Title News

the official publication of the American Land Title Association

Telling It Through TV In Tacoma

September, 1974

A Message from the President

SEPTEMBER, 1974

As we approach our Annual Convention in Miami, I wish to thank each of you for your cooperation during this past year. A national association is only as strong as individual members make it. You have rallied to support the Association in making Congressional contacts in Washington. You have served on committees and devoted many hours of labor for the betterment of the land title industry. You have supported us by actively participating in your state and regional land title associations. You have readily accepted responsibilities and assignments in carrying forth the work of the American Land Title Association. For these things, I am grateful.

I am grateful, also, for the honor of serving as your president. And I thank each of you for all the courtesies you have given me and my wife Sally during this time.

We look forward to seeing you in Miami.

Sincerely,

Robert C. Dawson

Robert C. Dawson

ALTA action

ALTA Executive Vice President William J. McAuliffe, Jr., has sent Nevada Insurance Commissioner Dick L. Rottman, chairman of a National Association of Insurance Commissioners Task Force on Title Insurance, a letter outlining anti-trust concerns of title companies with regard to their possible participation in national NAIC studies of title insurance.

The letter was sent in response to Commissioner Rottman's request.

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Francis E. O'Connor, chairman of the Title Industry Political Action Committee (TIPAC) Board of Trustees has announced that there will be a TIPAC information booth at the 1974 ALTA Annual Convention. All TIPAC members attending the Convention will find special TIPAC ribbons attached to their identification badges. Staff will be on hand to answer questions and distribute literature about TIPAC, an organization formed to support Congressional candidates with views compatible to those of the land title industry.

Chairman O'Connor is scheduled to give ALTA members an update on TIPAC activities at a Convention General Session.

* * *

ALTA representatives are scheduled to attend four affiliated state association conventions this month.

Gary L. Garrity, ALTA director of public affairs, will be in Bismarck, N.D., September 12-14 for the North Dakota Title Association convention. Abstracters and Title Insurance Agents Section Chairman Philip D. McCulloch will speak at the Missouri Land Title Association convention September 13-15 in St. Louis.

ALTA President Robert C. Dawson will be the Association representative at the respective Wisconsin Land Title Association and Ohio Land Title Association conventions, September 12-13 in Oshkosh and September 22-24 in Huron. McAuliffe also will attend the Ohio convention.

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Richard W. Ronder, ALTA public relations associate, journeyed to Philadelphia in August to work with Edward S. Schmidt on research related to the 1976 Title Insurance Centennial. Schmidt is chairman of the ALTA Public Relations Committee's Centennial Ideas Subcommittee.

* * *

The ALTA Research Committee held an August meeting in Chicago to review research projects, both in progress and proposed. Committee members include Chairman John E. Jensen, J. Karl Bick, J. L. Butler, Charles V. Gardiner, Victor W. Gillett, Leroy F. King, and Allen C. McGurk.

Dr. Irving H. Plotkin and Dr. Nelson R. Lipshutz of Arthur D. Little, Inc., also attended the meeting along with McAuliffe and ALTA Director of Research Dale P. Riordan.

* * *

The American Bar Association has appointed ALTA Executive Vice President McAuliffe, vice-chairman of its Real Property Division Committee on Improvement of Land Records. In this capacity, McAuliffe will head the committee's subcommittee on use of the metric system in real property transactions.

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Features

Departments

ON THE COVER: Mrs. Eileen Propp, reporter for KTVW, Tacoma, Wash., interviews Ken Broadhead, director of public relations for Commonwealth Title Insurance Company (Tacoma), in one of five video talks with real estate industry members on local home buying and land title protection. For the story, please turn to page 7.

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GARY L. GARRITY, Editor *RICHARD W. RONDER, Managing Editor*

Josephine M. McElhone and Henry J. Cassidy
Economists, Office of Economic Research
Federal Home Loan Bank Board

Residential Financing Alternatives

(Editor's note: This article was originally written for the Federal Home Loan Bank Board *Journal.*)

* * *

It seems to be human nature to adopt habitual ways of doing things. This is, one would guess, a defense against the complexity of the world, for we have neither the time nor the energy to be constantly reevaluating our procedures and considering alternatives. Reevaluation seems to occur only when conditions change sufficiently that a routine procedure no longer meets our needs well. We believe that a changing environment is making the routine procedure for financing housing, namely, the direct reduction mortgage, less able to meet our needs and that an analysis of alternative methods of residential finance is now in order. Circumstances today are very different from those of the past 40 years when the direct reduction mortgage became the major instrument of housing finance. Changes in the economic environment and in the demographic characteristics of the population are revealing certain defects in the long-term, fixed-rate, constant-payment, fully amortizing mortgage—both for lenders and for certain classes of borrowers.

The purpose of this article is to analyze these defects, and the conditions which led to them, and to consider alternative forms of housing finance. We focus on two basic changes in our environment which are rendering the standard mortgage less satisfactory. One of these is a more widespread belief that inflation is here to stay. Many years of *some* inflation and the more rapid rate of inflation which we have experienced recently have led us to expect continuing inflation in the future. The standard mortgage is not well suited to an environment of inflationary expectations, for reasons which are discussed later.

The second change which this paper discusses is a continuing shift in the age distribution of the adult population which is resulting in tremendous growth, both relatively and absolutely, in the under-age-35 segment of the adult population. These young adults will comprise an ever-growing portion of the home buying public in the coming years, and for many of them, our traditional methods of financing housing are unsatisfactory.

In recent years, several alternative methods for coping with problems created by our changing environment have been suggested. The index-linked or purchasing power mortgage, the variable rate mortgage, and the flexible payment mortgage are the alternatives most commonly discussed. In the latter part of this paper, the advantages and disadvantages of each of these instruments are analyzed.

Our conclusion is that none of these alternatives represents the perfect mortgage instrument which should be universally adopted to replace the direct reduction mortgage. The standard mortgage remains extremely efficient for a large proportion of borrowers under most economic conditions.

We do believe, however, that the development of a spectrum of housing finance techniques is desirable. Greater flexibility in financing methods would be beneficial to both lender and borrower. It would facilitate better tailoring of loan characteristics to the borrower's particular financial characteristics and would enhance the ability of both borrower and lender to cope with changing economic conditions.

Problems Caused by Inflation[1]

The long-term, level-payment, amortizing mortgage is most appropriate in an environment of stable prices and for borrowers who have expectations of stable, long-term income. The more rapid the inflation and the greater the difference between the level of the borrower's current and expected future income, the more defective this traditional mortgage instrument becomes.

When inflation is expected, an inflation premium will be included in the mortgage rate. Consequently, the mortgage rate, and thus mortgage payments on a loan of a given size, will be substantially higher than in an environment of stable price expectations. If lenders set certain maximum limits on the payment-to-income ratio, this means that the borrower will be unable to obtain a mortgage as large as in a noninflationary period—even though his income may be expected to rise at the same rate as the general price level, thus reducing the payment-to-income ratio over time.

[1] The analysis presented in this section draws largely on the excellent work by William Poole. See his "Financial Adjustment to Inflation," Special Studies Paper #25, Division of Research and Statistics, Federal Reserve Board, Washington, D.C., 1972, which provides a more technical analysis of these problems.

