

# Title News

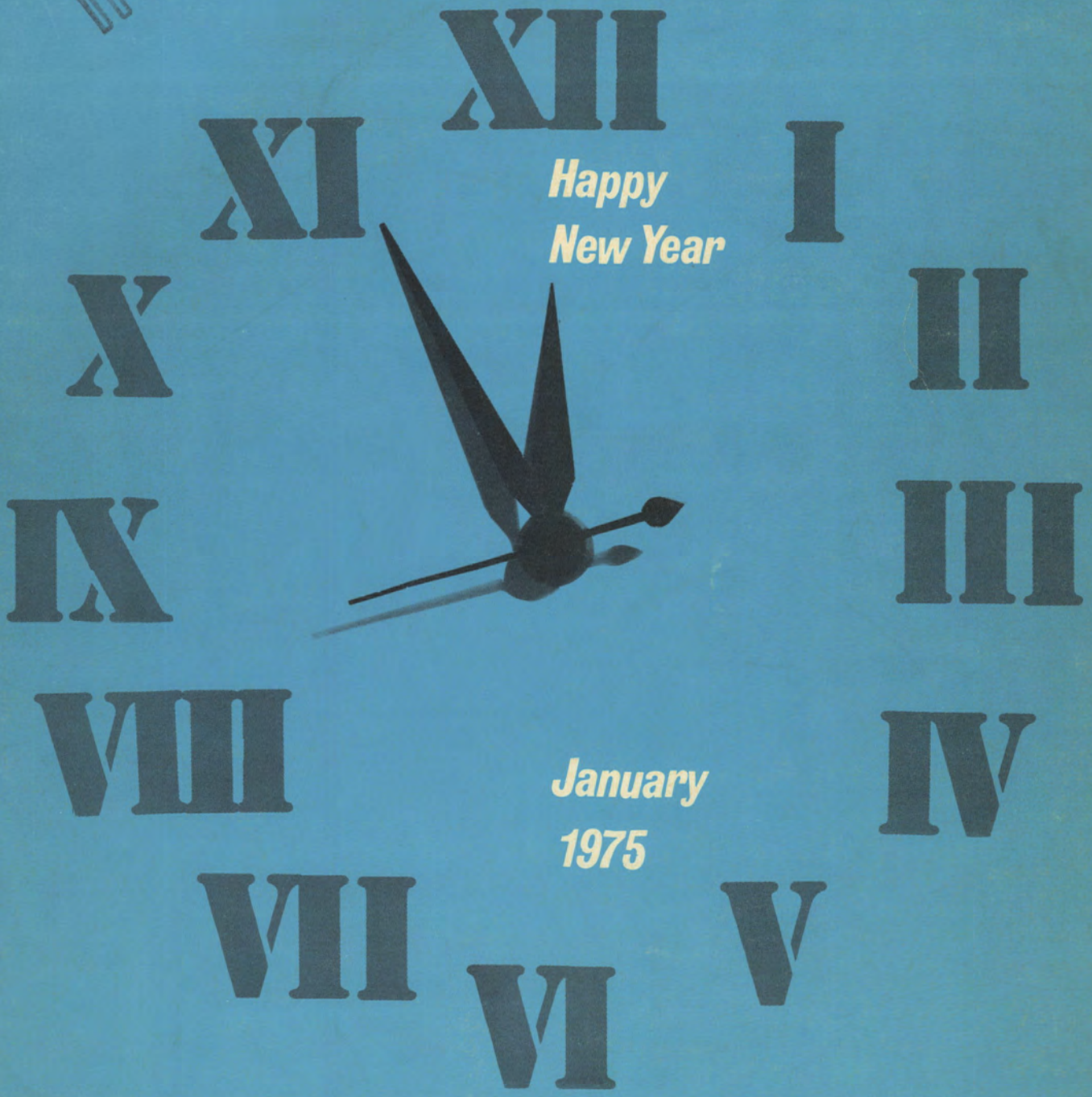
*the official publication of the American Land Title Association*

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*Happy  
New Year*



*January  
1975*







## A Message from the President

JANUARY 1975

This new year begins amid contradictory economic and political currents—and forecasts of deep concern for America and the world. The events over the next few months may change our way of life.

In the title business, as in all other endeavors, we must adjust to these conditions and changes with calm reason and judgment. Do not let the torrents swirling about cause us to flounder from lack of vision and courage.

If you feel discouraged because business is poor, there is a solution. If you feel optimistic and business is good, you have an obligation. If everything is on an even keel, you need a change. Whatever your circumstances, let your thoughts and actions motivate you to a trip to California.

The Mid-Winter Conference of ALTA is at the Hotel del Coronado across the bay from San Diego on March 5, 6, and 7. The program has been designed to appeal to everyone based on suggestions we have received from many of you. Put the economic picture aside, it is always a prudent investment to meet with others in your profession.

The Mid-Winter will provide interesting stimuli, good companionship, a chance to unwind. No answers are promised, only further insight, a renewed spirit and a fresh outlook on 1975.

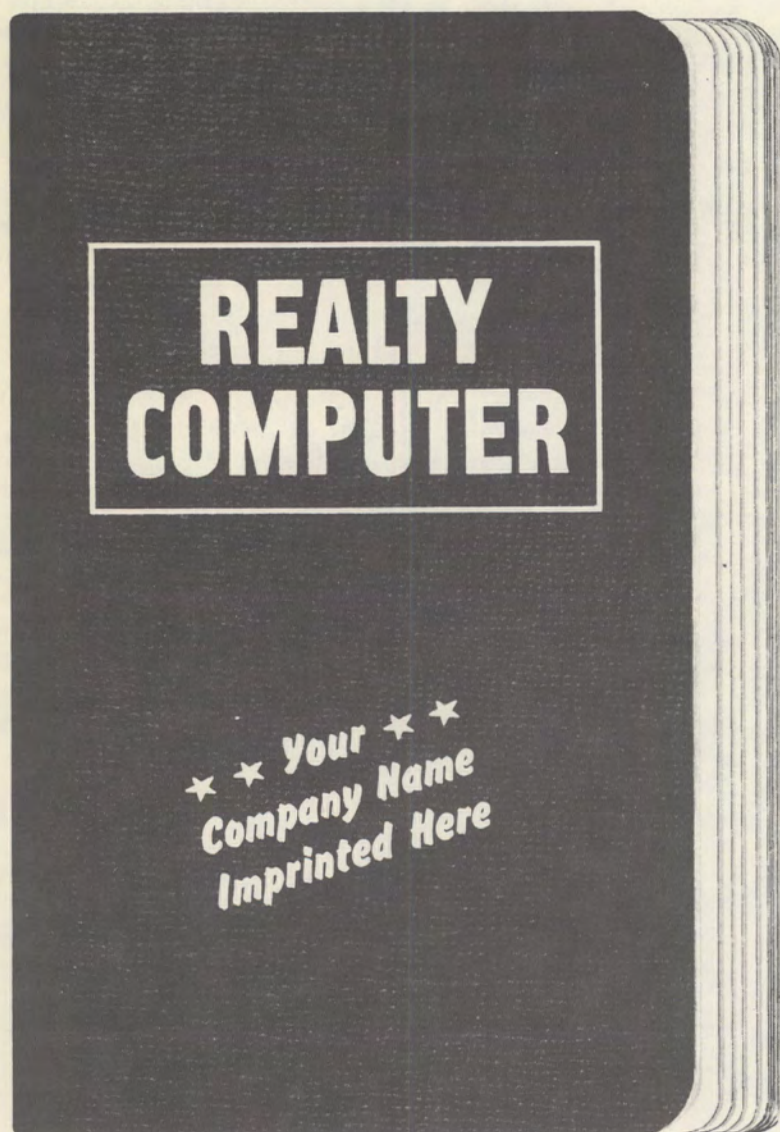
Sally and I look forward to seeing you in sunny California.

