiring that a second lien and sometimes a third lien be made against the property to provide the borrower adequate financing. The term of the loan was usually from five years to 10 years, but rarely was for a longer term. Payments normally were made quarterly or semi-annually. Obviously, the loans did not amortize within the term. There would usually be a large bumper note or lump sum due at maturity making it necessary for the borrower to refinance two or three times before his debt was fully paid. There were no escrow deposits for the payment of taxes and insurance. These items had to be paid by the borrower in a lump sum when they became due. Each investor or mortgagee had its own form of note and mortgage and there was little or no standardization. Loans were generally closed on the basis of abstracts and attorney's opinion because in the early 30's mortgagee's policies were still suspect and were infrequently used. During this period of the so-called great depression, sales dropped, manufacturing was curtailed, business failures were high, unemployment soared and there were many mortgage defaults because payments could not be met. As the foreclosure rate went up, the rate of new building went down and unemployment in the building trades increased, and a demand grew for some kind of government action to be taken in the housing field. In 1931, President Hoover called a President's conference on home building and homeowner-

ship. The conference was attended by more than 3,700 experts on various aspects of housing and representatives of industry. The conference recommended, among other things, broadening homeownership, an adequate system of home credit, improved planning and zoning, better homes at lower costs through improved technological processes and rehabilitation of old homes, but the Hoover Administration kept away from any direct government intervention in home financing.

In 1933 when the Roosevelt Administration came into power, the situation was chaotic and emergency action was called for. During that year, the Homeowners Loan Act became law and the government established itself in the mortgage business. The Act created the Homeowners Loan Corporation, the HOLC, to help distressed homeowners by refinancing their mortgages with new 5 per cent, 15 year amortizing loans, the type of loan that the Hoover conference had recommended for home financing. The HOLC, by its refinancing, eased the financial burden of these defaulting homeowners but it did nothing to stimulate the lethargic state of the housing industry which was one of the most serious of all of the unsolved economic problems of the times. In 1934, the National Housing Act was passed which, among other things, provided for mutual mortgage insurance on homes and low cost housing—and the FHA was born. It was the purpose of government insurance to attract money into the field of home financing. The insured mortgages could be up to 80 per cent of value with maturities up to 20 years and full amortization by monthly payments. The maximum loan could not exceed \$16,000 and interest could not exceed 5 per cent or up to 6 per cent if the market demanded it. The monthly payments included a mortgage insurance premium which the lender would pay annually to the FHA, and there was a provision for escrow deposits to pay the borrower's taxes and hazard insurance when these items fell due.

But there was a serious handicap to FHA mortgage insurance. It was the existence of state laws that prevented lenders from taking full advantage of the provisions of the National Housing Act. So, the FHA prepared a model enabling bill and worked with state officials to adopt its passage. By the end of 1937, the legislation had been enacted in all states.

The FHA single family plan was eminently successful and by 1936 mortgages on rental housing projects were being insured. In 1938, the National Housing Act was amended to provide for more liberal terms. On new low cost owner occupied homes the loans could now be made for 90 per cent of the value with the amortization to be up to 25 years. It was also under the 1938 amendments that provision was made for setting up the Federal National Mort-

gage Association, FNMA, to buy and sell insured mortgages. FNMA was owned and operated by the RFC.

In 1948, 95 per cent mortgages with 30 year maturities were authorized under Section 203 on low cost homes and 90 per cent mortgages with 40 year maturities were authorized under Section 207 on low cost and cooperative multi-family projects. Since the early days of its operations, the FHA had become self sustaining and, in 1954, the FHA repaid to the treasury the amounts advanced in its early years to pay its expenses and establish its insurance funds. The total amount paid to the treasury was \$85.9 million which included \$20.3 million interest. Minimum down payments for home mortgages were again reduced in 1957 and 1958 and in that latter year, the FHA published minimum property standards which were to become applicable throughout the United States.

In 1965, the Federal Housing Administration was made a part of the Department of Housing and Urban Development. The FHA became a part of HUD. Most of you are now familiar with the remainder of its history.

In spite of its brilliant successes and its outstanding accomplishments, FHA has from time to time been severely criticized. It was the subject of investigations of abuses under its post war rental housing program under Section 608, and I am sure that we are all well aware of the recent scandals and charges of collusion between FHA employees, brokers, speculators and approved mortgagees. And there has been much criticism of the FHA's administration of the 235 single family and 236 multi-family subsidized housing programs. In my opinion, in focusing on the spectacular of these charges and criticisms, there has been a tendency to overlook the outstanding job that FHA has done in insuring more than 11 million housing units for a total exceeding \$123 billion. Gentlemen, this has to be one of the finest contributions that has ever been made to the American way of life and the American economic system by any institution. To put FHA's contribution on a more personal basis, I say without any fear of contradiction that it has been one of the most potent factors in creating today's tremendous demand for title insurance; and there is no question about its contribution to mortgage banking. It has provided a government guarantee acceptable to all institutional investors. It has standardized forms. It has liquified mortgage portfolios. It has made possible the trafficking of mortgages from state to state. It has initiated mortgage terms which minimize defaults and foreclosures. It has stimulated and matured the home-building industry. It has established minimum construction standards. It has improved land planning. It has assisted in providing housing for minority groups. It has

assisted in providing housing for the elderly and it has helped make it possible for nearly four out of every five American families to own a home.

Now, about proposed HUD settlement regulations. These proposed regulations have resulted from the study which was made pursuant to the Emergency Home Finance Act of 1970, a provision of which provided that the Secretary of Housing and Urban Development and the Administrator of Veterans Affairs would undertake a joint study of closing costs and settlement charges and would develop recommendations for legislative and administrative actions which could be taken to reduce such costs and standardize them for all geographic areas. The study was compiled by all HUD and VA area offices and HUD insuring offices on a sampling of single family owner occupied properties submitted for insurance or guaranty during the month of March, 1971. The survey included both the settlement statements of the buyer and the seller in these selected cases. The study defined "closing costs" to include all charges paid at settlement for obtaining the mortgage loan and transferring real estate title. The term "settlement costs" was defined as the sum of the closing cost items, loan discount payments, prepaid items such as mortgage insurance, hazard insurance and taxes, and sales commissions. The term "closing costs" includes the FHA application fee, credit report, survey, title examination, title insurance, attorney's fees, origination or initial service charge, preparation of documents, closing fee, recording fees, state and local transfer taxes, escrow fee, and termite inspection.

In reviewing the study and reading the tabulated results on the closing cost items just enumerated, one gets the impression that these costs and charges might be made in an arbitrary amount within the discretion of the mortgagee. Gentlemen, nothing could be farther from the truth. Closing cost charges are regulated and have been regulated for many years by the FHA and the VA. I refer you to FHA regulations, Section 203.27 titled "maximum charges, fees or discounts" which provides that the mortgagee may collect from the mortgagor the following charges, fees and discounts and thereafter it enumerates the application fee and the other items discussed and provides for regulation of such other reasonable and customary charges or fees as may be authorized by the commissioner. It provides further, under sub-section B, that prior to insurance of any mortgage, the mortgagee must furnish to the

commissioner a signed statement in form satisfactory to the commissioner, listing any charge, fee or discount collected by the mortgagee from the mortgagor. The commissioner's endorsement of the mortgage for insurance shall constitute approval of the listed charges, fees or discounts. And again, gentlemen, this information is set out in the FHA handbook. In each area FHA office, these charges and fees are well defined and precise maximums are established. For example, I have with me the maximum charges and fees established in one of the Texas area offices. The FHA's application fee—new construction \$50; existing construction \$40; credit report—\$6; survey fee—\$45; recording fees—varies (these fees, of course, are the fees that are established either by the state or local recording authorities); photographs—\$5; mortgagee's origination fee—\$20 or 1% of the amount of the loan, whichever is larger; when construction advances and inspections are made—\$50 or 2½% per cent, whichever is larger; preparation of legal documents (note and deed of trust)—\$25; title insurance owner's policy—as set by the state insurance commissioner; mortgagee's policy—\$15; escrow fee—\$5; copies of restrictions—\$2 per instrument; amortization schedule—\$1; recording of UCC-1—\$1; if necessary to record a transfer of the recorded lien—\$2.50; other items—explained. I reiterate, gentlemen, these are maximum fees and charges that can be collected from the mortgagor. Actually, in many cases and probably in most cases, at least in the state of Texas, the greater part of these fees is paid by the builder or seller. This, of course, is a matter of contract between the parties. The point is that these fees and charges are strictly regulated at the present time and I fail to see how any further regulation on the part of HUD is going to reduce expenses very much on a \$6 credit report, or a \$45 survey fee or a \$5 photograph fee, and so on. There is just not much water to wring out of these costs. Of the other two settlement cost items, loan discount payments are not regulated by HUD but they are certainly regulated by the mortgage market, and I point out that the discount must be absorbed by the builder or the seller and no part of the discount can be charged in any way to the borrower. The discount is not an item which is taken into consideration in the FHA valuation and, therefore, there appears to be no possible savings to inure to the borrower from this item. The other item, real estate sales commission, is an item of the seller's expense. The maximum sales commission, I believe, is

well established in local areas by the realtor's associations, and it appears unlikely that a reduction of sales commissions will be effected.

Although closing cost items are regulated in the areas by the FHA Director and by the VA Loan Guaranty Officer, nevertheless it is quite true that there is a substantial variation in some costs from area to area. This, of course, is not inconsistent because services of any trade local in nature vary in costs from area to area. It appears to me that it will be extremely difficult to standardize costs throughout the United States unless these costs are standardized on the high side rather than the low side and this, of course, would defeat the entire purpose of the proposed regulation. As long as our state laws and procedures vary, it appears that local costs must necessarily vary. We applaud the purpose of this study in seeking to reduce the cost of housing and the cost of homeownership, and we wish success for HUD and the VA in resolving this dilemma.

Now, just a word about housing legislation. No housing bill has been passed this year. On March 2nd, the Senate passed its version of a housing bill. In the House, the Banking and Currency Committee for nearly two years worked on its version of a 1972 omnibus housing bill. This bill has received much comment and editorializing because of controversial sections including settlement costs and kickback regulations. In the last days of deliberation, the bill was amended in committee to add a provision which would have substantially softened the settlement costs and kickback sections of the original bill. The bill would have also repealed HUD's existing authority to set limits on settlement charges for government insured and guaranteed loans. But this bill was not voted on by the House. Last Wednesday, September 27th, it was killed by the House Rules Committee which voted to defer consideration indefinitely because it was too late in the session to bring up such a complicated piece of legislation. The following day, last Thursday, the House Banking Committee announced that it had agreed to an emergency resolution to extend FHA's present insuring authority an additional six months. The resolution is expected to be passed quickly, possibly today, by the House, but it faces some possible opposition and delay in the Senate. At this time, it can be said with some certainty that the situation is very confused and the fate of HUD's proposed settlement costs regulation is in doubt.

Washington Report

William J. McAuliffe, Jr.

Executive Vice President, American Land Title Association, Washington, D.C.

Tom Finley talked to me yesterday and again this morning. He asked me to express his regret that he is not able to be here. He

indicated to me that he believes effective legislative relations demand he be in Washington because this morning at 10:30, the

Senate Banking, Housing and Urban Affairs Committee is meeting for the purpose of taking up a continuing resolution, to continue

the insurance programs of the FHA which Murry Kennedy described to you.