To see the effect that inflationary expectations can have, compare the borrower's maximum "affordable" loan in a stable price environment with the mortgage rate at 5 percent to the maximum loan obtainable if prices were expected to rise at 4 percent per annum. In this environment, the mortgage rate would need to be approximately 9 per cent if the lender is to obtain a real rate of return of 5 per cent. In order for the monthly payments on both mortgages to be the same, a 30-year loan obtained during inflation would have to be one-third smaller than the loan obtained under stable price conditions.

The *expectation* of rising prices does not cause a family's real financial position to deteriorate, yet it makes virtually impossible the purchase of as much house as could be afforded in a noninflationary environment. Only if the borrower can increase the down payment substantially would he be able to afford a house of the same value. However, most borrowers have relatively low relatively low asset holdings and thus a limited ability to increase the down payment. Moreover, to reduce the payment-to-income ratio to the level it would be in a noninflationary environment would require an enormous increase in the down payment. For example, the borrower who would have made a 10 per cent down payment in a period of stable prices might have to put 40 per cent down during inflation in order to obtain the same property and to maintain the same initial relationship between payments and income. Few borrowers could make such an adjustment.

Adjustment to these inflation-produced problems is ordinarily made by scaling back housing purchases. In order to reduce loan size by one-third, the borrower would purchase a house costing almost one-third less in relation to his income. For many families, of course, this forced scaling back of housing purchases essentially cuts them out of the housing market. To illustrate how great this impact can be, let us assume that the minimum price nationwide for a new house is $20,000.

With a maximum payment-to-income ratio of 25 per cent, a down payment of 10 per cent, and a mortgage rate of 9 per cent on a 30-year loan, a household would need an annual income of approximately $7,000 to qualify for an $18,000 loan on this lowest priced new house. In 1972, almost 25 million households had incomes below this level and, thus, could not have met these standards.

In contrast, with stable prices and a mortgage rate of 5 per cent, the minimum annual income needed to qualify for an $18,000 loan would have been only $4,638—low enough for 9 million more households to qualify.

Obviously, inflation can eliminate a substantial percentage of families and individuals from the home buying market; and the more rapid the anticipated rate of inflation, the greater the effect.

Problems for the Young

Even in a noninflationary environment, the long-term, constant payment mortgage instrument creates problems for many borrowers. It is best suited to those who havs expectations of a constant level of annual income. It is particularly unsuitable for the young, upwardly mobile borrower, who typically has expectations of rising income, and for older borrowers with declining income expectations.

For the borrower approaching retirement, there are a number of methods which can be employed to prevent mortgage payments from becoming burdensome during the retirement years. They may increase the down payment, shorten the term, or schedule payments to begin at a high level and decline over time.

Younger borrowers have much less flexibility. Their position is typically just the reverse of that of older borrowers. They characteristically have low current income, relative to expected future income, and small asset holdings. For example, less than one-quarter of all families headed by persons under age 25 and about one-third of families headed by persons between the ages of 25 and 34 had financial assets of $1,000 or more in 1971.[2] Consequently, younger families do not ordinarily have the ability to reduce payments to a level commensurate with current income by increasing down payments.

Moreover, younger borrowers have not been able to receive treatment symmetrical to that which may be accorded older borrowers. The borrower nearing retirement may obtain a mortgage with a maturity shorter than the now typical 30 years, but regulations—and tradition—prevent the younger borrower from obtaining loans with terms exceeding 30 years, in order to bring payments into closer alignment with current income.

Finally, and most important, the remedy open to older borrowers of scheduling declining payments has not had a counterpart for the younger borrower. In the past, federal associations have been prevented by regulations from adopting schedules which call for future rising payments—a pattern which would fit the income stream of most young borrowers quite well.

The result of this lack of flexibility has been that, even in a period of stable price expectations, the younger borrower with good income prospects is forced to settle for much less house than he or she could afford based on long-term income.

For example, a young borrower whose current income is 25 per cent below that of a mature borrower would have to settle for a 25 per cent smaller mortgage. Yet if the young borrower's income is expected to rise by 5 per cent per annum while the older borrower's income is expected to remain constant, the *present value* of these two income streams over the expected mortgage life (perhaps 10 years) may be equal.[3]

Combined Problems of Youth and Inflation

It has been shown that, with a real rate of interest of 5 per cent, and inflation anticipated at 4 per cent, loan size could be only two-thirds as large as in a non-inflationary environment if the payment-to-current-income ratio is maintained at the same level.

If, in addition, the borrower is young, and expects his *real* income to rise as time goes on, his current income will not

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[2] In contrast, substantially more than half of the families headed by persons over 35 years of age held financial assets valued at $1,000 or more. Lewis Mandel, George Katona, James N. Morgan, and Jay Schmiedeskamp, **Surveys of Consumers, 1971-72; Contributions to Behavioral Economics**, Institute for Social Research, University of Michigan, 1973, p. 67. (See table 5-7.)

[3] These calculations are based on a discount rate of 5 percent. With a higher discount rate, and/or a lower rate of growth of income there would, of course, be less difference in current incomes and, thus, in borrowing ability. However, even if the discount rate employed were 10 percent, the current income of a borrower who expects income to rise at 5 percent per annum would be only 80 percent of the level for the stable income borrower in order for the present value of the two 10-year income streams to be equal.

support a mortgage nearly as large as will the higher current income of a borrower with stable real income expectations, even though the present value of his income stream may be the same.

If the youthful borrower can obtain a loan only three-quarters as large as the mature borrower with stable income expectations, as in the above example, then the combined effects of youth and inflation can result in a *maximum loan size half as large* as could be obtained by an older borrower under stable price conditions.

There is no doubt that this combination of circumstances works to exclude a large proportion of young families from home ownership. As noted previously, at a payment-to-income ratio of 25 per cent, a 9 per cent, $18,000, 30-year mortgage on a $20,000 house would require an annual income of approximately $7,000. As table 1 shows, almost half of all families headed by persons under 25, and almost one-quarter of families whose heads were in the 25- to 34-year age groups had incomes below this level in 1972. In contrast, only 15 per cent of families in the 45- to 54-year age bracket had incomes below this minimum level. Moreover, with a 20 per cent maximum payment-to-income ratio, nearly two-thirds of the under-age-25 families and over one-third of the 25- to 34-year age group had 1972 incomes below the $9,000 necessary to qualify for an $18,000 mortgage—and thus would probably be priced out of today's housing market. Yet, on a long-term basis, the financial capacity of many of these younger families is equal to that of older families who would qualify because of their higher current incomes.

The Future: More Inflation and Younger Borrowers?

The unsuitability of the traditional mortgage instrument in an inflationary environment, and the mortgage financing problems it engenders for young families are particularly relevent today. This is a time of rapid growth, both in prices and in the young adult segment of the population.

From 1974 to 1980, growth in the 20- to 34-year age group will account for about three-quarters of the growth in the adult population between the ages of 20 and 64. And the increase in the number of persons in the 25- to 34-year age bracket, by itself, will account for well over half of the growth in the adult population under 65.

Although home ownership is much more common for older than for younger families, the most dramatic shifts from renter to home owner status occur among younger families, especially between the ages of 25 and 34. This is illustrated in table 2, which shows the distribution of homeownership by age of family head for 1971. The clear implication is that rapid growth in this younger segment of the population will produce even more rapid growth in their share of total housing, and thus mortgage, demand.

If we assume that the proportion of home owners in each age bracket will remain the same through 1980 and that the headship rate[4] will be approximately equal for each age group, we can form some rough estimates of the age distribution of families shifting from renter to home owner over this period.