Sincerely,

Robert J. Jay



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The Real Estate Settlement Procedures Act of 1974 will become effective in June—180 days after being signed by President Ford on December 22. Congressional contacts by ALTA member constituents and others in the real estate industry were important in development of this legislation as responsible consumer reform. Included in the new law are settlement anti-kickback, disclosure, study, and other reform provisions. Details are in the December, 1974, issue of the ALTA *Capital Comment* newsletter mailed to members of the Association.

\* \* \*

The NAIC Task Force on Title Insurance, chaired by Nevada Insurance Commissioner Dick L. Rottman, met in Mexico City in December during the NAIC's Regular Meeting. At the committee meeting, two proposed outlines for a national NAIC study of title insurance were presented by committee members. Also, ALTA Executive Vice President William J. McAuliffe, Jr. presented the committee with suggested further changes in the NAIC Form 9 on behalf of the ALTA Standard Title Insurance Accounting Committee. Another meeting of the Task Force was scheduled for early January in Denver.

In a related matter, Commissioner Rottman was elected chairman of the NAIC Executive Committee, a position that places him in line to become president of that organization.

\* \* \*

The ALTA Executive Committee will meet January 10 in Palm Beach, Florida. Among major items on the agenda will be program plans for the 1975 Mid-Winter Conference of the Association.

Members planning to attend the Mid-Winter, March 4-7, in Coronado, Calif., should complete their registration forms, mailed to all members late in December, and return them to the ALTA office as soon as possible.

\* \* \*

ALTA Director of Public Affairs Gary L. Garrity will travel to St. George, Utah, on January 18, where he will address the 1975 Mid-Winter Convention of the Utah Land Title Association.

\* \* \*

Both the 1975 Directory and the 1975 Manual of Organization will be mailed from the ALTA office at the end of this month.

\* \* \*

With the beginning of a new year comes the annual request by the Research Committee for industry-wide participation in several research projects, including the seventh underwriter financial data (Form 9) report, the sixth claim report, and the third study of the organizational composition of member abstracters and title insurance agents. The latter is conducted biennially.

Additionally, a settlement practice and closing cost study will be initiated, covering some 60 locales throughout the country. The purpose of this study is to help ALTA better respond to questions about settlement practices and costs that are often posed by government officials and individual home buyers. A segment of the questionnaire will ask respondents to list charges on a simulated residential transaction.





# Title News

*the official publication of the American Land Title Association*

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Washington, D.C. 20036

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*VOLUME 54, NUMBER 1, 1975*

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*GARY L. GARRITY, Editor*

*RICHARD W. RONDER, Managing Editor*



# ALTA Film Wins Top PRSA Award

ALTA's new promotional film, "1429 Maple Street", has won top award in the prestigious Overall Public Relations category of the 1974 Public Relations Society of America Film Festival.

There were a record 206 entries in the eight categories of the Festival, considered by many to be the leading public relations film competition in the nation. Of these, only 10 received the Festival's top award.

Premiere showing for the film was on September 30 during a general session of the ALTA Annual Convention in Bal Harbour, Florida. Since then, a growing number of ALTA-affiliated land title association and member companies have purchased prints for their own use for \$104 each plus postage. Prints may be ordered by writing the ALTA Washington office.

The 16 mm color sound film tells about a house, the families that own it over half a century, and the land title problems they encounter. An 11-minute running time leaves a period after film showing for explaining the local specifics of land title protection. Actors in the production include title company employees.

In producing the film, members of the ALTA Public Relations Committee, ALTA staff, and ALTA General Counsel Thomas S. Jackson worked closely with the producer—Corporate Productions, Inc., Hollywood—to develop a script covering land title problems that could be encountered in communities across the nation despite differences in local law and custom.

For maximum effectiveness, it is recommended that each showing of the film be followed by a discussion in

which a title man or woman describes land title services in the community concerned. ALTA members purchasing the film will be sent a speech outline developed by the Association Public Relations Committee and staff, which is for use in structuring remarks to accompany showings of the motion picture.

An article on production of the film appears in the October, 1974, issue of *Title News*.

Presentation of the film award came during a banquet at the twenty-seventh annual PRSA Conference in Bal Harbour, Florida. ALTA Director of Public Affairs Gary L. Garrity, an accredited member of PRSA and vice president of the organization's National Capital Chapter in Washington, D.C., accepted the honor on behalf of the Association.



Those active in production of "1429 Maple Street", the ALTA promotional film that won top award in the prestigious Overall Public Relations Category of the 1974 Public Relations Society of America Film Festival, are shown in the accompanying photographs. At left, ALTA Director of Public Affairs Gary L. Garrity (left) is congratulated by national PRSA President James F. Fox of New York City during the annual PRSA Conference, where he received the award on behalf of the Association. At right, members of the ALTA Public Relations Committee, the writer and producer for the film project, and ALTA Executive Vice President William J. McAuliffe, Jr., right, are pictured with the award in the Association's Washing-

ton office. Shown fifth and sixth from left, respectively, are Jack Jones, the writer, and Dick Ridgeway, executive vice president, Corporate Productions, Inc., Hollywood, the producer. Committee members, from left are Patrick McQuaid, Minnesota Title Financial Corporation; James W. Robinson, American Title Insurance Company; Francis E. O'Connor, Chicago Title and Trust Company; Chairman H. Randolph Farmer, Lawyers Title Insurance Corporation; William H. Thurman, Gracy Title Company; and Edward S. Schmidt, Commonwealth Land Title Insurance Company. Committee Vice Chairman Philip B. Branson, Title Insurance and Trust Company, was unable to be present for this photograph.