Tom is aware that Senator Proxmire plans to propose an amendment to that continuing resolution to incorporate Section 712 of the Senate passed Housing bill. Section 712 would expand HUD rate making authority and make it a crime to give a kickback. Tom has been working on this matter over the weekend and he is probably on the Hill right at this moment, if the Senate Banking, Housing and Urban Affairs Committee has not completed its deliberations.

We shall know the outcome this afternoon. It is of course critical. There may be an attempt, if Senator Proxmire is unsuccessful, to amend the continuing resolution with the Stephens substitute. If that happens, it would be to our advantage.

Effective federal legislative relations really starts at the grassroots. It should begin, as Bruce Zeiser stated, at the campaign stage. I would suggest that it start at the state level also, because many of the men who come to Congress have been in state legislatures. You should get to know them there, because that knowledge and that friendship can carry over into the federal arena.

I am pleased and proud to say that many of our people, as witnessed by the people who raised their hands a few moments ago, are involved at the state level.

This industry is going to have government regulation. It may be at the federal level. We hope it will be at the state level. In order for our hopes to become reality, you have to be involved in politics. You have to be able to talk to your legislators or those who make the regulations which are going to affect you.

You should know your insurance commissioner.

Now, how can you be effective?

You should ascertain which of the Congressmen are sympathetic to your cause. It shouldn't make any difference whether they are Republicans or Democrats.

Let me give you a "for instance" as to how you can be effective with respect to legislative actions, in terms of participating in a campaign. I use this as a hypothetical

example.

There is a Senator from Alabama who is up for re-election—Senator Sparkman. He is being opposed. It's a tight race. If you are from Alabama, have you analyzed how Senator Sparkman has voted on matters of interest to you? Has he been a friend of yours? Would you like to see him back in Congress? He holds a very key position. He's chairman of the Banking, Housing and Urban Affairs Committee in the Senate.

How can you help him? You can push doorbells, punch typewriters, lick envelopes, or give him a contribution. If you are not from Alabama, but would like to see him return to the Senate, you can make a contribution.

You can't "buy" a Senator; you can't "buy" a Congressman. But you can help those who share your views. That's one way to be effective in legislation, because then the person voting on legislation shares your views. And a legislator you have helped is more apt to listen to your views on pending legislation.

When it comes to influencing legislation, you operate pretty much as you do at the state level, as Bruce has just outlined. But when you contact a Congressman or a Senator, you should remember that their time is very valuable. They are under tremendous pressure from many groups. If you obtain an appointment to see a Congressman or a Senator, you should be informed as to what you want to discuss with him. Make your point, support it with facts and then leave.

Another thing that is different at the federal level, as Bruce indicated, is that the staffs of the various Congressmen and Senators—and of the committees upon which they serve—are very important. Frequently a Congressman will rely on information on a particular bill obtained from a member of his staff or a staff man of a committee. Accordingly, it is most important to talk to that staff man. You may spend more time with him than you do with the Congressman or Senator.

One thing that Congressmen don't particularly like, that Bruce mentioned, is being invited to legislative cocktail parties. Why? Because they receive too many invitations. They'll go, but they tell us: please don't pressure us. They could attend two or three parties a night if they accepted all of the invitations they receive.

Get to know your Congressman. Become involved in his campaign. Then, when a bill comes along—like the federal regulation of the title industry, and we ask you if you know your Congressman, you can write back: Yes, I know him, I've worked for him, or he is a neighbor, or I know somebody who can contact him. And maybe together with you, we will visit him. Or maybe you will call him up and say: Would you spend a few minutes with Bill McAuliffe, or someone from Sharon Pierson Semmes Croluis and Finley, an outside law firm, to talk about our legislative problem? If he says yes, you have provided the key. A Congressman is going to pay attention to his constituent. That's where the political muscle is. It's not in Washington with the lobbyists, or the people in your Washington office. In order for a legislative effort to be effective, it has to involve you.

I am very pleased to say that you have been involved. We have been very effective in this legislative battle. It was a Herculean task to amend the Housing bill with the Stephens substitute in the House Banking and Currency Committee. But it was accomplished. It was done with the tremendous aid of this outside law firm, as well as by the various members of this industry who made or provided effective Congressional contacts.

You have been effective. I want you to be even more so, more involved. This industry is not going unregulated in the future. It is going to be regulated by government. We want it to be regulated at the state level. The Proxmires want it regulated at the federal level. So become involved. Know your Congressmen and your Senators. Your future business is at stake in this most important battle. Thank you.

Effective State Legislative Relations

Bruce H. Zeiser

*Massachusetts State Representative
Massachusetts State Manager, Lawyers Title Insurance Corporation, Boston, Massachusetts*

I appreciate that very kind introduction, and of course when anybody from Massachusetts who is involved in Massachusetts political life is on a program where he follows a Kennedy, you will appreciate that he could not allow that to go un-noticed. But at the same time, although we don't want to bring partisanship into this at all, I don't want to fly under any false colors with respect to others named Kennedy. I ought to point out that when Tom Jackson was speaking of his class action, and there was one involving all

registered Democrats and he was talking about a defense, I was sitting in the back of the room thinking hard, and I couldn't think of any defense.

I think that effective legislative relations is something we've all got to learn something about. Now to many of you, this may seem like influence, legislative influence, and it may seem like a dirty word to some of you. It isn't a dirty word, but some of you who may feel there is something sinister about legislative relations have got to hear the

story, two stories actually, of people in the Massachusetts State Legislature who gave me advice on how I should conduct this talk this morning. I won't use their real names, but what I'll do is give them pseudonyms, and some of you may be familiar in the advertising of a certain title company with the ubiquitous Mugsy Moran.

Well Mugsy Moran is real. Mugsy Moran represents a certain Boston district in the Massachusetts State Legislature. I said to Mugsy, "I'm going down to Texas to tell

them about effective legislative relations. You've been here in the legislature far longer than I have, what do you think I should say?" He said, "I know what you should say, it's perfectly simple. You should talk about the three B's of legislative influence."

I said, "Well Mugsy I'm really just a country boy from a suburban district and I haven't been here as long as you have. You'll have to tell me, what are the three B's?" He said, "Why it's simple, me boy, everybody knows. It's bribes, booze and broads."

Well I wasn't sure, whether Mugsy was being serious, so I then turned to another fellow from another part of the state whom we will call Phineas T. Squench. That isn't his real name, but it's close. He represents a rural district in the western part of Massachusetts, and he is what we call a Yankee in the best sense of the word.

I put the question to him—"What am I going to do, how am I going to cover this?" He said, "W-e-l-l." Then I told him what Mugsy said. "W-e-l-l, I don't rightly think that Mugsy is giving you the right steer, I think you've got to convince them that politicians is honest." I said, "All right, how am I going to do that?" He said, "W-e-l-l, give them the definition of an honest Boston politician." I thought, here we go again. Phin has been around longer than I have and I will have to try it. "Okay, give me the definition of an honest Boston politician." "Why," he said, "that's a fellow who after he's been bought by one side, don't sell out to the other side for a higher price."

Now let's get serious about it. It is an important matter, and those of you who have got to deal with legislators, whether they are state or federal, might like to learn some of the tricks of the trade. There are really three kinds of legislators. In fact I got these definitions from a fellow who is a retired lobbyist for a big industry in Massachusetts, who is now practicing law with one of our approved firms. He had certain names for these three types which I thought were good.

The first one is legislator in the pure sense of the word. A fellow who is a political scientist who is doing the best job that he sees fit for the people, not only of his district, but for the whole state. He is usually a rational, intelligent man and you've got to approach him on a rational, intelligent basis.

The second group you might call is the mover and shaker. The mover and shaker, particularly in a state legislature, is a fellow who is using it as a stepping stone to go higher. He is ambitious, he wants to make politics his career, he probably earns most or all of his living at politics and it is his profession, his only profession.

The third fellow, and you know this type, is the back bencher. He got there, it is the highest he is ever going to go and that is it. He doesn't do much, he doesn't make any speeches, he doesn't introduce many bills, but he sits there and he does what he can to hang on to his job.

Okay, now what do you do with each of these kinds of people?

First you keep in mind that they have very little information about what you know about your field. In the Massachusetts State Legislature there are 7000 or 8000 bills introduced every year. No legislator can know what's in 10 per cent of them. No legislator really, with very few exceptions, can become an expert in more than one or two fields. He doesn't know. He doesn't have the information you have, and you can't begin to motivate him until you give him enough informa-

tion so that he knows how to deal with it, so that's an important thing. You've got to feed information to him.

Now after you feed information to these three types of legislators. Then you can figure out how to motivate them. The first fellow, the conscientious fellow, you've got to convince him in a rational, intelligent way that what you are proposing is good for the people, and for his district, yes, but that it is rational, sensible legislation. You've got to prove it on its merits, that what you are proposing is going to be good. The second type, the mover and shaker, you approach in a little different way maybe. You convince him that if he will take the position that you want him to take, it will help him in his political career. It will help him get ahead. Your industry might help him. He will make a good name for himself if he takes this position. Sure it's selfish but you are dealing with all different kinds of legislators.

The third fellow, the back bencher, you say to him: "Look, you take this position and you'll be all right in your district. But if you take the other position, well, you never can tell, that can hurt you at the next election." Or then you might imply that the next opponent he is going to have might take a more sensible view of your position and cause him some trouble. He, you see, is motivated in a different way. He just wants to stay there, that's all he wants to do.

Now how do you do it? Well many people have said to you, you write to your legislator. Of course you write to your legislator. If you are smart you'll write him a hand written letter that looks as if you are 85 years old and have arthritis, because legislators pay much more attention to a hand written letter than they do a letter written on a corporate letterhead and typed neatly by your secretary. Now this doesn't mean that you all go out and practice your penmanship, but it is an honest reaction from a legislator's point of view as to what he wants to get.

You don't write a form letter. Even if your industry is manufacturing correspondence for legislators. You write something that doesn't sound like a form letter even if it is. Or you have ten different form letters and hope that the guy doesn't get more than ten letters, one each from the different forms.

Another thing is very important: once in a while write to your state legislator about something else other than the bill that you are interested in. Or write him a letter and thank him for something that he did or tried to do. I get hundreds of letters and very, very few thanks, and my wife is sitting in back there and she is nodding because she knows.

Second, personal contact. Of course it's important, you have to meet the man or the men, particularly the important ones. How many people here have actually attended a committee hearing in any state capital? Let's see how many hands go up? That's good. That's very good, because in most business groups you wouldn't get more than 20 or 25 per cent of hands going up.

Businessmen generally don't want to fool with it. They feel, "There is no point in doing that, I'll let my lobbyist do it or I'll let the association fellow go and do it." You should do it. I'm going to be much more impressed sitting on my side of the legislative witness table if I see the businessmen themselves, not just the guys they have up upon Beacon Hill, to represent them. I know what the lobbyist is going to say and I know why he is going to say it, because he is a hired gun and he is supposed to be a hired gun. But if you all

come in, I really have to pay some attention.