These estimates are presented in table 3, and suggest that almost two-thirds of the families shifting from renting to homeownership between 1974 and 1980 will be headed by persons under 35 and that most of these families will be in the 25- to 34-year age bracket.

Moreover, during the next 2 years, when a particularly large increase in the 20- to 34-year age group is expected, it is possible that as many as three-fourths of the number of families shifting from renter to home owner status will be in this age bracket. This concentration of new homeowners among the young is sure to produce a similar, although not identical, concentration of mortgage loan demand.

Some Potential Remedies

The evidence presented above supports the conclusion that continuing inflation and continuing rapid growth in the young adult segment of the population will make the standard mortgage less appropriate for more borrowers in the coming years. The question to which

Continued on page 13

Table 1.—Percent of Families with 1972 Income Below Given Levels, by Age of Family Head

Age of family head	Per cent of families with annual income below— $7,000	$9,000
14-24	46.0	63.8
25-34	22.6	34.6
35-44	16.9	26.1
45-54	15.5	23.8
55-64	23.9	34.7

Source: U.S. Bureau of The Census, **Current Population Reports**, Series P-60, No. 90. "Money Income in 1972 of Families and Persons in the United States," U.S. Government Printing Office, Washington, D.C., 1973, Table 19, p. 51 ff.

Table 2.—Home Ownership Status by Age of Family Head, 1971

Age of family head	Per cent of families in age group who are homeowners[1]
Under 25	10
25-34	47
35-44	70
45-54	77
55-64	74
65 and over	76

[1] Excludes those who own trailers.

Source: **Surveys of Consumers, 1971-72: Contributions to Behavioral Economics**, Tables 2-7 and 2-8, pp. 28 and 29.

Table 3.—Anticipated Age Distribution of Families Shifting from Renter to Homeowner Status

Age of family head	Per cent of the total number of families expected to shift from renter to homeowner status accounted for by each age group[1] 1972-74	1974-76	1976-78	1978-80	1974-80
20-24	3.4	5.0	4.1	2.5	3.8
25-34	53.6	70.3	52.2	57.8	59.6
35-44	-3.3	11.2	43.6	43.6	33.9
45-54	30.5	-11.4	-20.1	-19.3	-17.2
55-64	15.9	24.9	20.3	15.4	19.9
	100.0	100.0	100.0	100.0	100.0

[1] Families headed by persons under age 20 and over age 65 are omitted from this analysis. No data are available for those under age 20. Families over age 65 are omitted because families in this age bracket who become home owners do not typically use mortgage financing. As evidence of this, data in the 1970 Census of Housing show that less than 3 per cent of homeowners who obtained a mortgage loan on a property acquired between 1967 and 1971 were over age 65 in 1971.

[4] The headship rate is the ratio of family heads to population. This rate is typically not exactly the same for each age group and is dependent on many rather unpredictable factors. However, differences in headship rates among age groups would not be expected to be so great as to alter the basic conclusions of this analysis.

Telling It Through TV in Tacoma

The people of Tacoma, Washington, have become more aware of the importance of title insurance, thanks to initiative taken by a local titleman. This strengthened public identity has emerged from a series of television interviews built around providing home buyers with advance information on the purchase of real estate. Featured in the video discussions were local titlemen and others from the Tacoma real estate industry.

It all started earlier this year when a 3-minute ALTA television film on preparing for closing the purchase of a home was sent to local stations across the country. A print of the film, which was produced as part of the ALTA Public Relations program, was sent to KTVW television in Tacoma. Accompanying the print sent to each station was a response card upon which program directors or other station personnel could advise the ALTA Washington office if they desire more information on local closing practices and land title protection.

Such a reponse card led to ALTA staff conversation with Mrs. Eileen Propp, reporter for KTVW, Tacoma. When Mrs. Propp expressed interest in presenting the local facts on home buying and title protection to her viewers, she was promptly contacted by David Fogg, president of Commonwealth Title Insurance Company in Tacoma.

Once in motion, the project proved to be a very worthwhile television activity. Under Fogg's leadership and coordination, five related 5-minute interviews were taped at the station and telecast in following weeks. Discussion topics included title insurance, escrow, closing costs, loans, and what one should look for in buying an old or new home. An expert in each of these areas answered Mrs. Propp's questions before the cameras.

Title insurance questions were fielded by Charles Gleiser, vice president and senior counsel of Commonwealth Title. They included what title insurance is, who it protects, how it works, and so on.

Ralph Bessett, vice president of Pacificbank Mortgage Company, in another interview answered questions about closing costs and home loans. His topics included what are the different types of loans and how do they work (FHA, VA, conventional); how do contracts work; can the down payment money be borrowed; and can a loan be paid back sooner than it is due.

Ken Broadhead, director of public re-

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Quarterbacking the effort that led to effective television interviews in Tacoma, was David Fogg, president of Commonwealth Title Insurance Company, who is pictured above at right. In the photographs below, KTVW reporter, Mrs. Eileen Propp, interviews, from left, Ralph Bessett, vice president of Pacificbank Mortgage Company; Gary Pritchard, president of Compass Realty, Inc., and Charles Gleiser, Commonwealth senior counsel.

Part V: ALTA Judiciary Committee Report

(Editor's note: Members of the ALTA Judiciary Committee have submitted over 450 cases to Chairman John S. Osborn, Jr., of the Louisville law firm of Tarrant, Combs, Blackwell & Bullitt, for consideration in the preparation of the 1974 Committee report. Chairman Osborne reports that 98 cases have been selected for publication in this year's report. For previous installments, please see the February, April, June, and July, 1974 issues of *Title News*.)

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PLANNING & ZONING *(Continued)*

A. C. Nelsen Enterprises v. Cook, 188 Neb. 184, 195 N.W. 2d 759 (1972)

Plaintiff obtained permission from the City of Omaha to occupy the premises in question for the retail sale of mobile homes. Pursuant to such permit, plaintiff expended a large sum and obligated additional substantial sums for the purchase of inventory for said business. Subsequently, approximately three months later, plaintiff was notified that the certificate had been issued in error and was void, and plaintiff was ordered to discontinue the use of the property.

Held: Where a certificate of occupancy or building permit has been issued lawfully, even though in accordance with a questionable interpretation of the applicable ordinance, it may not arbitrarily be revoked where the permittee has incurred substantial expense and liability in reliance upon it.

Fleming v. Tacoma, 81 Wn. 2d 292, 502 P. 2d
P. 2d 327 (Wash. 1972)

Where a city councilman who voted for a rezone became attorney for the petitioners for the rezone within 48 hours after the final vote, the rezone will be set aside because it does not appear to be fair, despite a finding by the Trial Court that no actual conflict of interest existed and despite the fact that this councilman's vote was not determinative.

PUBLIC LANDS

Borough of Neptune City v. Borough of Avon-by-the-Sea, 61 N.J. 296, 294 A. 2d 47 (1972)

This is an action to challenge an ordinance of the Borough of Avon-by-the-Sea setting a fee for persons using the public beaches where the ocean front municipality charges nonresidents higher fees than residents.