# GENERAL SESSIONS

## President's Report

Robert C. Dawson

*1973-74 President, American Land Title Association  
President, Lawyers Title Insurance Corporation, Richmond, Virginia*

Thank you very much, Jim. Good morning and welcome. Its very heartening to see all of you here so early in the morning for what I'm sure is going to be one of the finest conventions we've ever had, and it's at this particular moment that the President of the Association takes a few moments to "report".

As you know the occasion of an Annual Convention of this Association is a time of great anticipation and enthusiasm as well as a time of reflection. And I believe that this 68th Annual Convention in this very magnificent location and these outstanding facilities will in this particular situation prove to be one of the greatest conventions that we've ever had.

Our very special thanks to Jim and Alice Robinson, Ginny and John Weatherford and their hardworking committee members, and to the Florida Land Title Association generally for what obviously has been a very long and difficult job but one that's been exceptionally well done. So obviously we are anticipating with enthusiasm a very delightful sojourn in beautiful Bal Harbour and environs and together with the stimulation which should derive from a program that is comprised of topics of great current interest and will be presented by speakers of outstanding ability and qualifications.

You know along with all of the social pleasures and the academic enhancements I believe it to be inevitable that all of us will become somewhat preoccupied in reflection upon our industry fortunes and problems, and I'm talking about the past and present as well as the future. Obviously, as you will note, our convention program has been structured to assist us in this regard. The reports from the various committee chairmen will bring us to date concerning a number of Association activities that have taken place during this past year.

And added to this will be the appearance of Tom Finley during the Tuesday morning session of the Underwriters Session, and of course Bill McAuliffe's report to this group will be the last item on our convention program this morning. Our speakers from outside the industry can provide us with an overview of customer activities as well as relevant information designed to enhance our operating effectiveness as well as to assist us in evaluating our economic potential for the near future.

So obviously it would serve no useful purpose for me to endeavor at this time to reiterate the 1974 Association activities that will be so eloquently related to you in the forthcoming committee reports, and therefore I hope you will indulge me if I take just a few moments to philosophize instead of reporting to you. You know this past year's industry activity has given rise to two problem areas that are of concern to me and I trust to all of you who have an abiding faith and interest in the viability of our industry.

One is the area of the relationship between the Bar and the land title insurance indus-

try. In the main this has historically been a very compatible relationship in most of the areas within which our industry operates, but there appears to be at the present time a small, very small, but well organized element within the membership of the Bar who appear to be intent on precipitating a confrontation with this industry somewhere down the road.

Now this attitude has been made known in a number of subtle ways in the recent past, but more recently and more specifically in a pamphlet that has been published by an American Bar Association Special Commit-

## Resolution

WHEREAS, the American Land Title Association is in its Sixty-Eighth Annual Convention in Bal Harbour, Florida and

WHEREAS, much hard work and dedication by many persons within the land title industry and elsewhere have made this Convention one of the outstanding events in the history of the Association, and

WHEREAS, members of the Association are benefiting substantially as a result of this Convention, and

WHEREAS, Charles E. Allen, Esquire; Clay Cotten, Esquire; William T. Finley, Jr., Esquire; Max H. Karl, Esquire; Dr. Grover Noetzel; Ralph Rennick; and Dr. Darab Unwalla have made very significant contributions to a successful Convention program as guest speakers, and

WHEREAS, James W. Robinson; Mrs. John Ely Weatherford; W. C. Shave; John Hoover; William Hatfield; Mrs. W. C. Shave; James Feaster; J. H. Boos; and Mrs.

James W. Robinson—and the host committees they serve as chairpersons—all have helped make a truly exceptional Convention possible through their exemplary effort, and

WHEREAS, it is altogether fitting that the sincere appreciation of the Association be extended to the aforementioned

THEREFORE, BE IT RESOLVED, that the American Land Title Association Executive Committee, in meeting assembled on September 28, 1974, expresses on behalf of the Association its enduring gratitude for the many outstanding contributions of those previously mentioned.

BE IT FURTHER RESOLVED that copies of this resolution be forwarded to the aforementioned with the best wishes of the Association, and as evidence of its appreciation.

Robert J. Jay, President  
American Land Title Association



tee, on Residential Real Estate Transactions, and the pamphlet is entitled, "The Proper Role of the Lawyer in Residential Real Estate Transactions".

Now this report has not as yet been approved or accepted by the House of Delegates and it is in its very formative stage. But without belaboring the point here, in my opinion the pamphlet in essence recommends an all out effort by the Bar to induce lenders primarily to lower their requirements in regard to protection devices such as title insurance, surveys, appraisals, etc., and it further recommends a joint conference with lender groups for the purpose of establishing the acceptability of attorney's certificates and, inferentially I might add, in lieu of the requirement for title insurance.

Now we as an industry and in our respective operating activities undertake to maintain a very close liaison and relationship with our customer groups and I might add at this point for your information that during this past year we did appoint an additional Liaison Committee in our Association to meet with a similar committee of the United States League of Savings Associations. The ALTA Committee is Chaired by Jim Robinson and includes as members Bruce Zeiser and Bob Bates, and the League Committee is Chaired by its General Counsel, Bill Prather and these committees have met on at least two occasions during this past year and with all indications of very open and constructive attitudes on the part of all concerned.

So one further comment I might make is this. I can't really become too upset or shocked, let's say, over the movement to further and promote the economic interest of the Bar. I think its something that we've got to expect, but I simply want to call your attention to a situation that is possibly developing and to urge your increasing efforts in the development and the promotion of our industry and our product and the services of our industry generally, and continue to do a proper job of serving the consumer so that we will be a viable industry for a long time to come.

The other area of concern relates to the regulation of our industry at the state level under circumstances that are perhaps less than favorable and to some extent, perhaps even less than equitable. Let me emphasize here that I'm not decrying the fact of state regulation of our industry. We advocated it, and we supported it and obviously we're

going to receive our share of it and possibly a bit more than that, but I simply want to call your attention to what I discern is a very obvious lack of knowledge or understanding of our industry by a majority of insurance departments throughout the country and consequently the critical need for an all out effort to work with and to cooperate with these departments.

In other words an effort to open the channels of understanding and the channels of communication and to contribute to the enhancement of their erudition concerning our industry, concerning its concepts and its problems, its importance, and perhaps most of all concerning its essential role in the economic structure of our great society.