You should attend committee hearings. You should testify whenever possible. It should be brief testimony. It should be oral testimony. You should not read any statement. You may have a printed statement delivered to the committee afterwards. But you should say it yourself the way you feel it and mean it. We will listen much more to that than if you get up and read a statement.

Now, that's how you reach legislators directly. How do you reach them indirectly? There are a lot of ways, there are a great many ways. Most of them honest too, despite Mugsy Moran and Phineas T. Squench.

You have every right, and in fact duty, to know your legislator, know who backs him, know where he gets his financial support, know where he gets his political support, know if he is a speaker's man in the House or a Senate president's man, or where he stands with his own leadership, or the minority party leadership or whatever. You have to know people that know him if you don't know him directly. There are all kinds of ways to reach all three categories of legislators in that fashion.

Another thing, work through the staff. Probably Bill McAuliffe will point out, and I think he properly should, that in Congress, unlike the state legislatures, the staffs are quite strong. In our state legislature they are not very strong. We are just beginning to build competent, professional staffs in Massachusetts. I know California has good staff work and so does New York, but most states don't. However it's a coming thing. There are a lot of young law graduates and people of that kind going into legislative staff work. You try to get to know the staff. You try to present to the staff things that you can't present directly to the legislators.

In many cases, particularly in the late part of a session, on any kind of conference committee reports, or conference committee meetings, the staff does a lot of work. If this National Housing bill had not got hung up in the Rules Committee in the Congress, the probabilities are that the staffs, the Senate and House staff, of the Senate Banking and Currency Committee, would actually have done 95 per cent of the work.

Staff is important. There is a tendency for lawyers sometimes to think of committee staff in the same way you think of the law clerk of a judge. Now of course you cannot approach a judge about a case that you are interested in and you do not approach his law clerk. But you can, in legislative affairs, approach the fellow who is the equivalent of the law clerk, that is the staff man, and you can argue your case with him. He won't promise to get his boss to vote your way, but if you've sold him, he will promise to present your arguments to his boss in an effective way as he can, and then he will let his boss make his own decision of course. But it's an effective way. A great deal of legislation goes through because somebody has sold the staff on how it should be drafted.

Then there are what I call "special effects". This one really happened; it happened in the Massachusetts Legislature, and I don't know how else to describe it but to tell you about it. Sometimes things change a legislature in the most amazing ways. I'm on the Judiciary Committee. As you might know Massachusetts is a state where the issue of abortion is a very hot one. Those of you who know something about politics and how it works will understand this issue is one that a legislator likes to deal with about as much

as General Custer likes another new band of Indians, but sometimes we have to face it.

We had a bill in the legislature for a constitutional amendment which would put a referendum question on abortion on the ballot. This was put in by the people who were strongly opposed to abortion. It was a proposal to amend the Massachusetts constitution to establish that life begins at the moment of conception. Now that was called the Pro-Life Bill, and it was backed by very strong forces that some of you might understand would be backing that bill.

What it would have done in Massachusetts, where we haven't got very liberal abortion laws, would be to outlaw therapeutic abortion, which by case law is now permitted, and it would have done certain other things. The press was yelling and so forth, and it was a hot one and everybody was mad at everybody. The bill came out, onto the floor in the constitutional convention, because for certain reasons the leadership of the majority party wanted this question on the ballot, because they saw frankly, some political advantage in it.

All of a sudden the legislators opened their mail one day and there was one thing that was sent to everybody. It was a bumper sticker, about 8 inches long, and it was orange. It showed a silhouette of a man. Clearly it was a man and he was clearly 8½ months pregnant. The caption was "If men had babies abortion would be a holy right." That bumper sticker was sent to everybody in the State House. All the secretaries, the gals that worked in the State House, stuck it up on the doors of their bosses. It was all over the State House. Nobody talked about it because it was so devastating. Although I won't say that that was the only thing that caused this bill to die, it created so much embarrassment in the State House that the bill was finally allowed to die without action.

Now you can't always think up something as clever as that. But there are ways that sometimes can dramatize things to a legislator that well. I guess a picture is worth more than a thousand words, but there are ways it can be done. I know several stories but I don't have the time to tell them.

One other thing about legislators, they need help. You'll laugh at this, but they are overworked. They are underpaid. They are vastly abused by their constituents. There are more people who write letters and tell you what a stinker you are. You get phone calls in the middle of the night, and you get your share of dingbats that call you. Every district has its share of dingbats, and dingbats don't have anything else to do but write their legislator. Really people that are probably harmless but they are really, sometimes, trying. How can you really help your legislator? This has nothing to do with the bill you are interested in.

Help him get more publicity. Publicity is the mother's milk of politicians. Really it is. Invite him to speak at some function. Feature him in your company publication. Let him write an article or something, or let his ghost writer write an article. Give him a chance to get his name and his face before your public. He appreciates that. He doesn't get as many opportunities for that as he would like to, but it works, it works.

You don't necessarily buy him with this,

but you certainly make a friend that you can approach at a later time, when there is something you legitimately can ask him to do for you. Then there are people who say, well, you should treat them. You have big parties and the liquor flows and everybody eats smoked oysters and so forth. The trade associations in Massachusetts, several of them, do entertain legislators. It is not improper. You have to be careful about it. But in most states I don't think that there would be anything improper about the local title association throwing a legislators' cocktail party or something like that once a year, as long as it is done on an annual basis. Many other associations do this.

Bar associations have legislators' nights, and it can be done in a way that is effective, but not offensive. There might be some criticism of this, particularly if you have an important bill before the legislature, but other associations do it and it does influence many legislators. There are other things that will influence legislators, but it finally comes down to: okay you're trying to help him. What's he got to do? What does he need?

He needs help at election time. Most state legislators run every two years. It costs a heck of a lot of money to run for office. To make one mailing to the district I represent cost me \$1,100. \$1,100 for postage only, and I mail on the meter. I pay 4.8 cents, rather than 8 cents, on the meter mailing. That's a lot of money for a guy to raise. If you get a request from a legislator to contribute to his campaign, you can do that. You don't do it as an association, but you do it as an individual. He may need you to form a special lawyers' committee for him or something of that kind, to introduce him around.

If you live in a town that's just newly gone into his district, have a party for him and take him to the local Chamber of Commerce or the Kiwanis or something of that kind. He needs your help, and if he gets your help he's going to give you his help as best he can, consistent with his own philosophical principles. Now these things work. I am going to close just by giving you two examples of situations where I was influenced once one way and once another way.

It is a proper influence, at least in my judgment it is, and if it is not I will be defeated on November 7 anyhow. First there was a bill before the legislature that involved employment agencies. I don't know an awful lot about employment agencies, but as a branch manager for a title company I have had very bad luck with employment agencies. I've had the view, personal view, that they were all a bunch of body peddlers. They were guys that couldn't make a living selling used cars, so they sold used girls. I had just a negative attitude about the whole thing. And this was a bill to regulate employment agencies.

There is a fellow who lived in my district who got hold of me. He talked to me several times. He wrote to me several times. He invited me out to see his employment agency. I didn't go, by the way. He offered me the use of certain office equipment in making my mailing. I didn't use it by the way. He offered to send a contribution to my campaign. It was \$20 or something like that.

That fellow has changed my general view of his industry. I'm not saying that they don't need regulation, I think they do. But I have

changed my opinion because of what I have learned from him, what he has said to me, what he had written to me. I started off as you can see from a fairly negative point of view about it. My original reaction was: stick it to him, they need it. There was a change in view. He did it as an individual, not as an association.

Now I'll tell you one on the other side. A very large corporation was opposing a complicated portion of one of our tax bills that would have adversely affected them. A great many of their top executives live in my district. I have always been sympathetic to this group. They conducted a strong campaign. Their legislative representative almost apologized to me for how many letters I got from this group, and I got 81 letters, all very well written. I took the floor and I argued and debated for their position.

I did it to the best of my ability. We lost, not because of me but because of a lot of other factors that I won't go into. I had really done the best I could. It was a tough fight—one they should not have lost but they did. I don't usually try to raise funds from constituents who write me on legislation. But just this once, I had my finance people add their names to a list just to see what kind of a response I would get. Now I didn't expect thousands of dollars. I'm not sure I even expected hundreds of dollars. But I got one contribution—\$15.

These were mostly men that could have easily written checks. Some secretaries in the organization actually wrote letters, and I honestly know that they were doing it because the boss said to do it. I didn't expect anything from the secretaries. But I thought the executives would have had more appreciation for what I had done. Now if that bill comes up again, because I believe that they are right, I won't change my position. But I am not sure I'm going to go up and fight my own governor and fight my own leadership and my own party, which I had to do on this.

I even got a personal phone call from the governor, who wanted me to change my vote on this issue. I wouldn't do it, but I'm just not sure that next time I'm going to fight that hard, for the interests of that corporation, because I'm not really sure that they care that much.

So there are two examples, one on one side and one on the other, of what business can do with legislators.

What I've tried to do here is conduct a sort of "How To Do It" seminar because I think that's what you are really interested in. I've given you my best advice on how to do it, and I can say only thing in conclusion.

In the future there is going to be more need to know how to influence legislators than less. If we had won the fight on the National Housing Act, I was going to say to you here: "You may have won it in 1972 but it's going to come back again and again and again." We haven't won it, so we know we're going to back on a congressional level next year. We have in many state legislatures "baby Proxmire bills". So you're going to have the same kind of thing in your state legislatures, particularly since the NAIC is beginning to pick up the ball in state regulation. You are going to have to learn "how to do it". I would urge all of you to really give it the high priority that I think it's entitled to. Thanks.

COMMITTEE REPORTS

Report of ALTA Federal Legislative Action Committee

James G. Schmidt

Committee Chairman

Chairman of the Board and Chief Executive Officer, Commonwealth Land Title Insurance Company, Philadelphia, Pennsylvania

"Members of the American Land Title Association, we are fighting for our lives." These were the words with which I closed my remarks at our mid-winter meeting in Atlanta. Today, with just as much emphasis and with the same conviction, I make the same statement, but I add that we are also fighting for the millions of Americans who need the protection of the service which the title industry can provide.

I would like to review for you the steps which have led to the problems which confront our industry today. On July 24, 1970, the Emergency Home Finance Act was passed, including two sections which are important to us. Section 701 (a) provided that with respect to housing, built, rehabilitated or sold with assistance provided under the National Housing Act, the Secretary of Housing and Urban Development and the Administrator of Veterans' Affairs are respectively authorized and directed to prescribe standards governing the amounts of settlement costs allowable in connection with the financing of such housing. Section 701 (b) stated that the Secretary and the Administrator shall undertake a joint study and make recommendations to the Congress not later than one year after the date of this Act with respect to legislative and administrative actions which should be taken to reduce mortgage settlement costs and to standardize these costs for all geographic areas.

The first efforts of the Secretary and the Administrator were to comply with the mandate of Section 701 (b), but the study took much longer than contemplated. While a preliminary report came out on July 24, 1971, the original dead-line, the year 1971, closed without the issuance of the final report.