Held: An ocean front municipality may not absolutely exclude nonresidents from the use of its dedicated beach. The ancient principal of English law is that land covered by tidal waters belongs to the sovereign but for the common use of all the people, and such lands passed to the respective states as a result of the American Revolution. In the latter half of the 20th century, the public rights in tidal lands are not limited to the ancient prerogatives of navigation and fishing, but extend as well to recreational uses. The public trust doctrine should be molded and extended to meet changing conditions. A municipality may validly charge a reasonable fee for the use of its beaches, but it may not discriminate in any respect between residents and nonresidents. Municipalities may consider legitimate costs in the operation and maintenance of the beach front in assessing their fees and they may properly regulate and limit on a first come first served basis the number of persons allowed on the beach at any one time.

REAL ESTATE BROKERS & CONTRACTS

Collins v. Main Line Board of Realtors, 1973 Trade Reg. Rep. Par. 74, 488 (Pa. Supreme Ct., filed May 8, 1973)

The Court held that real estate multiple listing service exclusionary practices were a restraint of trade which is unreasonable and, therefore, illegal under Pennsylvania law. The Court applied the Sherman Act by analogy in recognizing in Pennsylvania a common law doctrine of restraint of trade and enjoined the association from excluding non-member brokers from the multiple listing service. Non-members had been prohibited from using the service which facilitated the sales of real estate in the local area by listing property for sale with all member brokers after the broker with whom it had been originally listed was unsuccessful in his efforts to sell. Commissions are split between the original broker and the successful broker. All real estate brokers licensed by the state were held to be entitled to membership in the service or, alternatively, to fully participate in the service on equal terms with members.

Fritz E. Struempler, Jr. and Bonnie J. Struempler v. Joseph E. Peterson and Beulah L. Peterson, 206 N.W. 2d 629 (Neb. 1973)

An option to purchase land constituting a homestead is void when not executed and acknowledged by both husband and wife as required by Nebraska law. Where a contract for the purchase and sale of real estate includes both homestead and nonhomestead property, but is not executed and acknowledged as required by Nebraska law, specific performance may be obtained as to the nonhomestead land with an abatement of the total purchase price, where the contract under its provisions is clearly severable as to the nonhomestead property.

RESTRICTIONS

H. E. Butt Grocery Company v. Justice, 484 S.W. 2d 628 (CCA Texas Waco 1972)

The landowners sued the grocery store for declaratory judgment to construe restrictive covenants.

One Coleridge formerly owned all of the land claimed by plaintiff and defendant. In 1968, Coleridge sold the grocery store, the land upon which it operated its supermarket and put a use restriction on adjacent land owned by Coleridge against the use of any portion thereof for the purpose of conducting thereon a food store.

In 1970, Coleridge sold adjacent land to the plaintiffs, a portion of which was subject to the foregoing restriction. The plaintiffs desired to sell the land to a developer who would erect a grocery supermarket on land not covered by the restriction, but would use the land in the restricted tract for parking for the grocery supermarket.

The Court held that parking was an integral part of the proposed operation of the food store and that such food store could not be conducted without it. Therefore, any use of the restricted tract for parking, or ingress and egress, in connection with the proposed food store to be located on the adjacent unrestricted premises was violative of the restrictions.

Carroll v. Schechter, 293 A. 2d 324 (New Hampshire 1972)

In this case decided by the Supreme Court of New Hampshire, single family residential "Protective Covenants" appeared on the development plan. A master had found that the "Covenants" bound grantees of an unnumbered parcel previously retained by developers, but did not prevent its use for parking and refused to order removal of a 4-unit building. Exceptions were overruled.

The Court said at p. 326, "If an original owner had adopted a general scheme for developing a tract of land; has had approved and filed a plan thereof on which are found covenants which are inserted or referred to in his deeds of lots therefrom and are intended by him and his purchasers to be imposed on each lot for the benefit of the other lots on the plan; reciprocal restrictions are thereby created on all the lots. However, the mere fact that a grantor imposes restrictions on part of a tract of land which he is selling does not necessarily lead to the conclusion that he intended thereby to have the restrictions apply to his remaining land.

"Whether or not it was intended that the covenants were to apply to the retained unnumbered lot is to be ascertained from the plan itself, the conduct of the parties, and the surrounding circumstances." The last sentence just recited may lead to some interesting cases in the future.

Walker v. Gross, Mass. Adv. Sh. (1973) 1861, decided 12/8/72

A deed restriction provided that no part of the premises should be "used for any business purpose."

Held: That the restriction did not prevent construction of an àpartment building consisting of 83 family units - and a store, the use of which was expressly permitted by the restriction.

Hanley v. Misischi, 302 A. 2d 79 (R.I. 1973)

A and others were owners of lots on both sides of a horseshoe shaped street called St. George Court on a plat or subdivision which had among other restrictions imposed thereon one which specified that "(s)aid lots shall be used solely and exclusively for single family private residential purposes." A's lot, No. 45, was one of the lots on the outside of the horseshoe and on the perimeter of the plat. A owned acreage adjacent to her lot and other parts of the plat and received approval of the local Planning Board to subdivide this acreage into twelve lots with restrictions the same as on the existing plat. Access to the new development was to be by a street beginning at St. George Court and crossing over Lot No. 45, serving only the proposed development. Owners of single family private residences on St. George Court had objected to the proposed subdivision on the ground that the above-quoted restriction imposed on the existing plat precluded the use of Lot. No. 45 as a street and appealed from the Lower Court's judgment confirming approval by the Planning Board. The Supreme Court sustained their appeal.

Cases involving restrictive covenants present such a wide spectrum of differing circumstances that each case must be decided on an *ad hoc* basis. The restriction is for the benefit of the lot owners on the existing plat and for no other plat. The proposed use of Lot No. 45 as a street and not for a single family private residence not only does not conform to the restriction, but has no incidental benefit to the residential use of the property within the existing plat and could diminish the value of such property.

G. L. Cline and Son, Inc. v. Cavalier Building Corp., 193 S.E. 2d 693 (Va. 1973)

Cavalier had employed Cline to erect a building on property in a municipal industrial park. The city retained title until the building was substantially completed and then conveyed with reference to restrictive covenants that provided in part that "buildings and improvements permitted herein shall not be erected nearer to any street than the building line shown on the attached plat . . ." A survey of the premises revealed that the building extended beyond the building line. In reversing the Trial Court's decision in favor of Cavalier against the builder and the architect, the Supreme Court held that the restriction was against future construction only and did not apply to buildings already erected.

TAXATION

Unit Inc. v. City of Wilmington, 294 Atl. 2d 104 (Delaware 1972)

Plaintiff, a corporation as general partner of a limited partnership, sought a declaratory judgment exempting the conveyance of certain real property from the City of Wilmington real estate transfer tax. A limited partnership conveyed property to a straw corporation for the purpose of creating a mortgage on the property. The straw corporation proposed to reconvey the property to the partnership.

Held: That both of the transfers were exempt from the transfer tax under the terms of the transfer tax ordinance.

Wilmington Suburban Water Corporation, et al v. Board of Assessment for New Castle County, 291 Atl. 2d 293 (Delaware 1972)

Water companies appealed from a decision of the County Board of Assessment that water pipes and storage tanks were taxable by the county as real property.

Held: That in light of the purpose or use for which the annexation of the pipes, mains and storage tanks to the real property was made by the appellants, evidencing an intention to accede the chattels to the land permanently or at least for the term of their useful life, the pipes, mains and storage tanks constituted fixtures under the common law and, in the absence of an intent on the part of the legislature to modify the common law, the water pipes, mains and storage tanks constituted real estate for the purpose of taxation. Affirmed.