I might insert here an example of what I mean by the apparent lack of understanding and the need for input on the part of our industry members. I want to quote from a letter that was written by one of the senior examiners from one of the insurance departments in the country, to a president of a company within our industry, and this particular quote deals primarily with plant evaluation. He says this, "my own view which may be unique is that most title plants in use now are completely obsolete and should be written down to zero as quickly as possible and replaced by jointly used data banks with input access by all insurers contributing to the service avoiding duplication, and through the use of EDP expanded storage capacity, greater speed of service to the insuring public at decreased cost."

I don't think we can argue very much with that ideal situation, depending upon the possibility of its financial feasibility. Then he goes on to say this, "my great concern is that the public is being misled by inflated values given to these masses of paper representing an obsolete accounting system called a title plant."

So those of you who operate plant facilities that are anything less than fully on line computerized operations had better adjust your balance sheets accordingly. That's just one example of what I'm talking about, we've got to educate these folks on what we do, and how we do it and why we do it.

But I think we're going to find that the regulatory bodies are interested in developing a working knowledge of our business and our industry and in effecting a program of sound and equitable regulations. With our industry input and assistance I believe this

can, and this will be, accomplished.

Before I close I might comment on just one or two items that were considered by your Executive Committee and Board of Governors at their meetings Saturday and yesterday. Number one, looking far into the future, 1980, we have approved the site of the Hotel Bona Venture in Montreal, Canada as the site for the 1980 Annual Convention. Also have approved the site of Phoenix, Arizona for the Mid-Winter Conference in March of 1978. One further item that I might mention to you that is being considered and will be undertaken hopefully by our Planning Committee, will be a complete review and evaluation of our associate membership classifications as they exist at the present time.

We have for example received an inquiry from a foreign based title insurance company inquiring whether membership in our association would be possible. At the present time we don't have a category to fit it. We're going to look into it. I think everybody is in agreement that there's no reason why we can't become international as well as national. Also we're asking the Planning Committee to take a further view of the associate membership designations with perhaps the possibility of increasing the various classes of that particular membership.

In closing I want to first of all compliment the American Land Title Association staff for the outstanding job which they continue to perform year after year and I want to tell you that this Association is truly blessed by virtue of the competency and the dedication of these people. I hope we can continue to maintain this quality as our scope of activity and consequently our personnel needs continue to expand in the future.

You know as I've traveled throughout this country this past year attending various state conventions I've consistently emphasized my enthusiastic support for our Association and my very firm belief that our industry is greatly strengthened and materially enhanced by virtue of this well organized and well functioning Association. You know these problems to which I've referred and those that will be subsequently discussed with you in committee reports are truly industry matters that can be effectively resolved through a cooperative effort, and that effort can best be channeled and directed through the continued leadership and the guidance of this Association. Thank you very much.

## A Broadcaster's View

Ralph Renick

*Vice President and News Director, WTVJ Television, Miami, Florida*

Thank you very much, President Dawson and Good Morning ladies and gentlemen. I think it is a great honor for my profession to have been singled out to kick off your convention this morning and I appreciate Jim Robinson's role in having the invitation extended to me. You don't know

me. I basically don't know you. So, we're off to at least an even start. I suspect you don't know much about my business and I know little about yours, with one exception: Last Friday I was called upon to sign a check in the amount of \$1,533.60 for something called a Title Insurance Premium made out to the

Dade Commonwealth Title and Abstract Company in connection with a \$400,000 purchase of a piece of property for the Boy Scouts of America. I'm presently serving as President of the South Florida Council. We bought 800 acres of land adjacent to the Big Cypress Indian Reservation about 60



miles from Miami for short-term week-end camping.

So, even though I have not up to this point known very much about title insurance I sure as the devil want to know what we're getting for the \$1,500.00. I am not going to talk about title insurance here this morning, but you're misunderstood and the media is misunderstood. I'm going to talk a little bit about perhaps how to correct the misunderstandings.

I gave a talk about a week ago at a hotel just south of here. When I got through this very exuberant lady came up to me, shook my hand and said, "Mr. Renick, your talk this morning was absolutely superfluous!"

I continued shaking her hand and with a smile stared right back at her and said, "Thank you very much, I'll arrange to have it published posthumously." She said, "Fine, the sooner the better."

I almost didn't get here today because TV news is a very competitive business and as you know two U.S. Senators went to Cuba on Friday. This may be a preliminary step toward the re-establishment of diplomatic and economic relations with the Castro island. Its a topic of more than casual interest in this community where we have a half-a-million Spanish speaking residents out of a total population of one-million-four. Many of these of course are Cuban exiles who feel pretty strongly about the continued isolation of Cuba.

Well we had a report that one of our competitive newscasters had been missing for three days. Where was this chap? We got our spy network working and the word came back that he had gone to Washington and manipulated his way onto the Javits plane. He would be the only media representative of Greater Miami in Cuba. Well, this came as a bit of shocking news to us as we had attempted ourselves to get into Cuba through the normal channels through the Czech Embassy in this country. I got a little panicky and got on the telephone and called the Cuban mission to the United Nations and had a chat there with a party who they said they cannot do business in this country as we're here strictly in the U.N. I then called the Czech Embassy in Washington and was told: "we're closing for the week end, we can do nothing for you."

The only way you can get into Cuba from here is to go to Trinidad or Mexico City and get another plane into Cuba. We have a bilingual gal in our office and I told her "Call the Cuban Embassy in Mexico City, we will not let this thing cease." So she did. I didn't understand what she was saying, but the conversation went on for 20 minutes. She was getting very excited, saying "Si, Si, Si." The fellow in Mexico City was saying "There is no problem. You come to Mexico City with your camera crew and you get a plane from here to Havana. I see no problem. I couldn't believe it, it was incredible, too easy."

So she said to him can you assure us that this will happen? He said, "Madam, I do not know if I can go that far. You see I opened the door when the phone rang. I am the janitor here."

So if you have a chance tune in the Channel 4 news at 6 o'clock tonight and see what's coming out of Cuba.

By the way, that competitor I mentioned, he ended up spending his time in the lobby of the Czech Embassy in Washington. He's still there.

I guess all this points up you need a lot of specialists to accomplish any job today and

any job worth doing is difficult.

We only began rapid industrialization in this country about a hundred years ago but we have rapidly reached the point where we are indeed a nation of specialists. The jack of all trades common to our frontier days has given way to today's master of one. I looked through the Yellow Pages the other day just to prove the extent of specialization. In the ads the most common phrase is "specializing in."

Listed are photographers who specialize in photographing construction sites, dry cleaners who specialize in cleaning draperies, garbage collection services who specialize in collecting trash only from apartment buildings. The extent of specialization in the medical profession is well known to us, foot doctors, back doctors, skin doctors, mind doctors. So it is with the specialized lawyer. Many of them becoming more specialized in the title insurance and abstract field. We have plumbers, carpenters, mechanics, teachers, and on and on. It is a time of specialists.