However, the year did not close without something happening in Washington which possibly could affect title charges. On October 29, Senator Proxmire presented Bill S. 2775 called "Title Charge Reduction Act" which provided that costs and charges for title services shall be paid by the mortgage lender and shall not be charged to the buyer or seller; that the charges to a buyer or seller for title services should not be in excess of the charge to a mortgage lender for comparable services, and that the Secretary of HUD shall, by regulation, establish standards for determining effective premium rates. Senator Proxmire's argument was that if the mortgagee paid the charges he would have sufficient clout to get a reduction in rate.

On January 11, 1972, a committee of ALTA met with Senator Proxmire and explained that if the lender paid for title services, he would collect the amount paid from the borrower and that it would most likely add to the cost to the home owner. The committee also attempted to explain the subject of title services to the Senator, and that there was justification for the difference between the charge for owner's insurance and the charge for mortgage insurance. It is questionable as to how successful the meeting was, but, in any event, S. 2775 was never passed by the Senate.

On February 22, the long awaited report of HUD was finally presented to the House, together with recommendations by Secretary Romney. The report included many inaccurate figures, but the recommendations were reasonable and mostly in accord with our own ideas. These recommendations were the requirement of the use of a single uniform settlement statement, the furnishing of detailed estimates of probable settlement costs well in advance of settlement, a regulation of the amount of escrow deposits, the improving of systems for recording and indexing deeds, the enactment of legislation that would quiet old title defects, the prohibition of referral fees, commissions and fee splitting not justified on the basis of the performance of some economic or professional function, and finally, the establishment of effective regulations of title insurance rates and practices. It is to be noted that the recommendation did not state that the regulation had to be under federal supervision.

Two days later, on February 24, Congressman Patman presented a bill to the House—H.R. 13337, which included the provisions of Senator Proxmire's S. 2775. This bill also provided for federal regulation of premium charges where the mortgage is taken by any federally-insured lender. There was a section prohibiting interlocks between financial institutions and title companies, but the most objectionable section was Section 301, which provided for the establishment of a federal title insurance program.

The ALTA committee only received a copy of this bill on the evening previous to the February 24 hearing. Al Long was selected to testify, and he very ably and concisely presented arguments against the above proposals. He stated the state regulations would be more effective than federal regulations.

In the meantime, the Senate was consider-

ing a new Housing bill, and a hearing was called for March 2, at the time when we were holding our Atlanta meeting. In this Housing and Urban Development Act of 1972, S. 3248, Section 712 was an amendment of Section 701 (a) of the 1970 Act. The regulation of closing costs was limited to housing for occupancy of from one to four families, but it was extended to include mortgages purchased by FNMA or FHLMC. The new section provided that standards be published not later than 180 days after enactment and there was also a prohibition against kickbacks.

Al Long also appeared at this hearing, but the Housing bill, including Section 712, was passed by the Senate.

In the meantime, the Subcommittee on Housing of the House Banking and Currency Committee was preparing its Housing and Urban Development Bill with the possible inclusion of Senator Patman's suggestions in H.R. 13337. When the bill was finally presented to the committee in mid-May, it included a Title IX which covered closing costs. Some of the sections of H.R. 13337 had been omitted. These were the provisions for mortgagee paying for title services, the requirement of the same charge for owner's insurance as for mortgagee insurance, the prohibition of interlocks, and the provision of a federal title insurance agency. It did, however, include a Section 902 which greatly expanded the rights of HUD to establish the maximum amount of allowable settlement costs.

There was one section in the bill which came as a surprise to ALTA. Section 912 provided that a title company could perform title services which included title examinations, the furnishing of title abstracts, legal opinions on the status of a title, and the preparation of all documents pertaining to the conveyance and the holding of the escrow closing.

On June 12, I testified before the committee and presented my views as to the desirability for state regulation. When asked by Congresswoman Sullivan about Section 912, I stated that title companies should be subject to state law as to what was or was not the unauthorized practice of law.

On July 4, 1972, HUD finally complied with Section 701 (a) of the 1970 Act, and published in the *Federal Register* its first list of standards covering closing costs. These standards apply to the areas in Cleveland,

Newark, San Francisco, Seattle, St. Louis and Washington. All comments were to be directed to HUD by July 31.

Inasmuch as the charges published were considerably below the existing charges for the specific areas, many of the title insurance companies were concerned, and as a result they employed the firm of Sharon Pierson Semmes Crolius and Finley in Washington. Meetings of representatives of the various title companies were held in Washington on July 25, August 3 and August 23. A steering committee was appointed composed of Ted Loughlin, representing Chicago Title; Phil Westbrook, representing Title Insurance and Trust Company of Los Angeles; and Bob Wolf, of Commonwealth Land Title Insurance Company of Philadelphia. In the meantime, many responses were filed with HUD, mostly from attorneys, and finally totalling more than 750. The original date for filing complaints was extended to August 31 and finally to October 15.

On August 26, the VA published their list of standards covering the same areas and with the same amounts as the HUD standards, with one exception that the VA did not make an allowance for a "closing fee" in any of the areas. Answers were supposed to be filed by September 26, but this was extended to October 15.

Under the leadership of the steering committee and of DeVier Pierson and Tom Finley, of the Sharon firm, ALTA members got in touch with the various members of the House Banking and Currency Committee and arranged for meetings with some member of the Sharon firm. The House Committee

member who was most helpful was Congressman Robert G. Stephens, of Georgia, who prepared a new Title IX with a number of important changes. The controversial Section 912 was eliminated. The most important change was in Section 902 which, in its revised form, provided that the Secretary, after consultation with the Administrator of Veterans Affairs would within one year report to Congress as to whether, in view of the implementation of provisions imposing certain requirements and prohibiting certain practices, there was any necessity for the establishment of maximum charges for real estate settlement services; and if there was such necessity, whether regulation could be effectively obtained at a state or local level.

The Stephens amendment was satisfactory to us and the ALTA members advised the 37 members of the House Banking and Currency Committee that we would like their approval of the Stephens amendment. These contacts were apparently very effective because when the matter came to a final vote, the Stephens amendment was finally approved by a vote of 28 to 10.

Unfortunately, when the Housing and Urban Development Act was presented to the House, the Rules Committee did not permit it to come to a vote. The primary reason for this action was that insufficient time remained to study the bill, and there were two major provisions of the bill opposed either by the Administration or by particular interest groups. These were operating subsidiaries for urban mass transit and a provision giving communities veto power over low income subsidized housing projects. There is no evi-

dence that the provisions of Chapter IX were involved in the decision of the Rules Committee to keep the bill from coming to a vote. As a result, it does not seem possible that the Housing bill will be passed at this Session.

From this review of the events of the year, you can see that a great deal has been accomplished by the members of the ALTA during the past year. I would like you to remember a remark which I made at the Atlanta meeting. At that time I said that a small Legislative Action Committee could not accomplish all that had to be accomplished. I said that every one of you should consider yourself a member of the Legislative Action Committee. This is exactly what has happened. Under the leadership of John Warren as president, the Executive Committee has met constantly, Bill McAuliffe and his Washington staff have kept in constant contact with the activities on the Hill, the Sharon-Pierson firm has done an impressive job, but the most magnificent results have been accomplished by you, the members of the Association. We have called you frequently, and you have responded promptly. You have cooperated in every way, particularly in the visits and calls which you have made on Congressmen. I have never seen such teamwork on the part of the members of the ALTA. Our whole Association has gained in stature. Senator Proxmire had commented about the lender having "clout". I think that you have proved that you have clout—and then some!

I thank you very much for all that you have done.

Report of ALTA Public Relations Committee

Francis E. O'Connor

Committee Chairman

Senior Vice President, Chicago Title and Trust Company, Chicago, Illinois

I am pleased to have this opportunity to report on the activity of the ALTA Public Relations Committee.

As many of you know, it is our mission to counter public misinformation about the land title industry with a continuous flow of positive favorable messages explaining how the industry serves the public interest. During 1972 we are realizing excellent results for available budget dollars by concentrating on home buyer education. This year, ALTA messages are continually reaching an ever-changing audience of legislators, regulators, home buyers, title company customers, additional community leaders and others, through electronic and print media.

This audience numbers in the millions and extends to every state. Results like these are possible on a relatively modest budget. Our messages concentrate on telling the public what it needs to know about buying a home, including the basics of land title protection.

Because of this educational approach, stations and publications are more inclined

to use ALTA material free of charge in the public interest. A good example of the success can be found in the ALTA "Blueprint for Home Buying". This consumer education film—which you saw last year at its premier showing at the last convention in '71—as of late summer, has been shown to a television audience of nearly 30 million, in 47 states. ALTA did not pay one cent for the time donated by the stations. Nor could we afford the thousands of dollars it's worth.

The film is also being used by 50 title company offices that purchased prints, and is being loaned by the ALTA office for educational showings outside the land title industry. In addition a slide presentation adapted from the film is being purchased by ALTA members.

A booklet based on the film is proving the most sought-after ALTA consumer publication in history.

Films consistently receive emphasis in our activity. At present your PR Committee and staff are in the early stages of work on a new

film to emphasize land title services as its main theme.

Now here are some of the other activities that our contributing to our PR program showing this year. In '71 we continue to be impressed by the acceptance of our older film, "A Place Under The Sun," among television public service broadcasters. Despite its 21-minute time length, which makes it irregular for the video media.

Nearly seven million persons have seen this film on television in the years it has been distributed. Use of our television public service slide announcements has increased significantly—more than 100 stations in 38 states this year, after we changed to a cartoon format and a new producer.

Our 1972 radio public service announcements have been broadcast by more than 1,000 stations from coast to coast. This is the third consecutive year that our radio packages have been used by over a thousand stations. The 1972 spots, which I'm sure most of you will recall—featuring Rob

Reiner and Sally Struthers of CBS Television's "All in the Family", and Vincent Price, a distinguished actor—were exceptionally well produced.

Our celebrity announcements have proved so effective for radio that we have for the first time scheduled an ALTA package of celebrity film public service announcements for television. These are now in production, and will be distributed nationwide early next year to provide ALTA members with a head start on visibility for the 1973 spring home buying season. They will feature Bob Reed, who stars opposite Florence Henderson in ABC Television's "The Brady Bunch"; Ted Knight, featured as the pompous TV anchor man on CBS Television's "Mary Tyler Moore Show"; Rod Serling, who is host of the NBC Television "Night Gallery". And I also understand we have picked up Gary Owens from "Laugh-In", from NBC also.

ALTA has been active in print media with Association releases appearing in metropolitan and suburban and rural newspapers around the nation and in other national and local publications as well.

This year we were asked by the Federal National Mortgage Association to submit a commentary on what our Association has done for the home buyer for inclusion in a new home buyer education book being prepared for the Fanny Mae by the National Association of Realtors. The commentary has been completed.

The plans are proceeding for presentation of ALTA Home Buyer Education Awards to outstanding real estate journalists as part of the 1972 National Association of Real Estate Boards Creative Reporting Contest. The presentation will be made at the NAREB Convention in November and will mark the fourth consecutive year that ALTA has sponsored this category of the contest.

Earlier I mentioned that the ALTA book-

let adapted from the "Blueprint" film has proven quite popular with the public. Thanks largely to demands for this booklet, requests for ALTA educational publications already have set a record this year. By late summer more than 21,000 had been sent out in response to requests from the public, and another 21,000 purchased by ALTA members for their own use. Contributing to this demand has been widespread mention of ALTA publications in our PR messages.