In Re Estate of Waddington, 201 N.W. 2d 77 (Iowa 1972)

Executor of decedent's estate filed petition for determination of inheritance tax. The District Court allowed real estate sales expense and real estate taxes not levied at decedent's death as deductions in the computation of inheritance tax and the Department of Revenue appealed.

The Supreme Court held that real estate taxes not levied at death of decedent who left will creating life estate in real property and expenses of sale of property were not "debts" or "court costs" within statute permitting deduction of debts and court costs from gross estate and, therefore, could not be deducted from value of decedent's estate. Reversed.

United States v. Kosher, 41 U.S.L.W. 2252 (2nd Cir., 10/30/72)

The Second Circuit has joined the Fourth, Seventh and Ninth Circuits in holding that the United States government is entitled to enforce a federal tax lien by selling the entire property in which the delinquent taxpayer only owns an undivided interest, even though the lien may be satisfied only out of the delinquent taxpayer's share of the net proceeds of sale. There is a contrary ruling in the Fifth Circuit in *Folsom v. United States*, 306 F. 2d 261 (1962). The basis for the decision is found in Sections 6321 and 7403 of the Internal Revenue Code. The specific language in Section 7403 (a) on which the decision seems to hinge reads: "or to subject any property, of whatever nature, of the delinquent, or in which he has any right, title, or interest, to the payment of such tax or liability."

TITLE INSURANCE

Shefts v. Security Title & Guaranty Co., 22 Bucks 189, 55 D.&C. 2d 616 (Pa. 1972)

Buyers sued Title Insurance Company for amount of sewer assessment which they were required to pay. The assessment was a front foot levy by a township authority for construction of sewers. The township had adopted an ordinance a year before buyers had settlement committing itself to the development of sewers. However, construction did not begin until after settlement and buyers did not receive an assessment until the construction was certified as completed.

The Municipal Claims Act provided that when real estate is sold before a municipal claim is filed, the date of completion of construction determines liability as between buyer and seller, unless otherwise agreed upon.

The Court held that the assessment was not a lien at the time of settlement and, therefore, preliminary objections filed by the Title Company were sustained.

Next:
Title Insurance (Continued)

association corner

state

Texans Elect Rattikin, Hear Special Committee Insurance Report

Jack Rattikin, Jr., Rattikin Title Company, Fort Worth, was elected president of the Texas Land Title Association at its sixty-fourth Annual Convention in Houston. Rattikin succeeds Robert von Doenhoff, Southwestern Abstract Company, Rusk, who completed his year in office.

The convention featured an open forum session that included a report and discussion of TLTA's Special Select Committee working with the consultant to the state board of insurance. Phil McCulloch, Hexter Fair Title Company, and chairman of the ALTA Abstracters and Title Insurance Agents Section, reported on ALTA activities and how they affect Texas.

Other convention highlights included the naming of Mrs. Jack Rattikin, Sr., as "First Lady of TLTA," and Bill Thurman, Gracy Title Company, Austin, as TLTA "Titleman of the Year." Thurman this year has served as chairman of both the TLTA and ALTA Public Relations Committees.

Photographs from the 1974 Texas Land Title Association Convention include ALTA President Robert C. Dawson of Lawyers Title Insurance Corporation receiving a stetson of the Lone Star State from 1973-74 TLTA President Robert von Doenhoff of Southwestern Abstract Co., at left. At lower left, newly-elected TLTA officers are, back row from left, Bill Pieper, Lawyers Title, director; James Garst, Stewart Title Guaranty Co., treasurer; Diane Dietert, Bandera County Title Co., director; Roland Chamberlain, Jr., American Title Co., vice president; Thad Allen, Chicago Title Insurance Co., director; and, front row from left, Hughes Butterworth, Lawyers Title of El Paso, Inc., president-elect; Jack Rattikin, Jr., Rattikin Title Co., president; and von Doenhoff, past president. (George Neel, Neel Abstract Company, secretary, is not pictured.) In the other photograph, incoming President Rattikin receives the gavel and best wishes from von Doenhoff as President Rattikin begins his administration.

Kenneth Schramm Elected President Of Oregon Land Title Association

With a record attendance, the Oregon Land Title Association recently held its sixty-seventh Annual Convention at Otter Rock, Ore.

An impressive agenda included a talk on the economic condition of the country by Louis P. Scherzer, executive vice president of Benjamin Franklin Federal Savings and Loan Association of Portland, and respective reports on developments in the fields of computerized title plants and rate establishment by Louis F. Fried, vice president and manager, management information systems division for TICOR, and Herb Alstadt, recording secretary for the Oregon title insurance rating bureau.

F. Frank Howatt, assistant state insurance commissioner, spoke on title insurance regulation at the state level in view of federal regulatory efforts—and also discussed the necessity for determining a meaningful statistical basis upon which to justify title insurance rates. Richard H. Howlett, Title Insurance and Trust Company, chairman of the ALTA Title Insurance and Underwriters Section, reported on the national association's activity and emphasized the need for state associations to strengthen their efforts relative to legislative matters.

Kenneth R. Schramm, Transamerica Title Insurance Company, was elected new OLTA president, and Leland K. Wimberly, Commercial Title Company,

Continued on page 16

In these pictures from the 1974 Oregon Land Title Association Convention, new OLTA President Kenneth Schramm of Transamerica Title Insurance Company, right, presents past president's plaque to Vern Galaway of Title Insurance Company of Oregon (top photo). Mr. and Mrs. Stanton W. Allison are shown with the appreciation plaque he received for long service as OLTA secretary (lower right). At lower left, ALTA Title Insurance and Underwriters Section Chairman Richard H. Howlett of Title Insurance and Trust Company (right) greets Galaway.

Irving Morgenroth to Helm of Pennsylvania Land Title Association

Pictured here are dignitaries who attended the 1974 Pennsylvania Land Title Association Convention, held at the Seaview Country Club in Absecon, N.J. At left is Irving Morgenroth, Commonwealth Land Title Insurance Company, the newly-elected PLTA president. In the other photograph, from left, are 1973-74 PLTA President Joseph J. Hurley of The Title Insurance Corporation of Pennsylvania; his wife, Jane; ALTA President Robert C. Dawson of Lawyers Title Insurance Corporation; and Dr. Irving H. Plotkin of Arthur D. Little, Inc., a nationally known economic research organization. Other PLTA officers elected at the Convention are Albert E. Pentecost, Title Insurance Corporation of Pennsylvania, vice president and executive committee chairman; John H. Kunkle, Jr., Union Title Guaranty Company, treasurer; and Marvin H. New, Industrial Valley Title Insurance Company, secretary.

Proposed Title Insurance Code Reviewed At Michigan Meeting; Quinn New President

William M. Quinn, Brooks Abstract Co., was elected president of the Michigan Land Title Association at its seventy-third Annual Convention at Boyne Highlands, Harbor Springs, Mich.

Included in a diversified convention agenda was a presentation by MLTA Legislative Committee Chairman Joseph F. Burke, Chicago Title Insurance Company (Detroit), of the Michigan title insurance code, which is proposed for introduction in the Michigan state legislature this fall.

Both ALTA President-Elect Robert J. Jay, Land Title Abstract Co., and William J. McAuliffe, Jr., ALTA executive vice president, spoke at the meeting, with Jay commenting on federal legislation and consumerism and McAuliffe reporting on ALTA involvement in other activities.