You men and women are highly trained specialists and like many practitioners of a particular craft, trade or profession, you sometimes have trouble getting through to those damnable relics of years gone by: the journalists.

Journalism is primarily a generalist field. News in itself is a sample, a smattering of a bit of everything in life. A collection of reports on activities of men and women involved in all sorts of behavior make up the morning or evening news. So the newsman's job is a little bit like the translator at the United Nations. He must relate the words of one language to the words of another. He doesn't necessarily share the particular expertise of the speaker but he still must bring meaning and a feeling of understanding to his translation. News men and women must do much the same.

We must step into a complex, sometimes foreign situation and translate it to the general audience. We must take the activities of a specialist, whether in government, business, or law, and understand those activities well enough to relate the story to an audience which may be totally unfamiliar with the topic.

I must say too, that journalism is becoming more specialized. We now have consumer reporters, political specialists, police reporters. But it still is a profession concerned with a wider variety of fields than most other professions. So there is then a frequent lack of understanding when a computer specialist finds that his new data retrieval system is not considered newsworthy by some journalist.

A day doesn't go by that our news department doesn't receive several calls from very well intentioned people trying to get news coverage on something that is so limited in interest that we simply can't cover it. The callers are so close to that neighborhood problem or an issue at their child's school that they see their story as the most important one to come along for years: *to them*.

Another problem comes in the excessively broad idea for a story. Something has to be done about roads, schools, the welfare system, the administration. What has to be done? Well the caller doesn't say, but he still believes that the media needs to do something. Thus, there's the lack of comprehension on how a television news department, or a newspaper works in deciding the merit of a story idea.

What then in essence is newsworthy? Well,

fortunately newsworthiness is a concept resistant to quantification or much precision. If you'll excuse the term, it must remain an abstract label because it must be flexible to daily changes. Your President referred to the fact that I serve on the National News Council, a body that's been in existence for eighteen months. We get complaints from the public about news media performance. We take evidence and we have hearings. You cannot lay out a set of guidelines on how to write a story, how to be fair, how to be objective.

We had a meeting in New York last week. A complaint was filed against *The New York Times* by a Congressman on behalf of our former Ambassador to South Viet Nam, Graham Martin. The *Times* last April ran a front page story pointing out that we had about 2,200 technicians on private industry payroll in South Viet Nam assisting the military establishment of that country. Assisting in terms of loading bombs aboard aircraft and things of that nature.

The fear, of course, was that we're getting back into that same posture of 1964 when we had advisors there and the thing began to escalate into a full scale war. Was it happening again? The Ambassador was pretty upset about the story but he had refused all along to talk to David Shipler who wrote the story in Saigon. He told his people in the Embassy not to talk to Shipler either. So we had to go in and try to determine whether Mr. Shipler had written an accurate story. We came to the conclusion that he had although we suggested to *The New York Times* that the term "news analysis" should have been applied to the piece. It was more than just reporting a fire at 3rd Street and Main.

We had another complaint against a newspaper in Philadelphia that carried a story distributed by a France Press. It was reported that a man had died because of over-consumption of carrot juice. The reader in Philadelphia said for the last 20 years he had consumed a quart of carrot juice every morning. He had a particular concern about that story. Well, it may seem a small thing, but here again, to him, it certainly was important.

There's no list of criteria that I can provide to give you a failsafe means of determining what is news or attracting news coverage of your field of title insurance. What I would like to do is provide some pointers, some hints, some suggestions about making a particular story interesting for television news in your particular city.

I gather from correspondence with this organization that there is a general feeling that the public doesn't know what title insurance is, or why it is necessary. I feel that assessment is largely correct. But you will not likely have much luck calling a television station and simply suggesting that the news department do a general story on title insurance.

The person on the other end might well be one of those who doesn't know what it is when you explain the whys and wherefores of title insurance, or he or she still might not see it as a single story and that's what we look for, a particular story.

T.V. also looks . . . or works with an eye toward brevity. Out of a thirty minute newscast, only about half that time is actually available for hard news. When you subtract the sports, the weather and other features and the commercials, only about fifteen minutes will remain.



Thus T.V. news thinks with inductive logic from the specific to the general. Give us a particular event to cover or examine and we can also say something about the entire pie, in this case title insurance, as we focus on the one slice.

So what is a story? Well, for television it must have some visual possibilities. Ask yourself if you could relate the story to your next door neighbor or is it really a part of your speciality that doesn't have ramifications beyond your profession.

Sometimes that means seeing how your title insurance business is part of an on-going story. Take inflation. It would fall into this category. Home buying is certainly an important part of that story. Last week statistics released by New York City showed housing starts there are at their lowest levels since the early depression years. Here in Dade County, in some construction trade, unemployment is estimated at 30%. Those are frightening, negative statistics but they are in the news and they are akin to your industry, your speciality.

So how does it relate to title insurance? And what from your perspective, your speciality, can and should be done to help the depressed housing market? Your viewpoints on that would be newsworthy.

Another story idea: several months ago we tripped across an unusual home buying story. A Dade County couple bought a lot, then contracted to have a house built on it. The home was constructed. But when the couple moved in they were shocked to find out that what they actually owned was the lot across the street. Their home was built on somebody else's property.

The people who owned the lot where the

house now stood lived up north. The story had a happy ending, the two couples settled their legal differences and the Dade couple was allowed to live in their new home. But when the story made the airways it would have been the perfect opportunity for a member of the title insurance profession to come forward with a story idea about what such insurance means in a case like that. It's not likely that a case like that might happen again soon but there must be other specific foulups and misunderstandings where a member of your profession could go to the media and suggest a story with a title insurance angle; suggesting how misfortune could have been avoided if the proper steps had been taken.

Now if some of these examples seem to be concentrating on the negative I'm afraid that is also the way many stories are covered. Walter Cronkite has said we just don't have time to cover the cats that didn't get caught in trees today. News does play more to the unusual, the out-of-the ordinary. Your part of a sad story may be the only possible positive element. A title insurance policy might have made the difference in a complex, legal battle over ownership.

So don't be afraid of the other side of the story. It should and probably will be covered. Closing costs aren't popular with the public but that unpopularity in itself shouldn't cause you to keep things swept under a rock. You know full exposure certainly . . . in this country . . . tends to always bring out what is the right. What has Watergate done to us as a nation in the wake of all of those disclosures that were so difficult to discover.

Even the Boy Scouts in Chicago made the news with some stories about phantom

scout units. Membership figures had been manipulated in the Chicago area.