In January, ALTA retained the services of Burson-Marsteller, which is one of the nation's leading PR agencies, to strengthen our efforts towards increasing public understanding and acceptance of the land title industry. After spending an initial period learning about the title business, and evaluating ALTA needs, Burson Marsteller recommended a comprehensive program of assistance to the Association. Since PR agency personnel do not realize completion of their activity in a single year, and since this would be impossible at any rate because of budget limitations, your PR Committee decided to implement Burson-Marsteller assistance on the basis of priorities.

Since beginning work for us the agency has assisted in development of a position paper for news media relations and other use, has developed a speech and related materials for ALTA member volunteers, and has prepared and distributed publicity material to media, including the wire services.

Among its media related activities, the agency has begun setting up a series of television, radio and newspaper interviews for ALTA spokesmen in designated locales. The primary purpose of these interviews is to provide a means for expressing the ALTA position regarding land title services and current settlement cost and practice legislative and regulatory activity. A majority of

these interviews are being held in locales where FHA and VA settlement cost maximums are proposed or expected. Thus, our interviews have been scheduled or held in New York City, Hartford, Cleveland, Detroit, Chicago, Houston, Los Angeles, and San Francisco.

Burson-Marsteller has also been helpful in ALTA activity related to federal settlement cost and practice legislation and regulation, including publicity in this area.

Now no report of a PR Committee chairman would be complete without a word of thanks to the committee members, to the ALTA staff, and to all Association officers and members for their support. In particular, I would like to express appreciation to my hard working fellow committee members: vice-chairman Bill Robinson, Marvin Diefendorf, Randy Farmer, Jim Robinson, Ed Schmidt, and Bill Thurman; and to Bill McAuliffe and Gary Garrity of our ALTA Washington staff. Without the dedicated support of this group, our success certainly would not be possible.

During my involvement with the ALTA PR program, I consistently have been impressed with the quality of the communications materials we produce. This undoubtedly has contributed much to the wide use of our messages by the media. During the next two minutes, I'd like to show you an example of this quality. If you will direct your attention to the screen, we will run two 60-second ALTA television public service film clips for distribution this year. The one about closing costs was distributed this spring and was shown 1,472 times by 68 stations in 38 states with a combined audience of nearly 67 million. The other was placed in distribution this fall, and I think you'll agree, the outlook for its use by stations is excellent. Now let's see the films.

Report of National Conference of ALTA and ABA

Alvin W. Long

*ALTA Conferee Chairman
President, Chicago Title and Trust Company, Chicago, Illinois*

I'd like to take a few minutes to review the activities of the National Conference of ALTA and ABA. We've been spending most of this Convention talking about federal regulation, and we certainly should. But if you recall, a few short months ago we had another priority matter, and that was in regard to the activities of attorney title guarantee funds, both the national fund and the state funds.

As you also may recall, the liaison committee with the American Bar was set up for a number of purposes. One was to explore areas where our interests were in fact mutual, where we could benefit each other, where we could perhaps assist each other with federal and state regulations, where we could perhaps undertake studies of subjects that were

of interest to both the American Bar and the American Land Title Association.

Some modest efforts have been made in these other areas. These have been reported in prior reports of joint conference meetings. As you know, however, most of our more recent meetings of our joint conference between the two associations have been devoted to the activities of the Special Committee on Attorney Title Guarantee Funds and more particularly to the activities of the national fund itself.

The last meeting of the joint conference took place in March of 1972. At that time Mr. Panzer was present on behalf of the American Bar Association, and we did have an extensive discussion with him about proposed federal regulations in areas where our

two associations might work together.

Most of that meeting, again, however, was devoted to ALTA's objections to the activities of the National Attorney's Title Fund and the Special Committee on the Lawyer's Guarantee Title Fund. As previously reported, the ALTA members at that last national conference meeting proposed their resolution for the dissolution of the Special Committee on Lawyer's Title Guarantee Funds.

As we also previously reported, the ABA conferees refused to take a position on the resolution which we proposed, but agreed to refer it to the Committee on Committees of the American Bar Association, without comment. It was our understanding however, that at the annual convention of the American Bar in San Francisco this past August,

our resolution would be presented to the Board of Governors, and it would be considered and action would be taken.

Unfortunately, this did not occur. The Special Committee on Attorney Guarantee Funds submitted their own resolution to make the special committee a standing committee of the American Bar Association. Our resolution, as far as we know, was not considered. Our representatives who were present in San Francisco advised us that the resolution submitted by the special committee itself was a certainty to be adopted; that the Board of Governors of the ABA had already passed upon it; that the majority of the members of the American Bar Association felt that this committee had been in existence for such a long time, that in effect it was already a standing committee, and therefore when this resolution was submitted it was passed without any voice of opposition against it.

At the same time, however, as most of you know, we were also faced with another resolution that was presented by the Georgia Bar Association, which would in effect make the National Attorney's Title Fund a bar-related organization of the American Bar Association. We did seriously oppose this resolution, of course, and many of our members devoted considerable time and effort in opposition to it.

As most of you know, the American Bar Association is a very complex, highly organized, highly structured organization. It required a major effort on the part of many of our members, on the part of our Association counsel, Tom Jackson, and on the part of many of our committee members working on this particular resolution.

This Georgia Bar resolution was originally presented before the General Assembly of the American Bar Association and that Assembly referred it to the committee on resolutions without taking action. It was subsequently presented to the real property section of the American Bar Association in San Francisco. That section presented a compromise resolution which in effect recited the history of the national attorney's guarantee fund. It also commented upon the action taken by the ABA Board of Governors which, if you recall, disavows sponsorship of any type of insurance company, including the national fund, but then again concluded by commenting favorably on the national fund, and stating that it was a bar-related organ-

ization.

We, therefore, opposed that compromise resolution. The compromise resolution was reported to the House of Delegates. At that time, considerable opposition was voiced from the floor about the resolution. One attorney in particular, from Wisconsin, spoke very vehemently about the fact that the national fund simply was a commercial title company, and that it should not be a bar-related organization.

Therefore, a resolution was proposed to table that resolution, and that motion passed by 175 to 89, a rather substantial victory in our opinion.

This was not the end of it, however. The original referral from the General Assembly to the Committee on Resolutions, was reported back by that Committee to the General Assembly, as still a different compromise resolution. This one, however, also spoke favorably about the national fund, again called it a bar-related organization and urged its adoption.

A motion was made at that time, by that same Committee on Resolutions, that the recommendation that it be a bar-related organization be referred to the new standing committee on attorney guaranty funds for a recommendation at the next convention.

This was an astounding referral. I think we can imagine the recommendation that had come back from that one committee on this referred motion. This motion was again argued from the floor of the General Assembly. The same attorney who spoke so effectively, before the House of Delegates, spoke against the motion here, and this time he offered an amendment to the effect that in addition to referring it to the new standing committee on attorney guaranty funds, it be referred to the section on Real Property Trust and Probate Law, to the Ethics Committee, to the Anti-Trust Section, and to the Joint Conference of the American Bar and ALTA.

When this amendment was offered, Stanley Balbach, who most of you are familiar with, arose to speak against the amendment, and stated that if this amendment was passed it would be the death knell of the Georgia resolution.

Despite that fact, the proposed amendment was passed overwhelmingly. So this is where the matter now stands. The Georgia Resolution as revised will be considered by five committees of the ABA, including our

own conference with the ABA.

Our own meeting will be taking place this Saturday, in Houston. The revised Georgia resolution is on the agenda for our meeting here in Houston. We have a number of matters we propose to take up at this joint meeting. We are still very unhappy, of course, about many of the activities of the new, now standing committee of the attorney guarantee funds. The initial charge to that special committee, now standing committee, is in violation of the ABA resolution which denies sponsorship of bar-related organizations.

This will be taken up at our conference. Also, we will review the activities of the San Francisco convention in great detail. We will make clear that the ABA conferees understand our unhappiness at the lack of reaction and lack of response to the resolution which we submitted at our last meeting.

We will consider this referral of the Georgia resolution to our conference. We will ask the ABA conferees to take a position on it this time, so that the resolution that comes out of our joint conference will not be simply an ALTA conferee resolution, but one which has been considered by the ABA conferees as well.

Hopefully, we'll also get back into some of the other perhaps less emotional subjects and review federal regulation again and how the two associations can work together on such matters.

The makeup of the ABA conferees has changed somewhat, by the way. Since the San Francisco convention, Mr. Joe Straus of Philadelphia has been made chairman of the ABA conferees, Mr. Tom Galivan of the Connecticut bar fund has been added to their conferees, Jack Kellogg remains on the committee, Frederick Lane has been added, Warren Rush remains, and J. Stanley Mullen of California has been added to their conferees.

Our conferees remain the same with George Garber, Tom Holstein, Bill Baker, Fred Fromhold, Bill McAuliffe, Tom Jackson assisting as counsel, and myself. So your conferees will remain over in Houston until Saturday morning. We'll meet again with the ABA conferees. Unfortunately, it appears most of our agenda will again be taken up with the standing committee on attorney guaranty funds and on the national attorney's guarantee fund. Hopefully, we can get back again to some of these areas where we do have a mutual interest.

Report of ALTA Research Committee

John E. Jensen

Committee Chairman

Senior Vice President, Chicago Title and Trust Company, Chicago, Illinois

Over the years, it has been a custom in making the Research Committee Report to follow a certain, rather rigid format. I would generally start by showing you a very large briefcase, overflowing with papers, so that you would be properly impressed with the

amount of work done by the Committee. Next, I would read a great many statistics to you, as quickly as I could, in hopes that you wouldn't have time to interrupt and ask questions that I wouldn't be able to answer. I would then ask for your assistance in future

projects of the Research Committee. Finally, I would always end up by crying wolf about things that are going on at the state and federal levels.

I am going to depart from that customary format today. I have not brought a paper-

filled briefcase with me to the dais; and I am not going to quote any statistics in this report. I am going to describe, very briefly, some of the activities that your Committee has been involved in during the past year. I am going to continue to specifically ask for your assistance and, once more, I am going to cry wolf.

In January of this year, several of the officers of ALTA and myself met with Senator Proxmire and members of his staff to discuss the Title Charge Reduction Act. As a result of this meeting, we learned a number of things. For example, Senator Proxmire equates title insurance costs with costs incurred when he bought his most recent automobile. More importantly, we learned the type of information needed by the Senator and by the Department of Housing and Urban Development in order to better understand our industry.

Following our session with the Senator, your Committee, with the cooperation of a great many of the companies in the industry, collected data on such matters as the extent of regulation of title costs in the various states; what states provide for rating bureaus; what states provide reissue or simultaneous issue rates; and the typical apportionment of buyer and seller costs in the several states.

The results of this crash study were furnished to HUD, at their request. As far as we can tell, however, no use of this data was made by HUD when they subsequently established their settlement cost standards in six metropolitan areas.

Previous studies prepared under the direction of the Research Committee played an important part, we believe, in the presentations of the title industry made before the House subcommittee on housing and the Senate counterpart. For example, the NAIC Form 9 Project was used to show that title insurance companies have only a small operating profit margin... contrary to what appears to be the belief of writers for the *Washington Post*. Also included as part of the industry testimony was the extensive study made of 1,400 real estate settlements in 15 metropolitan areas which concluded that the combined buyer and seller title and escrow charges are but a small fraction of combined buyer and seller settlement costs.