Additional program highlights included a talk on analyzing business income and expense by Vivian M. Robb, C.P.A., Dinwiddie, Kandt, Smith, & Faught, and a panel session on new developments in the title industry. Panel speakers included Ray L. Potter, Burton Abstract and Title Company, and Lee Wittner, American Title Insurance Company.

Robert J. Jay, ALTA president-elect, addresses the MLTA convention in the photo at upper left. Above, 1973-74 MLTA President Mary C. Feindt, Charlevoix Abstract and Engineering Co., receives the Michigan-shaped past president's plaque from new President William Quinn.

ABA Publication Praises NELTA Folder

The Real Estate Team, a New England Land Title Association home buyer education folder for use in approved attorney title insurance areas, has been reprinted verbatim in the spring edition of *Unauthorized Practice News*, publication of the American Bar Association Standing Committee on the Unauthorized Practice of the Law.

In related text, the ABA publication states, "wide circulation of pamphlets of this sort is distinctly in the public interest . . . "

Developed as a public relations project of NELTA under the leadership of T. Raymond Pearson, current secretary of the Association, the folder contains concise descriptions of the roles of the real estate broker, the attorney, the mortgage banker, the title insurance company, and the surveryor in a home buying transaction. Pearson is a vice president of Security Title and Guaranty Company in Stamford, Conn. Nearly 30,000 copies of the publication have been distributed to the public since its first printing last year.

CLTA President

C. Wayne Wood, regional vice president of First American Title Insurance Company, was elected president of the California Land Title Association at its sixty-seventh Annual Convention in San Diego. Wood has previously served as Association vice president and a member of the board of governors.

FINANCING—Continued from page 6

we now turn is: What can we do about it? In this section, several major alternatives are explored.

Index-Linked Mortgages

The theoretically most satisfying solution to the financial distortions produced by inflation is the purchasing power, or index-linked, mortgage. This type of instrument has been employed to some extent in other countries, most notably in Brazil, and it has a number of proponents—but apparently no users—in this country. One of its strongest points is that it is conceptually quite simple—mortgage payments and the loan balance are tied to a price index and rise or fall accordingly. Because payments are geared to actual rates of inflation, the index-linked mortgage removes the necessity for the lender to anticipate the rate of inflation and thus to include an inflationary premium in the contract interest rate. Therefore, the contract rate of interest should approximate the real rate of return of mortgage loans—perhaps 3 to 5 per cent.

For the borrower, the purchasing power mortgage would facilitate the purchase of a house costing the same in relation to current income as would be possible in an environment of noninflationary expectations. As already shown, this means much more house than is possible when the contract rate of interest includes a substantial inflationary premium.

The major concern over this proposal is the same concern that has frequently been expressed with respect to wage-indexing; namely, that it may validate and perhaps further encourage inflation. But there are certain other problems associated with index-linked mortgages. The most obvious is that, in certain cases, it means greater risk.

Should a borrower's income rise less rapidly than the price index to which payments are tied, the mortgage will become a greater financial burden, thus increasing the risk of default. This risk is probably greater than the risk of the borrower's income declining in a stable price environment because inflation tends to produce unpredictable distortions in relative prices. An even greater concern to the lender would be the fact that, if property value did not keep pace with inflation, the borrower's equity could evaporate or become negative when a purchasing power mortgage is used.

Whether or not widespread adoption of purchasing power mortgages would be desirable thus turns on several unresolved issues: Would it encourage further inflation? Are borrower incomes and property values correlated with prices to a sufficient degree that the lender on such a mortgage is not assuming undue risk? And does the present liability structure of S&L's make the wholesale use of this instrument infeasible?[5] Clearly, these are issues which require further study.

Although the purchasing power mortgage could solve some of the inflation-produced defects of the mortgage instrument, it is no panacea for all ills facing mortgage lenders and borrowers. To the extent that real interest rates fluctuate with credit conditions or other factors, the purchasing power mortgage will not eliminate the possibility of periods of severe disintermediation for S&L's. Moreover, the particular housing finance problems of the young borrower with low current income, but good income prospects, would not be completely cured by the existence of purchasing power mortgages. This type of instrument would accommodate the borrower whose income grows at the rate of inflation, but the young borrower, whose income is likely to grow even more rapidly, would still be unable to obtain a loan commensurate with his future earnings.

Variable Rate Mortgages

Variable rate mortgages (VRM's) have tremendous potential for alleviating some of the problems confronting mortgage lenders. For example, with this type of instrument, the S&L industry would be better able to prevent periods of severe disintermediation. Portfolio yields would rise with interest rates, putting the industry in a much better position to raise deposit rates (in the absence of effective rate ceilings) to the levels necessary to prevent savings outflows. The advantages of this type of mortgage are apparently being recognized, for 18 per cent of the conventional mortgages included in the 1970 Census sample had variable rates or escalator clauses.[6]

It is sometimes suggested that the VRM also could remedy the inflation-produced problems discussed above. Although it is possible that over certain periods the VRM might work this way, we do not believe that this type of instrument is a reliable solution to the difficulties created by inflation. The VRM has much to recommend it—but on other grounds. This is because the rate on a variable rate mortgage fluctuates with the anticipated rate of inflation rather than with the actual rate. Therefore, the VRM can distort the time pattern of the payment-to-income and equity-to-value ratios during periods of inflationary expectations as does the fixed-rate traditional mortgage. The distortion produced may be greater or less than that which would occur with a fixed-rate, level-payment mortgage, for a VRM can result in a pattern of falling or rising payments, or both, while borrower incomes are rising with actual inflation.

With certain types of inflationary expectations, the VRM can produce payments which rise along with borrower incomes during inflation. Rising payments would result if the rate of inflation is expected to rise over time and, if these expectations are maintained throughout the life of the mortgage; i.e., if the inflationary premium in the interest rate is higher each period than it was in the preceding period. If the borrower's income grows because of inflation, then such a pattern of expectations will produce mortgage payments more closely following the borrower's ability to pay than would a standard mortgage. Thus, a VRM *can* result in the type of payments pattern appropriate to an inflationary environment—but there is no guarantee that it will.

Flexible Payment Mortgages

In recent years, a number of plans for tailoring mortgage payments to changing economic conditions or to changing borrower incomes have been devised. We will term all of these proposed in-

[5] This is likely because deposit rates reflect inflation premiums just as mortgage rates do. If the premium were eliminated from the mortgage rate, but not the deposit rate, cash flow problems would result until inflation boosted mortgage payments. One possible remedy is to transform deposits into purchasing power instruments bearing contract interest rates well below current levels.

[6] U.S. Bureau of the Census, **Residential Finance**, p. 101. Two-thirds of these loans were held by S&L's.

struments flexible payment mortgages (FPM's). The purchasing power mortgage can be regarded as a particular type of FPM. Some of these schemes were designed with the young, upwardly mobile borrower in mind and some represent attempts at modifying the purchasing power mortgage so as to make it a more palatable.

The typical form of an FPM would establish a low initial level of payments, with periodic increases in payments being scheduled for the future.[7] Such FPM's can be established in one of several ways, depending on the lender's (or borrower's) objective.

If the objective were to approximate the purchasing power mortgage of given maturity, and if the lender anticipated inflation at a constant rate for the duration of the loan, payments could be scheduled to rise at this expected rate of inflation. The initial level of payments necessary for complete amortization of the loan would then closely approximate the initial payment level on a purchasing power mortgage bearing a contract rate equal to the difference between the FPM rate and the expected rate of inflation. The borrower would thereby be enabled to obtain a mortgage approximately as large as in a noninflationary period.