To have anything that was dishonest to any degree happen to Boy Scouts sent shock waves throughout the scouting movement in this country. But you know it was a good thing as it turned out because every Council throughout the country re-examined its rolls and ways of doing things.

I think sometimes these negatives have a positive aspect. So I think you have little to lose and much to gain in working openly with the media and trying to have the public better know and understand your industry.

I think that by and large you will find fairness in your dealings with the media: radio, television, and newspapers in your own community.

You are about to embark on your very successful convention for this week, and you'll be glad to know that I'm about to disembark to go to my office and begin my work week. I do so with enthusiasm and I can tell the enthusiasm you feel about your own profession. Let me leave you with these words. R. H. Pebble, wrote this about business. He said, "I like business because it is competitive, because it rewards deeds rather than words. I like business because it compels earnestness and does not permit me to neglect today's task while thinking about tomorrow. I like business because it undertakes to please, not reform, because it is honestly selfish thereby avoiding hypocrisy and sentimentality. I like business because it properly penalizes mistakes, shiftlessness and inefficiency while rewarding well those who give the best they have in them. Lastly, I like business because each day is a fresh adventure." Thank you.

## Federal Home Loan Bank Board Update

Charles E. Allen

*General Counsel, Federal Home Loan Bank Board, Washington, D.C.*

Mr. Chairman, Ladies & Gentlemen:

Your industry is vitally concerned with the housing market. I would like to give you an update on the actions of the FHLBB to assist the S&L industry in fulfilling its primary mission of providing funds for housing.

The substantial inflationary trend of the past 13 years, culminating in a sharper inflationary increase during the past two years, has had a unique impact upon the savings and loan industry. This is an industry which has long specialized in meeting two needs. The first is to act as a nation-wide thrift establishment which accepts the savings of numerous (usually small) account holders and pays them reasonable earnings. The second is to lend deposits to borrowers, generally on the security of long-term, amortized home mortgages, or on the security of their savings accounts. The interest received from the loans is the basic source of the earnings paid to holders of savings accounts.

Of course, the principal payments on the

mortgage loans furnish the major source for repayment of the savings deposits themselves.

Applicable usury laws, and contract rates, constitute a ceiling upon the interest rates that can be charged on the loans made by S&L's and today this constitutes a distinct problem. Changes in usury law limitations, in many states, have not kept pace with inflation. Further, most outstanding mortgage loans do not authorize lenders to revise interest rates upward when borrowing costs of associations rise, even within usury limitations.

Savings accounts, which are subject to rate ceilings, are increasingly leaving the S&L's for higher yielding investment opportunities and far fewer new savings accounts are being opened in S&L's. The inevitable chain reaction is that there is far less money available for S&L's to lend for residential, construction, purchase or repair and home construction is off badly.

An article in the *New York Times* within the last two weeks made reference to this situation by using the term which has gained recognition lately, and which the *Times* credits the financial community with inventing: Disintermediation. In other words, Disintermediation "is the withdrawal of funds from financial intermediaries, such as savings and loan associations and mutual savings banks which channel funds from the saver into home mortgages." The FHLBB announced on September 19, 1974 that withdrawals exceeded new savings received at FSLIC insured savings and loan associations by \$1.24 billion in August—A substantial acceleration in the pace of disintermediation into higher yielding investments.

This is a serious situation since most residential construction is produced conventionally by private enterprise as distinguished from residential production assisted by government aids such as FHA insurance, VA guarantees, or public subsidies. And of the



conventional loans the large majority of residential lending is by savings and loan institutions which invest over 80% of their funds in housing.

FHLBB Chairman Thomas Bomar recently estimated that between 2 and 2.5 million housing starts per year (including 500,000 to 600,000 mobile homes) are required to avoid a critical housing shortage over the next 10 years. There were about 2 million actual starts in 1973, and the consensus forecast for the year 1974 is between 1.5 and 1.6 million.

Certain steps have been taken by the Board to deal with the problem.

1. The FHLB System has advanced an unprecedented amount of funds to S&L's—an increase of \$5 billion this year. In addition the FHLMC will make purchase commitments of \$4.5 billion this year or an additional 150,000 houses that can be financed by S&L's.

2. The Board has reduced the liquidity requirement for insured S&L's from 5½% to 5%; an action which could mean 33,000 new \$30,000 home loans.

3. Lending liberalizations are contained in the new Housing and Community Development Act of 1974 which President Ford signed into law in August, and the Board already has implemented much of its new authority by regulations.

4. Other regulations proposed or recently adopted by the Board should help S&L's to rise to provide more funds for investment in housing.

5. There is some legislation still pending in Congress which would be helpful.

6. Legislation less far along in the legislative process also may become available to improve the situation. For example, a tax law amendment to allow bond-like instruments to qualify as mortgages could be a useful tool to provide housing funds for present and future buyers of homes. Parenthetically, I note that the House Ways & Means Committee, last week, by a 10-8 vote defeated a bill that would have permitted depositors at regulated financial institutions, including S&L's, mutual savings banks, and commercial banks to exclude from the federal taxes up to \$1,000 of joint interest income on savings accounts. I understand that the committee may give further consideration to this matter this week.

I would now like to refer to specific Board actions or contemplated actions to insure, so far as the Board can, the profitability and stability of S&L's.

The Board has taken a number of actions in recent months, or has action under serious consideration, intended to assist in the economic growth and stability of savings and loan associations. Among the more important are the following:

#### 1. Variable Rate Mortgages.

The Board is exploring variable interest rate regulation. The essentials of the variable rate mortgage policy for Federals, which the Board is considering with the idea of making a proposal for rulemaking, and with respect to which it is in consultation with congressional leaders, are generally:

(1) The plan recognizes that changes take place in market conditions which in the past usually have not been reflected in the mortgage interest rate provisions. The current rapidity of such changes emphasizes a need to recognize them, particularly in long-term mortgages.

(2) In any such recognition there should be an index to which the interest movements, up and down, should relate, and it should

be a reliable index beyond the lender's control, approved by the Board. In addition the index should be one which can be easily explained to borrowers with the aid of readily available information.

(3) There should be controls on the amount and frequency—not oftener than 6 months—of mortgage interest rate changes allowed, up and down, including a minimum notice period, and there should be a balance between the borrower's need to manage his budget and the association's need to keep its loan revenues up to date with its cost of funds. Adjustments must be in accordance with applicable usury laws, if any. Variability, it should be emphasized, would apply equally to the requirement of adjusting rates downward as well as upward, according to the index used.

(4) A ceiling should be struck when the loan is made in regard to (A) what the maximum interest throughout the life of the loan can be (B) how changes in interest will reflect themselves in monthly payments or loan term or both, and (C) what the maximum possible monthly payment of principal and interest could be.