In March, I participated in a meeting with the HUD staff members who were directly involved in the HUD-VA Report on Mortgage Settlement Costs which had been published in January. The objectives of that meeting were to ascertain what methodology HUD planned to use in establishing maximum settlement cost standards and to convey to HUD our concern with the data contained in the HUD-VA Report, which we felt was inaccurate and would therefore be used incorrectly as a basis in establishing standards. We were trying then, as we are still trying, to maintain our lines of communication with the people at Housing and Urban Development.

As a part of our discussion of the proposed maximum standards, it became apparent that the only justification for opposing the maximums proposed by HUD that would be acceptable to HUD, would be a cost-basis justification. We have tried to explain through numerous meetings and correspond-

ence with the people at HUD that no member of the title industry, to our knowledge, keeps records in such a way as to be able to relate costs to the various categories of title-related charges against which HUD was preparing standards.

In order to help prepare the title industry for what was (and is) the HUD "cost justification" approach to their standards, a subcommittee of the Research Committee was formed by President Warren, chaired by LeRoy King of Commonwealth Land Title Insurance Company. This subcommittee, consisting of members of both the Research and Accounting Committees of ALTA, met in Chicago last May and suggested guidelines for developing statistics relating to HUD-VA settlement charges. These guidelines were subsequently mailed to all ALTA member underwriting companies.

In addition to the foregoing, as chairman of the Research Committee, I have been privileged to participate in meetings on several occasions with the ALTA Federal Legislative Action Committee; the ALTA Liaison Committee with the Mortgage Bankers Association of America; and the ALTA-American Bar Association liaison committee. All of these meetings related to federal legislation and the HUD-VA Settlement Cost Study.

At our 1971 Convention, the Board of Governors approved a recommendation that a subcommittee of the ALTA Accounting Committee be appointed to investigate the feasibility of developing a formula to convert Form 9 NAIC data to generally accepted accounting principles basis, for the purpose of developing a rate of return for the title insurance industry. This recommendation had been made because it was becoming obvious that the NAIC was developing a form to convert casualty reporting forms to generally accepted accounting principles in order to determine rates of return, return on investment and other profitability measures. It was obvious a year ago that insurance commissioners would soon be asking the title industry for the same type of information. And this has begun to happen.

An Accounting Subcommittee was formed and, with participation by members of the Research Committee, has developed a very preliminary formula for determining return on investment and profitability guidelines to be applied to the title insurance industry. This preliminary formula emphasizes the differences in the accounting treatments of title companies on our NAIC reporting form as compared to the accounting treatment of casualty companies on their reporting forms.

As we have over the last three years, your Committee has continued its work on several on-going projects: the financial study of underwriting companies as reported in the NAIC form; and the claims analysis study. Both of these studies are dependent upon the furnishing of source material by the companies, and we are extremely grateful for the cooperation we have received. As regards the claims report in particular, we recognize the difficulties in preparing claims information in the form requested by the Claims Committee. The member response this year was significantly better than last year, and we hope that in 1973 we will see a further improvement. We recognize that it takes a

long time to "gear up" to this reporting format. It is our belief (and that of the Claims Committee) that meaningful information will result from the collection of this type of data, however.

The Research Committee has had approved a recommendation that the firm of Arthur D. Little, Inc. be employed by the American Land Title Association. This is a highly regarded statistical organization, particularly in the field of government regulation, and even more particularly, in the field of insurance regulation. Representing the A. D. Little organization with ALTA will be Dr. Irving Plotkin, one of the outstanding experts in the analysis of insurance company statistics.

The Arthur D. Little organization has been given three basic industry assignments: first, an analysis of the methodology used by HUD-VA in establishing title-related settlement cost standards; an analysis of title company costing methods (including an examination of prior studies of the Research Committee) with a view towards the possible future requirements of either the federal or state regulatory agencies; and, finally, an analysis of the industry's preliminary formulas concerning the area of profitability and return on investment reporting.

Many of you have already received introductory questionnaires that were designed by A. D. Little in cooperation with the ALTA Accounting Committee. I would urge that you all respond to these questionnaires. Unless Dr. Plotkin has sufficient data from which to analyze our industry, he will not be able to provide reasonable recommendations to us. It should be emphasized at this point that any information furnished by a member of the title industry to the A. D. Little organization is strictly confidential. Data so supplied will not be available, by company, to members of the Research Committee or any other members of ALTA. And when I refer to the title industry, I am *not* talking only to the title underwriters. I am talking to abstracters and title insurance agents as well.

This leads me to that customary point in my remarks where I don the role of the boy who cries wolf. In one of the previous sessions, it was noted that you cannot have state regulation without also assuming some of the burdens that go with state regulation. I would like to forecast for you now, whether you be underwriter, abstractor or title insurance agent, that the day is fast approaching when we are all going to have to face up to the fact that the type of accounting records traditionally kept in our industry will no longer be adequate. They will not be adequate either on the federal or the state level. Indeed, as many of you know, some state insurance commissioners are already asking for data in a format similar to that necessary to rebut the standards proposed by HUD and VA.

I strongly urge that you alert your accounting departments or accountants that the day is fast coming when we are going to have to accommodate ourselves to the keeping of at least one more set of books in order to satisfy the regulatory agencies that are going to be with us from now on. Thank you.

Proposed Zoning Endorsement

Marvin C. Bowling, Jr.

*Chairman, ALTA Standard Title Insurance Forms Committee
Counsel, Lawyers Title Insurance Corporation, Richmond, Virginia*

As I advised you at the Mid-Winter Meeting in Atlanta, the Standard Title Insurance Forms Committee has circulated a proposed zoning endorsement for the purpose of receiving comments. The proposed forms were mailed to all of the members of the Association and some responses received. The draft was then sent to our customers on the Association Liaison Committee and comments were received from that committee.

Subsequently, we invited the members of the Association Liaison Committee to meet with our committee for the purpose of discussing the proposed draft. Five members of the customer group met with us and gave us their thoughts on the endorsement.

I am now happy to report that this Committee has adopted final drafts of proposed zoning endorsements. We have reported this to the Executive Committee and the Board of Governors and have distributed copies at the meeting of the Title Insurance and Underwriters Section and given a brief explanation of the forms to that group.

We are distributing copies of the proposed zoning endorsements to you today but we are not asking you do adopt these forms as standard Association forms. Rather, we are asking you to consider these forms until the 1973 Mid-Winter Meeting of the Association, at which time we will move their adoption. Copies of these forms will be mailed to all Association members.

You will note that there are two proposed forms. ALTA Endorsement 3 (Zoning is designed for issuance to an owner or a lender, regardless of whether the property is vacant or improved. ALTA Endorsement 3.1 (Zoning—Completed Structure) is designed for issuance to an owner or a lender when improvements on the property are complete.

We urge you to study these forms and discuss them with other officers of your company. Consider whether you can obtain the necessary information to give this coverage in your area, what the expense will be to you to issue the endorsements, how risky you feel the coverage is and what you see as the extent of the demand for zoning coverage in order that your company will be prepared to vote intelligently on these endorsements at the Mid-Winter Meeting.

It is the intention of the Committee to return to its consideration of a Leasehold Policy Form.

I would be remiss in my duty if I sat down

without thanking you for providing me with an excellent group of men on my Committee. They are extremely competent as well as a joy to work with. They work hard and they play hard and it's been a pleasure to be with them.

ENDORSEMENT BLANK TITLE INSURANCE COMPANY

Policy No. _____

The Company hereby insures that, as of Date of Policy:

(a) According to the applicable zoning ordinances and amendments thereto, the land is classified Zone _____.

(b) The following use or uses are allowed under said classification subject to compliance with any conditions, restrictions or requirements contained in said zoning ordinances and amendments thereto, including but not limited to the securing of necessary consents or authorizations as a prerequisite to such use or uses:

There shall be no liability under this endorsement based on the invalidity of said ordinances and amendments thereto until after a final decree of a court of competent jurisdiction adjudicating such invalidity, the effect of which is to prohibit such use or uses.

Loss or damage as to the matters insured against by this endorsement shall not include loss or damage sustained or incurred by reason of the refusal of any person to purchase, lease or lend money on the estate or interest covered hereby in the land described in Schedule A.

This endorsement is made a part of the policy and is subject to all the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and prior endorsements, if any, nor does it extend the effective date of the policy and prior endorsements or increase the face amount thereof.

ENDORSEMENT BLANK TITLE INSURANCE COMPANY

Policy No. _____

1. The Company hereby insures that, as a Date of Policy:

(a) According to applicable zoning ordinances and amendments thereto, the land is classified Zone _____.

(b) The following use or uses are allowed under said classification subject to compliance with any conditions, restrictions or requirements contained in said zoning ordinances and amendments thereto, including but not limited to the securing of necessary consents or authorizations as a prerequisite to such use or uses:

There shall be no liability under this endorsement based on the invalidity of said ordinances and amendments thereto until after a final decree of a court of competent jurisdiction adjudicating such invalidity, the effect of which is to prohibit such use or uses.

2. The Company hereby further insures against loss or damage arising from a final decree of a court of competent jurisdiction

(a) prohibiting the use of the land, with any structure presently located thereon, as specified in paragraph 1 (b) above, or

(b) requiring the removal or alteration of said structure

on the basis that as of Date of Policy said ordinances and amendments thereto have been violated with respect to any of the following matters:

(i) Area, width or depth of the land as a building site for said structure.

(ii) Floor space area of said structure.

(iii) Setback of said structure from the property lines of the land.

(iv) Height of said structure.

Loss or damage as to the matters insured against by this endorsement shall not include loss or damage sustained or incurred by reason of the refusal of any person to purchase, lease or lend money on the estate or interest covered hereby in the land described in Schedule A.

This endorsement is made a part of the policy and is subject to all the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and prior endorsements, if any, nor does it extend the effective date of the policy and prior endorsements or increase the face amount thereof.

BLANK TITLE INSURANCE COMPANY

ALTA End. 3.1 (Zoning—Completed Structure)

Proposal to Amend the ALTA Model Title Insurance Code

J. Mack Tarpley

*Chairman, ALTA Committee for Liaison with the National Association of Insurance Commissioners
Vice President, Chicago Title Insurance Company, Chicago, Illinois*

At the last Mid-Winter meeting of ALTA, the Committee for Liaison with the NAIC was charged with the task of updating the ALTA Model Title Insurance Code.

Knowing that the NAIC Title Insurance Task Force was to consider the drafting of a title insurance code, your Committee sought to work with that group. We were unsuccessful in our initial efforts, and began our work as a Committee to accomplish an updating.

Our review and updating was completed on October 1, 1972. When the acting Secretary to the Committee has transcribed his minutes, the results of our work will be submitted to the Board of Governors for its consideration and action.

Reactions gained in discussions of the original code with individual regulators, has caused your committee to change or alter

its approach in certain areas.

(1) The sections relating to mergers and acquisitions are no longer necessary in the opinion of your committee. Some 35 states have adopted Insurance Holding Company Acts regulating such activities of insurance companies. It is proposed that the amended code will incorporate such acts by reference.