This type of plan does have an advantage over the purchasing power mortgage, both for the borrower and the lender, in that the payments schedule can be specified in advance. However, anticipating the rate of inflation and incorporating these anticipations into the payments schedule impose a risk on both parties. If the rate of future inflation has been overestimated, or if borrower income and/or property value do not keep pace with inflation, then the risk of delinquency and foreclosure are increased. Given these considerations, it is probable that the FPM could be prudently used only as a partial approximation to the index-linked mortgage. The scheduled growth rate of payments would have to be set sufficiently low that the lender could feel confident that prices, incomes, and property values would at least keep pace with payments.

With or without inflation, this type of FPM has great potential for dealing with the particular housing finance problems facing the young borrower, for mortgage payments can be scheduled to rise at whatever rate the borrower's nominal income can reasonably be expected to grow. This is a potential which the purchasing power mortgage does not have, and it can mean a great deal in terms of the borrowing ability of the young family. For example, if a borrower's income can be expected to rise at 4 per cent per year and, therefore, mortgage payments are scheduled to rise at this rate, payments on a 30-year, 8 per cent mortgage would begin at 65 per cent of the payments on a similar standard mortgage. Thus, with the same income and the same payment-to-income ratio, the FPM would make it possible for the borrower to obtain a loan more than 50 per cent larger than with a constant-payment schedule.

Another variant of the FPM which can provide benefits to lenders, even in the current environment, has been proposed by economist Robert Freed.[8] Under Freed's proposal, the initial level of payments would be whatever the borrower could afford, and payments would be scheduled to rise at whatever rate the borrower's dollar income could be expected to rise. The maturity of the loan would then simply be the length of time necessary for a loan with these specifications to be amortized, not to exceed the current maturity limit on a standard loan.

Freed demonstrates that even with a substantial reduction in the level of initial payments, and a relatively modest 5 per cent annual rate of payments growth, an FPM structured in this manner could be paid off quite rapidly. For example, an 8 per cent loan with payments beginning at 80 per cent of the level necessary to amortize a constant-payment loan over 25 years, and with payments rising at a 5 per cent annual rate, would be paid off in slightly over 18 years.

This type of scheme facilitates shorter term lending to borrowers whose current incomes would support only the longest maturity standard loan. If the lender charges origination fees, this shortening of maturity can result in a higher effective yield on the loan.[9]

Another alternative which prevents mortgage payments from absorbing an increasing proportion of borrower income is simply to schedule payments as some fixed proportion of borrower income, with neither the rate of growth of payments nor the maturity being known in advance. This form of the FPM has obvious advantages for the borrower, since it guarantees that the mortgage payment burden will not rise in relation to income. It also poses obvious risks to the lender, and should be used only where property value and borrower income have good growth potential. In addition, the loan contract should require payments growth at least sufficient to repay the loan in 30 years in order to avoid the possibility of violating the legal maturity limit. Then, if the borrower's income grew more rapidly than this minimum rate, the loan would be repaid sooner. The best candidates for this type of loan clearly would be those who derive most of their income from wages and salaries, have substantial job security, and have wage contracts which include cost-of-living adjustments.

There has been some experimentation with FPM's by other countries. For example, the Delacree Park Cooperative in Kingston, Jamaica, is employing an FPM which schedules increases in payments at 5-year intervals during the first 10 years of the mortgage, and constant payments thereafter. The stated objective of the program is to make it easier for the upwardly mobile family to own a house. In Seoul, Korea, FPM's are being used on the Banpo II project, a housing project guaranteed by AID. Under this plan, the initial level of payments is about 60 per cent of the level which a conventional loan would necessitate. Payments are increased by equal amounts every 6 months.[10]

In the United States, the State of Maryland has shown great interest in the FPM concept for use in its "Home Financing Program." This program provides mortgage financing at a 6 per cent

[7] A high level of initial payments with declining payments thereafter also could be devised for older borrowers.

[8] Robert H. Freed, "Variable Rate Mortgage—A Revolution in Home Financing?", **The National League Journal**, January 1974, pp. 25-28.

[9] An analysis of the yield implications of flexible payment mortgages is contained in "The Flexible Payment Mortgage" which appears in the August issue of the FHLBB **Journal**.

[10] Lane Jennings, "Breaking New Ground in Korea," **The National League Journal**, April 1974, pp. 26-27.

interest rate to qualified residents of Maryland who are unable to secure conventional financing. The state is exploring the possibility of making a select group of these loans on a flexible payment basis, with payments scheduled to rise at a constant annual rate. In addition, the type of FPM which gears increases in payments to actual increases in income may be employed for a sample group of civil servants.

The Ultimate Remedy: An Index-Linked FPM

This article has presented some alternatives to the standard mortgage as a means of coping with certain changes in our environment; i.e., a more rapid rate of inflation and a dramatic increase in the young adult segment of the home buying public. Of the alternatives considered, the purchasing power mortgage has obvious superiority as a means of remedying the problems created by inflation, but it is not the perfect solution to the problems confronting younger borrowers. The flexible payments mortgage has far greater potential for facilitating home purchase by young borrowers with low current income, but good income prospects.

If each of these instruments can attack one of these problems, why not combine them into one instrument which attacks both the difficulties arising from inflation and those faced by the young borrower? Such an instrument might be termed the index-linked FPM. Like the purchasing power mortgage, it would bear a relatively low real rate of interest, and payments would be tied to some price index. But if the borrower is young and has good prospects for advancement, the payments schedule might also call for a rising level of *real* payments. This would reduce the initial level of payments below that which a purchasing power mortgage would necessitate and thus would make it possible for a young borrower to obtain a larger mortgage, more in line with his future earnings. With this type of instrument, the younger borrower who seeks financing during a period of inflationary expectations could obtain a mortgage as large as could be obtained by an older borrower[11] during an era of stable prices.

Conclusions

With changing economic and demographic conditions, the standard mortgage is beginning to show certain defects. This article has explored some alternative mortgage forms—the purchasing power mortgage, the variable rate mortgage, the flexible payment mortgage, and an index-linked flexible payment mortgage—in terms of their abilities to cope with these changing conditions. Each of these instruments has its own disadvantages, and none would serve well for all borrowers under all types of economic conditions. But there are many cases where one of these alternative mortgage types would represent an improvement—for borrower, lender, or both—over the standard mortgage.

We hope that this article will provoke additional thought and ideas about possible new directions for mortgage finance. We believe it is time that consideration be given to alternatives such as those we have discussed. But we also believe that it is best to proceed cautiously with these innovations.

The approach the Federal Home Loan Bank Board has taken is a cautious one. The Board has authorized a limited-type of FPM for federally chartered S&L's. On these loans, the initial level of payments must at least cover interest and, after 5 years, the loan must be on a fully amortizing basis. Thus, no increase in the level of payments is permitted after the first 5 years, although changes can be made as frequently as desired during the initial 5 years of the loan.

This type of FPM obviously has less ability to tailor mortgage payments to the borrower's income than do the other plans we have analyzed. However, it is an innovation which could prove valuable to many borrowers. And it may represent an important first step in making the mortgage instrument adaptable to the needs of a changing world.[12] □

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[11] Whose income stream has the same present value.