(5) Prepayment of a variable rate mortgage should be allowed without penalty at any time.

(6) By setting a limit on extending the term of the loan as a means of implementing interest rate increases, the borrower's equity can be assured of relatively stable increase. (The present Board regulations on home loans require direct reduction amortization within a maximum term of 30 years, with only limited incidental leeway for a very modest form of variable interest rate by means of adjusting the loan term.)

The Board views the variable rate mortgage as an important innovation in "providing stability and balancing the major mortgage portfolio", as Chairman Bomar put the matter recently. Public acceptance is a problem. The Chairman predicted, however, that, if offered fairly and responsibly, a considerable number of VRM's could be sold.

#### 2. Liberalization of Lending Authorities.

A.) Regulations Implementing the New Housing Act, enacted August 22, 1974, P.L. 93-383.

The Board has adopted, or is in the process of adopting, regulations implementing the newly enacted Housing Act. For example it has adopted a regulation increasing to \$55,000 the previous \$45,000 limitation on the amount of the loan which a Federal association may make on a single family dwelling (with an additional increase provided for Alaska, Guam and Hawaii). This helps to conform the lending capacity of Federals to the present housing market.

Another regulation implementing the new Housing Act raised to \$10,000 the previous \$5,000 limitation on the maximum dollar amount of home improvement loans and loans for property improvement, repair and equipping contained in the HOL Act (section 5(c)).

#### B.) Other Regulations.

The Board has also adopted some liberalized lending regulations which do not owe their origin to the new Housing Act. For example:

Branching: It is the Board's general policy to approve applications of Federal Associations for branch offices or mobile facilities only when the office or facility is located within 100 miles of the home office. A recent regulation extends the exceptions to this general policy to permit State-wide branch-

ing with Board approval, in any State in which State policy permits a bank holding company or S&L holding company respectively to acquire or establish new bank or savings and loan offices which are located more than 100 miles from the headquarters of the holding company located within the State. This tends to put Federal associations in competitive balance with banks and S&L's in holding companies. Another new exception allows the Board to consider applications for State-wide branching in a State in which Federal associations hold at least 90% of the federally-insured thrift assets in such State.

The Board has adopted a regulation providing for flexible payment loans, under which associations may enter into long-term loans with borrowers calling for the payment of interest only in the early part of the loan period—up to a maximum of five years—and thereafter principal and interest payments are provided for upon a level, amortized basis for the remainder of the term. This should be specially helpful to young couples who are beginning to raise families.

The Board has proposed a rule, on which rulemaking proceedings are still outstanding, to increase the flexibility of farm loans. This proposal would liberalize the terms for loans made by associations on the security of farm property, and permit principal and interest payments to be made annually, corresponding more closely to the harvesting and other seasonal conditions of agriculture.

#### 3. Consolidated FHLB Obligations and FHLB Advances

We are in another period of "tight money" similar to that of the 1966 and 1969 experiences. Net savings inflows are down, dramatically in some cases; mortgage interest rates are sharply up; rates on Treasury bills and Federal funds are at or are near all-time highs; disintermediation is upon us; usury ceilings are cutting off lending in some States; housing production is off; and an increasing burden is being placed on the Federal Home Loan Banks' advances mechanism.

The advances mechanism operates through the 12 FHLB's. The Federal Home Loan Banks implement the responsibility of the Board, subject to its regulatory authority, in the fields of savings and housing finance by providing appropriate financing to their members as a supplement to savings flows in meeting recurring variations in the supply of, and demand for, residential mortgage credit. Consolidated Federal Home Loan Bank obligations, which are the joint and several liabilities of all the Banks, are issued by the Board in the form of notes or bonds. In case of need the Secretary of the Treasury is authorized to purchase Federal Home Loan Bank obligations up to an aggregate amount of \$4 billion outstanding at any one time.

Apart from such obligations, the source of money supply for the FHLB's needed for making advances to members are the purchases each member must make of Bank stock, deposits which the members make to the Banks, and their investments.

Under the Board's regulations the consolidated obligations of the Banks may not exceed 10-year terms. At the present time, as of July 1974, advances by the Banks for a term in excess of 5 years totaled \$2,380,000,000 outstanding for all FHLB's; whereas advances, due from associations in less than 5 years, were then outstanding in the total amount of \$16,202,000,000. This should suf-



ficiently make the point that advances from the Banks alone could not play a major role in substituting, as a source of funds for long term S&L loans, for withdrawn savings accounts if the heavy withdrawal trend due to inflation should continue for too long a time.

Before leaving the subject of advances, it is worthy to note that the sharpest increases in advances outstanding to associations by the FHLB's have been in 1973 and 1974, taking mid-September figures for each year. The increase in 1973 was 7.3 billion, and in 1974, it was \$6.3 billion, both figures being for the year ending in September. The total advances outstanding to member institutions of course is much larger, being in excess of \$20 billion as of September 15, 1974. This is nearly double the total outstanding in 1970 and quadruple the figure outstanding in 1964.

As the Board stated this month, loans outstanding to member institutions are in excess of \$20 billion; an increase of \$5 billion this year, which is an unprecedented advance of funds by the FHLB system to assist the housing market. This need of course is largely caused by sizable withdrawals; a situation which arose with like sharpness during 1969 and 1966. The Board will continue to make available increased amounts through its Banks.

#### 4. Special Programs of the FHLB's

A substantial amount of the advances being made by the Banks today for loans having a term of 5 years or more is attributable to the Below Market Interest Rate Program of the Board, which was announced by the President to aid housing commencing in May 1974. Under this program the Banks make available to members advances at a half of 1% below the cost of the consolidated obligations. These advances are being made at the rate of \$500 million per month, with a \$4 billion aggregate limit. As a part of the same massive support provided for the housing industry (\$10.3 billion, if a \$3.3 billion dollar allocation to the Government National Mortgage Association for a mortgage purchase program is included) we also had a \$3 billion FHLMC portion, all of which has been committed for home purchases.

Another program of the FHLB system which is special is the so called Forward Commitment Program, announced in September 1973 and terminated in November 1973 as to further commitments, though commitments made are still being disbursed. This program contains a total of \$2.5 billion to be committed by the Banks at 8.5%. Funds were not available under this program to S&L's for a period of 6 months following application for them, after which period the S&L's have a year from the commitment date to obtain disbursement of the funds to which they applied. The last commitments were made in November 1973 and only \$1.7 billion actually was committed within the required period, of which \$1.5 billion has been disbursed, hence only \$2 billion (\$200 million) still can be advanced. All of these Forward Commitment funds were disbursed upon a required 2-year term basis.