(2) One of the most troublesome parts of the original code was the very lengthy investment chapter.

The regulators were almost uniformly opposed to a separate set of investment standards for title insurance companies.

The proposed amendment will incorporate the general insurance laws of the state by reference.

However, the provision for investment in title plants will be retained.

(3) The sections relating to reporting by

title insurance companies will be deleted and reference will be made to the general insurance laws of the state.

(4) The Committee will recommend that the withdrawal provision for the Unearned Premium Reserve be amended to provide for a level 20-year withdrawal of 1/20 per year.

(5) The Committee proposes a strengthening of the Commissions and Rebate Sections.

(6) Realizing that the method of rate regulation will continue to vary from state to state because of the general insurance laws, your Committee proposes the retention of the method of rate regulation contained in the original code.

Various housekeeping changes in language, not substantive in nature, have also been made.

HUD SETTLEMENT COST REGULATION—Dale A. Whitman—continued from page 17

and I congratulate your Association for its efforts in the zoning field.

Second, the enormous duplication and inefficiency in the title business will not be permitted to continue indefinitely.

I submit that no rational system of title assurance would involve attorneys or title insurers in making duplicate long-term historical searches of title each time a parcel is transferred. Yet this is frequently what happens, both under the approved-attorney system and under the system in which title insurance companies perform their own searches. In fact, I was surprised to learn recently that in New York State some abstract companies refuse to give home buyers copies of the abstracts they produce, thus necessitating the generation of an entire new abstract the next time the property is transferred.

Systems for avoidance of this duplication are not difficult to devise. A title insurance company operating under the approved-attorney system can, for example, rely upon searches already made by attorneys, for all major subdivisions in an urbanized area, and can simply require down-dating of the titles to individual lots as they are sold again and again. Impressive savings to consumers result when the attorney in an individual case is required to do only a limited search rather than a full historical search of the property's title.

Joint title plants offer another opportunity

for increased efficiency, and I applaud the members of your industry who have taken leadership roles in establishing such plants, and in sharing "starters". Yet in many areas of the nation there are still competing plants with duplicate records, and the consumer pays again and again for this unnecessary waste.

Third, you need to explore and re-explore ways in which you can use the public records to greater advantage rather than duplicating them in private title plants. Much of the fault here lies with state and local governments, which have been content over the years to let their records systems develop in ways which are practically unuseable. Many of you have great sophistication in land records systems, and I urge you to share that knowledge with local governments in the areas where you do business. HUD is most eager to cooperate with you in this effort so that public land record systems can be brought in line with the available technology.

Fourth, you must re-examine your rate structures to determine whether they accurately reflect the services you provide. I have a growing conviction, based on admittedly fragmentary evidence, that the risk premiums typically charged are well in excess of those necessary for an actuarially sound and profitable underwriting program. Even a cursory look at the premiums charged here in Texas, where title insurance is under strict and effective state regulation, will suggest that the rate

schedules in many other parts of the nation are far too high.

Fifth, you need to become much more active than you have been in the past in the reform of state conveyancing laws. Students who study real property law are often astounded at how slowly it changes. Only experts can make it change. Some of you have been aggressive reformers, and you are to be congratulated. You title men and women are the conveyancing experts; and you could recite at the drop of a hat a dozen or more obvious reforms that should be made in your state. Secretary Romney remarked recently that in his experience, there is little probability of reform until a crisis occurs. If you regard the encroachment of the federal government on the title industry as a crisis, I urge you to respond positively, and to attack the fundamental problems rather than their symptoms.

These suggestions may well determine the future course of your industry. Until very recently, title insurance has been largely unnoticed by the American public. That is now changing, and some of your practices may not stand up well in the light of careful scrutiny. The land title industry of America deserves commendation for its success in making land titles secure and stable, but it is time now to look beyond security and stability to the need for economy, efficiency, and equity as well. Thank you.

Resolutions Committee Report

Mrs. Mary Alexander

Committee Chairman

President, Tone Abstract Company, Denison, Texas

It is a pleasure for me to present for your consideration the following resolutions:

Whereas, the cordiality expressed by William P. Hobby, Jr., Texas Lt. Governor-elect, in his address of welcome has instilled a warm and hospitable atmosphere for this 66th Annual Convention of the American Land Title Association; and,

Whereas, The host Convention Chairman William J. Harris and the many members of his Texas committee have worked so diligently to plan a successful convention program; and,

Whereas, Mrs. Gloria Bartram, chairlady of the Ladies Committee and the members of her committee succeeded in presenting such an interesting program of events for the ladies; and,

Whereas, the Texas Land Title Association, as host of the convention, provided the delegation a meaningful and most memorable convention in this great City of Houston;

Therefore, be it resolved, that the members of the American Land Title Association express their appreciation and thanks to Mr. Hobby, Mr. Harris, Mrs. Bartram and the members of their committees, and the Texas Land Title Association for exposing all delegates to the very special brand of hospitality that can only be found in the City of Houston, which does make us reluctant to leave Houston,

Whereas, the delegates in attendance have benefited significantly by the challenging, stimulating and informative messages presented by a distinguished group of guest speakers who discussed vital issues of today which face all of us;

Therefore, be it resolved that the delegates here assembled express and record their sincere appreciation for their participation in this 66th Annual Convention of the American Land Title Association to:

Charles Conway, Vice President and Manager, Title Data, Inc., Huston, Texas

Dr. Richard J. Howe, Coordinator of Energy Policy Development, Humble Oil & Refining Company, Houston, Texas

Fred R. Hunter, Chairman, National Association of Real Estate Boards, Realtors Washington Committee, Fort Wayne, Indiana

Glenn W. Justice, President, Justice Mortgage Investors, Dallas, Texas

Murry D. Kennedy, President, Mortgage and Trust, Inc., Houston, Texas

Julio S. Laguarda, President, Laguarda, Gavrel & Bolin, Inc., Houston, Texas

Judge Ned Price, Chairman, Texas State Board of Insurance, Austin, Texas

Lt. Col. Henry W. Hartsfield, Jr., United States Astronaut, Houston, Texas

Dale A. Whitman, Senior Program Analyst, U.S. Department of Housing and Urban Development, Washington, D.C.

William A. Wildhack, Director, Mortgage-Backed Securities Division, Government National Mortgage Association, Washington, D.C.

Whereas, the 66th Annual Convention delegates have benefited not only from a discussion of recent developments in our business but also a frank appraisal of ourselves and of our industry;

Therefore, be it resolved that members of this Association express deep appreciation for the appearance on the program of our own industry speakers,

Whereas, the responsibility for the American Land Title Association during the year has been entrusted by the membership to the elected national officers, the members of our Board of Governors, the chairmen and executive committees of the respective sections, and to the appointed chairmen and members of all standing and special committees; and,

Whereas, each of them has made notable contributions of time, talent, and effort to the guidance of this Association during the past year; outstanding leaders in their own businesses, they have shared their broad knowledge, sage counsel and vision with the entire industry; they have brought this organization not only an educated awareness of

the problems with which we are faced, but also the kind of administrative skills and foresight required to provide the solutions to the problems;

Therefore, be it resolved that on behalf of all members of the American Land Title Association, the convention delegates hereby pay tribute and express their very great gratitude for the significant role played in the direction and development of this Association to:

John W. Warren, President

James O. Hickman, Vice President

Hale Warn, Chairman of the Finance Committee

James G. Schmidt, Treasurer

James A. Gray, Chairman, Abstracters and Title Insurance Agents Section

Robert C. Dawson, Chairman, Title Insurance and Underwriters Section

Alvin W. Long, Immediate Past President

The members of the Board of Governors

The chairmen and members of all standing and special committees of this Association
And to other members of our Association who have contributed so generously to this convention

Whereas, the American Land Title Association again has completed a successful year of operations in its Washington office,

Therefore, be it resolved that the delegates here assembled express their sincere thanks to:

William J. McAuliffe, Jr., Executive Vice President;

Michael B. Goodin, Director of Research;

Gary L. Garrity, Director of Public Affairs;

and

David R. McLaughlin, Business Manager; of our National Headquarters, for a year of outstanding progress in the annals of our Association,

Mr. President, in behalf of the members of this committee, who are:

Mr. Harold Goubil

Mobile, Alabama

and

Mr. Richard A. Cecchetti

New York, New York

I move the adoption of these resolutions.

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names
 names in the news
 names
 names

Robert C. Dawson, chairman of the ALTA Title Insurance and Underwriters Section, has been elected president of Lawyers Title Insurance Corporation effective January 1, 1973. He succeeds **George V. Scott**, who has been elected chairman of the board of directors effective January 1 and who retires under the company's retirement program. **Scott** succeeds **George C. Rawlings, Sr.**, as chairman of the board, and **Rawlings** remains a director of the company.

Dawson has been with Lawyers Title 17 years and, prior to being elected president, served the company as Florida state manager, vice president, senior vice president, and then as executive vice president.

In addition, Lawyers Title has named **Boyce C. Outen**, **Marvin C. Bowling, Jr.**, **William H. Goodwyn, Jr.**, **William N. Hannah, Jr.**, and **Howard E. Oberg**, vice presidents and **Jimmie L. Butler** controller—all in the Richmond, Va., home office. **Outen** remains assistant general counsel, **Bowling** remains counsel, **Goodwyn** is the company's new director of sales, and **Hannah** has been the company's reinsurance administrator.

Also, **Edward A. Blaty** and **Anthony J. Horak**, respective Lawyers Title Detroit and Washington, D.C., branch managers, have been elected vice presidents of the company.

Lawyers Title has announced that **Jo K. Higdon** has retired as controller after nearly 25 years with the company.

* * *

Richard A. Hogan and **Thomas E.**



DAWSON



SCOTT



OUTEN



BOWLING



GOODWYN



HANNAH



OBERG



BUTLER

McKnight have been elected vice presidents of Pioneer National Title Insurance Company and Title Insurance and Trust Company. In addition, **Hogan**, with offices in Seattle, has been named senior division counsel in the PNTI northwestern division to replace **Q. Robert Davis**, who has retired. **McKnight** serves as assistant to the chief counsel of TI and Trust in Los Angeles.

* * *

McCaffree-Short Title Company, Leavenworth, Kans., has named **Claud Harris** and **Irene DeFrees** to the positions of assistant vice president, and **Thomas T. Snyder** to title officer. Also, **Linda Pierce** has joined the company.

* * *

Robert B. Herbert, Jr., has been elected vice president of First Title Insurance Company of Raleigh, N.C.

* * *

Commercial Standard Title Insurance Company, San Diego, has named **Hal Norman** sales promotion director.

* * *

USLIFE Title Insurance Company of New York has promoted **Abraham R. Gusikoff** to vice president of its Staten Island office, where he serves as chief legal and administrative officer, **Stanley A. Shirreffs**, assistant vice president and office manager of its Jamaica office, has been named vice president and manager of its Jamaica, Queens office, and **Warren E. Gallagher**, former manager of the Jamaica office, is now manager of the Floral Park, L.I., office.

* * *

Alan M. Nichols has been named vice president and general manager of Santa Cruz Title Insurance Agency, Inc., Nogales, Ariz.

* * *

Title Insurance and Trust Company has named three vice presidents: **Kenneth G. Mamula**, manager of special marketing services; **Wayne Orme**, western region marketing representative; and **James E. Goertz**, manager of the business management division.