[12] A comprehensive study of the advantages and disadvantages of all types of nonlevel payment mortgages is currently being undertaken by a group of scholars, coordinated by those at the Sloan School of Management, Massachusetts Institute of Technology. The study is sponsored jointly by the Department of Housing and Urban Development and the Federal Home Loan Bank Board.

meeting timetable

September 8-11, 1974
National Association of Insurance Commissioners
Zone IV Meeting
(Indiana, Iowa, Illinois, Michigan, Minnesota, North Dakota, South Dakota, Wisconsin)
Hilton Inn and Johnnie & Kay's
Des Moines, Iowa

September 12-13, 1974
Wisconsin Land Title Association
Pioneer Inn
Oshkosh, Wisconsin

September 12-14, 1974
North Dakota Title Association
Bismarck, North Dakota

September 13-15, 1974
Missouri Land Title Association
Marriott Hotel
St. Louis, Missouri

September 22-24, 1974
Ohio Land Title Association
Sawmill Creek Lodge
Huron, Ohio

September 26-27, 1974
Nebraska Land Title Association
Old Mill Holiday Inn
Omaha, Nebraska

September 29-October 2, 1974
ALTA Annual Convention
Americana Hotel
Bal Harbour, Florida

September 29-October 4, 1974
National Association of Insurance Commissioners
Zone I Meeting
(Rhode Island, Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Vermont, Virgin Islands)
Downtown Holiday Inn
Portland, Maine

October 6-8, 1974
National Association of Insurance Commissioners
Zone II Meeting
(Maryland, Delaware, District of Columbia, North Carolina, Ohio, Pennsylvania, South Carolina, Virginia, West Virginia)
Baltimore Hilton
Baltimore, Maryland

October 27-29, 1974
Indiana Land Title Association
Rodeway Inn
Indianapolis, Indiana

October 28-30, 1974
Mortgage Bankers Association of America
Fontainebleau Hotel
Miami Beach, Florida

November 10-14, 1974
National Association of Realtors
MGM Grand Hotel
Las Vegas, Nevada

November 13-16, 1974
Florida Land Title Association
Host Airport Hotel
Tampa, Florida

December 1-6, 1974
National Association of Insurance Commissioners
Regular Meeting
Camino Real Hotel
Mexico City, Mexico

December 4-6, 1974
Louisiana Land Title Association
Royal Orleans
New Orleans, Louisiana

1975

March 4-7, 1975
ALTA Mid-Winter Conference
Hotel del Coronado
Coronado, California

April 25-27, 1975
Texas Land Title Association
Brownsville, Texas

May 1-3, 1975
Arkansas Land Title Association
Camelot Inn
Little Rock, Arkansas

May 30-31, 1975
South Dakota Land Title Association
Brookings, South Dakota

June 8-10, 1975
New Jersey Land Title Insurance Association
Seaview Country Club
Absecon, New Jersey

June 8-10, 1975
National Association of Insurance Commissioners
Annual Meeting
Olympic Hotel
Seattle, Washington

TACOMA—Continued from page 7

lations for Commonwealth Title, discussed the various aspects of escrow, covering such items as what is escrow; how much money should be put in escrow; and can money once put in escrow be withdrawn if the buyer changes his mind.

The fifth topic, what to look for in home buying, was handled by Gary Pritchard, president of both Compass Realty, Inc., and the Tacoma-Pierce County Board of Realtors.

The impact of the Tacoma telecasts, and others similar to them elsewhere in the nation is far-reaching. As titleman David Fogg and his fellow real estate industry members have aptly demonstrated, alertness to significant local public relations opportunity can lead to major progress in the effort to improve consumer understanding of home ownership and land title protection. ☐

OREGON—Continued from page 11

Roseburg, was elected vice president. Elected as new executive committee members at large are Fred McMahon, Cascade Title Company; Warren Pease, Bend Title Company; and Glen A. Turnbull, Crater Title Insurance Company.

A high point of the annual banquet was the presentation of plaques to outgoing president Vern Galaway, Title Insurance Company of Oregon, and to Stanton W. Allison, retired OLTA executive secretary and treasurer, for long service in that office.

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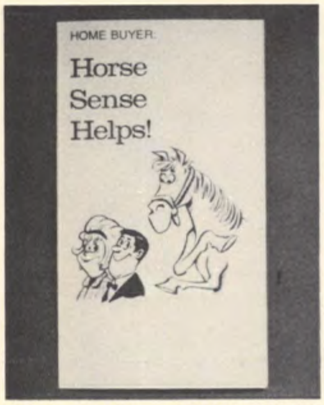

HOME BUYER: HORSE SENSE HELPS! A concisely-worded direct mail piece that quickly outlines title company services. 1-11 dozen, 65 cents per dozen; 12 or more dozen, 50 cents per dozen; designed to fit in a No. 10 envelope.

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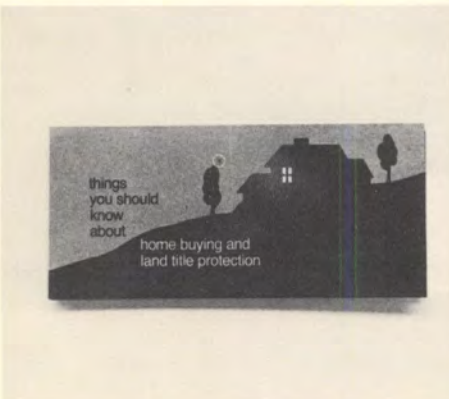
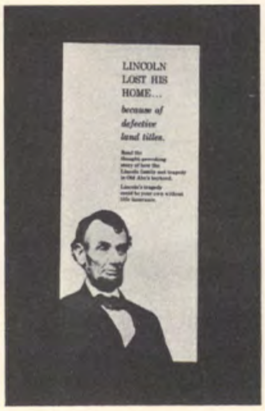


THINGS YOU SHOULD KNOW ABOUT HOME BUYING AND LAND TITLE PROTECTION. Folder designed for No. 10 envelope includes a concise explanation of land title industry operational methods and why they are important to the public. Narration provides answers to misinformed criticism of the industry. $5.75 per 100 copies.



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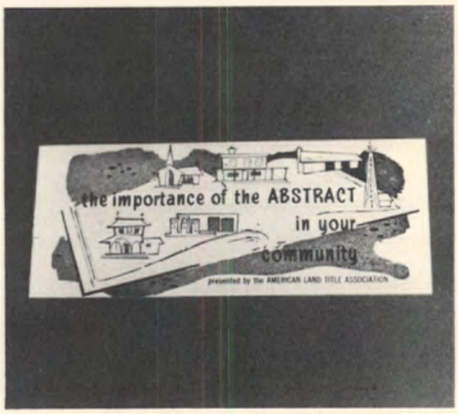
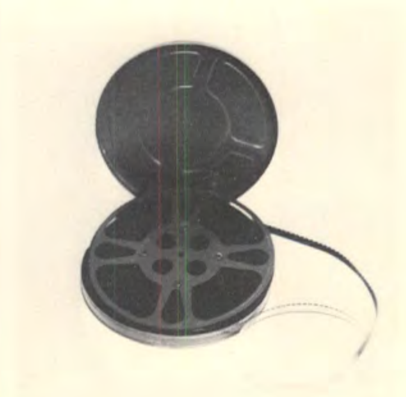


THE IMPORTANCE OF THE ABSTRACT IN YOUR COMMUNITY. An effectively illustrated booklet that uses art work from the award-winning ALTA film, "A Place Under The Sun," to tell about land title defects and the role of the abstract in land title protection. Room for imprinting on back cover. $23.00 per 100 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