* * *

Charles L. Coffman, controller of The TI Corporation and Pioneer National Title Insurance Company, has been elected senior vice president of administration for Title Insurance and Trust Company and for PNTI.

* * *

William A. Beckwith, Jr., has been appointed vice president and manager of Realty Title Division, American Title Insurance Company, Birmingham, Ala.

* * *

First American Title Insurance Company has announced that **Kenneth R. Purcell**, vice president-marketing and administration of First American Title Company of Nevada, now is vice president and manager of a new First American Title Company of Colorado facility in Colorado Springs.

* * *

Commonwealth Land Title Insurance Company has named **William K. Dickenson**, manager of its Freehold, (N.J.) office; **Henry C. Gause**, manager of its Delaware County (Pa.) office; and **James C. Miller** comptroller in the home office, Philadelphia.

* * *

Byron J. Whitted, former vice president and manager of the Kern County (Calif.) branch of Title Insurance and Trust Company, has been elected executive vice president and general manager of Tennessee Title Company, Nashville. He succeeds **Gordon K. Wilde**, who has been named president of Guarantee Abstract and Title Company of St. Petersburg, a concern recently acquired by The TI Corporation.

* * *

Richard E. Yerger has been elected a vice president of Pioneer National Title Insurance Company with responsibility for the overall operation of the company's Wilmington (Del.) offices and for agency operations in the company's middle Atlantic division, except for New Jersey.



GUSIKOFF



SHIRREFFS



BLATZ



HORAK



GALLAGHER



NICHOLS



HOGAN



McKNIGHT



BECKWITH



PURCELL



HARRIS



DeFREES



WHITTED



WILDE



SNYDER



HERBERT



YERGER



ILTA Elects Charles Jones President; Installs Officers at Convention Banquet



Newly-elected officers of the Indiana Land Title Association, elected at the recent 1972 Annual Convention of that ALTA affiliate in Indianapolis, are shown in the top photograph. They are, from left, Robert Davenport, Pioneer National Title Insurance Company, Indianapolis, secretary-treasurer; Jack Johns, Lawyers Title Insurance Corporation, Indianapolis, second vice president; A. William King, Kings Abstract Company, Inc., Richmond, Ind., first vice president; and Charles Jones, Boone County Abstract Co., Lebanon, Ind., president. In the lower photograph, Robert C. Dawson, Lawyers Title, Richmond, Va., ALTA Title Insurance and Underwriters Section chairman, officiates at the installation of officers and board members during the ILTA Convention banquet.

ALTA Sick-Pay Plan Announced

A new long-term income protection program called IMAGE—which is specifically designed to handle sick-pay problems of American Land Title Association member employers and their personnel—now is open for enrollment.

Trustees of the ALTA Group Insurance Trust selected IMAGE for offering to Association members after careful study of a number of disability programs. The new program is underwritten by Combined Insurance Company of America, a leader in the field of accident and health insurance.

IMAGE pays 50 per cent of an insured employee's monthly earnings up to \$1,000 when he is disabled and cannot work. Benefits are paid for as long as a lifetime when accident causes the disability and up to five full years when sickness is the cause. The premium for the program usually is less than 1 per cent of payroll, a cost made possible by ALTA group buying power.

The trustees determined that IMAGE offers a combination of high benefits and low cost that is superior to other plans considered. Among IMAGE features are:

—IMAGE pays benefits in addition to any other insurance, including workmen's compensation and social security; this contrasts with similar plans that promise up to 60

per cent of salary but deduct payments from other sources.

—IMAGE relieves management of the awkward decisions of how much and how long to pay disabled personnel; the employer knows his employees are being provided for with no drain on company profits and employees know what they will receive and when.

—IMAGE can be paid for by employer, employees, or both; premiums often are paid by the employee through payroll deductions.

—IMAGE benefits and premiums are a percentage of payroll, and automatically adjust to salary changes to offer a hedge against inflation when employees receive raises.

—IMAGE is easy to install and the bookkeeping requires only a short time each month.

—IMAGE offers tax advantages. If employees pay the entire premium or share the cost with their employer, benefits are completely tax-free. When the employer pays the entire

Gallagher Honored



W. J. Gallagher, left, Mid-South Title Co. vice president, receives a gift from J. L. Boren, Jr., the company's executive vice president, upon the occasion of his completing 25 years service with the concern. The presentation was made at a surprise ceremony at Mid-South's Memphis headquarters, where Gallagher also received a diamond 25-year pin from George M. Houston, company president.

premium, or part of it, it is tax deductible. If an employer with no group insurance program decides to pay a disabled employee and then tries to deduct these payments as a legitimate business

expense, the Internal Revenue Service may insist that the employer pay tax on this money—and that the employee pay full income tax even though he is disabled.

Complete details on the IMAGE program are being sent to all ALTA members by mail. Members are asked to promptly return the postpaid reply card enclosed in the mailing with a "yes" answer—since the enrollment period is short—and they will be sent enrollment material at no cost or obligation.

SLC Exchange Set

Stockholders in Standard Life and Accident Insurance Company, Oklahoma City, have approved the exchange of their stock on a share-for-share basis for stock in Standard Life Corporation.

SLC, a recently organized holding company, previously had purchased Standard Life's 24 per cent ownership of Palomar Fianacial, a California corporation whose stock is traded on the American Stock Exchange.

On December 28, 1972, the parent company also consummated purchase of the outstanding common and preferred stock of Standard Title Insurance Company, Oklahoma City, previously operating as a wholly owned subsidiary of Standard Life and Accident.

Gehring Elected

Members of the Waukesha (Wis.) County Board of Realtors have elected John J. Gehring, president of Waukesha Title Co., Inc., 1973 president of that organization.

The Waukesha board is second only to the Milwaukee board in size in Wisconsin.

Commonwealth Campaign Wins 'ADDY'



Leaders in an award-winning Commonwealth Land Title Insurance Company advertising campaign and their wives chat with Helen O'Connell (center), well-known singer, at an American Advertising Federation Second District "ADDY" awards gathering held at Great Gorge, N.J. The Commonwealth campaign won first place in the 1972 multi-media division of the district "ADDY" competition, which covers New York, New Jersey, Pennsylvania, Delaware, and Maryland. Others, shown from left, are Mrs. Joseph T. Greenwald; Edward S. Schmidt, Commonwealth vice president and secretary; Mrs. Schmidt; and Greenwald, who is an account executive for Albert Frank-Guenther Law, advertising agency for Commonwealth. The winning Commonwealth campaign was designed to call public attention to the professional services of the real estate broker during peak home buying season. Features of the campaign included satirical radio commercials in "soap opera" format; direct mail of teaser cards, sound sheet folders; and lapel stickers—to 1,400 Philadelphia area real estate brokers; direct mail of gold records and a cover letter from Commonwealth to real estate board heads; and lobby cards for point-of-purchase display. An agency survey after the campaign to determine its effectiveness showed that 80 per cent of brokers in the target area were aware a title company was promoting their services; 55 correctly identified Commonwealth as the company responsible for the program; and 48 per cent correctly identified the media—direct mail and radio—used in the promotion.

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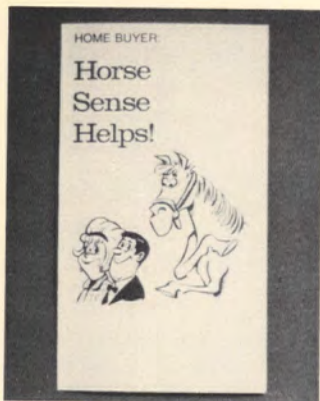
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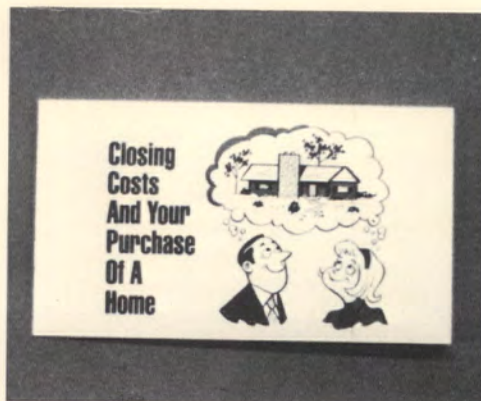
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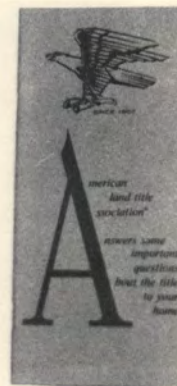
(All orders plus postage; write Business Manager, ALTA, 1828 L Street, N.W., Washington, D.C. 20036)



HOME BUYER: HORSE SENSE HELPS! A concisely-worded direct mail piece that quickly outlines title company services. 1-11 dozen, 65 cents per dozen; 12 or more dozen, 50 cents per dozen; designed to fit in a No. 10 envelope.



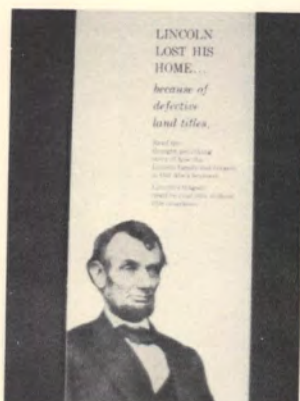
CLOSING COSTS AND YOUR PURCHASE OF A HOME. A guidebook for home buyer use in learning about local closing costs. Gives general pointers on purchasing a home and discusses typical settlement sheet items including land title services. 1-11 dozen, \$2.25 per dozen; 12 or more dozen, \$2.00 per dozen.



AMERICAN LAND TITLE ASSOCIATION ANSWERS SOME IMPORTANT QUESTIONS ABOUT THE TITLE TO YOUR HOME. Includes the story of the land title industry. \$16.00 per 100 copies of the booklet.



HOW FHA HELPS THE HOME BUYER. This public education folder was developed in cooperation with FHA and basically explains FHA-insured mortgages and land title services. \$5.50 per 100 copies.



LINCOLN LOST HIS HOME . . . BECAUSE OF DEFECTIVE LAND TITLES . . . A memorable example of the need for land title protection is described in this folder. \$5.00 per 100 copies is the cost for this publication.



THE IMPORTANCE OF THE ABSTRACT IN YOUR COMMUNITY. An effectively illustrated booklet that uses art work from the award-winning ALTA film, "A Place Under The Sun", to tell about land title defects and the role of the abstract in land title protection. Room for imprinting on back cover. \$12.00 per 100 copies.

(RIGHT) **BLUEPRINT FOR HOME BUYING.** Illustrated booklet contains consumer guidelines on important aspects of home buying. Explains roles of various professionals including broker, attorney and titleman. \$18.00 per hundred copies, 20 cents each on 99 or fewer copies. (RIGHT) **ALTA FULL-LENGTH FILMS:** "BLUEPRINT FOR HOME BUYING." Colorful animated 16 mm. sound film, 14 minutes long, with guidance on home selection, financing, settlement. Basis for popular booklet mentioned above. \$95 per print. "A PLACE UNDER THE SUN." Award winning 21 minute animated 16 mm. color sound film tells the story of the land title industry and its services. \$135 per print.



American Land Title Association