One further special bank program should be mentioned. Several of the banks have developed a Special Series Advance Deposit System. Under this System the Bank acts as an intermediary between two S&L's one of which has excess funds and the other is in short supply. The S&L, making the loan from excess to the other S&L, deposits the money with the Bank, and the Bank then makes an

advance from such deposit to the other S&L. The Bank sets the interest rate at a market rate for such a loan, and receives a ¼% fee for so acting. Maturities on such advances vary from 30-180 days. This plan had its inception in the latter part of 1973, and as of September 20, 1974, approximately 67 million dollars are outstanding in such advances. There is no restriction on the use of such funds, other than that they be used for housing-related purposes, thus differing from other Bank advances. Special Series deposits count for short term liquidity purposes.

#### 5. Mortgaged-Backed Bonds

Another matter which the Bank Board has under consideration is the issuance by associations of mortgage-backed bonds. Many associations are relatively small. This proposal would help both smaller and larger associations. The smaller associations particularly could issue the bonds as a group or as consolidated bonds. In its simplest form the proposed concept is that S&L's be authorized to issue a new type of long-term debt security called a mortgage-backed bond. This instrument would have a long maturity such as 20 to 30 years. The bonds could either be sold publicly or privately placed. The key feature as its name indicates would be bond collateralization by a pool of mortgages, which pool would be drawn from individual long-term mortgages securing loans made by the association to borrowers.

There are a number of complex questions involved which are now being studied by a staff task force. Though is also being given to whether marketability of such association bonds, and investor protection, would be helped if a government agency such as the FHLMC should assure the quality of the collateral through its specialized knowledge of the type of security and the market, or if the Federal Home Loan Bank System could guaranty the collateral. It is evident that consumer interest would focus largely on the mortgage security and therefore on its quality.

An underlying theme throughout this exploratory effort is the idea of restructuring the S&L industry, as suggested by the President's Commission on Financial Structure and Regulations, in a document popularly referred to as the Hunt Commission Report, and the President's message, dated August 2, 1973, transmitting the Administration's recommendations on the report to Congress, some of which are embodied in the Financial Institutions Act now pending before Congress. The inflationary period has emphasized what we already knew, that S&L's can fulfill their responsible role in attaining the two basic needs and objectives I referred to at the beginning of my remarks, namely, real promotion of thrift and true achievement of meeting the necessary housing objectives. They can do this by placing themselves in the position of making optimum long-term home mortgage loans for all who have the means to afford a decent home, which means that supplemental aids probably are required. Reliance cannot be placed entirely upon money received from savings deposits, which may be withdrawn when most needed for lending, or upon advances made by FHL Banks which by their nature cannot lend too extensively upon a long-term basis and yet remain reservoirs for home financing in times of recurring need. The long term borrowing by mortgaged-backed bonds may be one approach to hurdle the obstacle of "borrowing short and lending long" by sup-

plementing the long-term borrowing power of S&L's on a basis commensurate with the borrowing needs of the home purchasers.

#### 6. Family Financial Center

The Board believes that another way of restructuring the industry is enabling S&L's to expand their activities within the consumer market the industry knows so well. Rather than pointing or encouraging them down the path of commercial banking, the Board would choose to give them the opportunity to be family financial centers. There is a great need for more consumer financial services such as installment loans, trust services, bill-paying services and tax preparation services and for more competition in the areas which are already being served.

The new expanded services that should be permitted Federal thrift institutions include demand deposits, NOW accounts, credit cards, and the whole gamut of third party payment powers. However, legislation is needed. The Board takes the view that the S&L industry has the physical facilities with its many individual units and its branch structure and has the people and the reputation to excel in this area.

Before closing, I would like to refer to two other matters in which I am sure you have taken an interest. The first involves flood disaster protection insurance. The second concerns the scope of activities of Service Corporations in which the Board permits federal associations to invest.

1. HUD Mapping of Special Flood Hazard Areas. The FHLBB regulation dealing with Flood Disaster Protection was adopted in January 1974, and amended in September, and consists of two parts. One part provides briefly that all associations regulated by the Board shall require borrowers to purchase federally approved flood insurance if (1) property securing a loan made after a certain statutory date (or an increase, extension, renewal or purchase of such a loan), is located within a special flood hazard area identified by HUD, and (2) such insurance is available. The second part is a notice rather than an insurance requirement to the effect that the borrower be notified in writing, an interval before the loan is closed, that the property is in such an area, if it is.

We have been asked from time to time whether we would accept, as sufficient compliance with the first part of our regulation opinions given in title certificates or policies. We have answered that this would be satisfactory. However, we understand that a number of HUD maps identifying special flood hazard areas, and particularly the perimeter lines on such maps, have been found by certain experts in your industry to present too many problems in ascertaining the location of properties. We have conferred with HUD, and its problem is in the quantity and kinds of maps it must produce, under the law, in a quite limited period for localities throughout the country. HUD has assured us that good faith and due diligence by S&L's in attempting to determine if the security is located within HUD maps are all that can be expected of S&L's under the circumstances. However, we can see that this would leave your title searchers with problems if you were requested by S&L's to perform your usual services.

I may add that as to title evidence, generally, our regulations, within broad limitations, leave this matter to the S&L's as a matter of local responsibility. Thus, Section 563.17-1 of the Insurance Regula-



tions deals with documentation required for a loan closing and requires in its subsection (c) an attorney's opinion, a title insurance policy or other documentary evidence customarily used in the jurisdiction in which such security is located affirming the quality and validity of such institution's lien on the real estate security for such loan. There is a proviso that where FHA insurance the documentary evidence will not be required.

2. S&L Service Corporation Activities. In December of 1972 the FHLBB proposed to permit certain (State-wide) Federal association service corporations to own title insurance underwriting companies, and to permit all Federal association service corporations to act as agents or brokers of such underwriting companies. The Board, after a rule-making proceeding on the proposal, deter-

mined (1) that no Federal association service corporation would be permitted to own a title insurance underwriting company, but (2) that any Federal service corporation would be permitted to act as an agent or broker for a title insurance company.

I am aware that there are one or more petitions pending before the Board with respect to its affirmative determination of the second issue raising legal or mixed legal and fact or policy questions concerning that determination. While such petitions are pending before the Board, it would appear inadvisable for me to discuss this matter. However, I would like to assure you that the views of your association will be fully considered by the Board on this matter.

The Board's authority does not extend to the activities of service corporations of state chartered associations unless they are con-

trolled by holding companies. However, Section 563.35 of the Rules and Regulations for Insurance of Accounts prohibits an insured institution or its directors, officers, or employees from granting any loan or extending any other service of the institution on the prior condition that the borrower contract for insurance with any specific firm, agency, or person.

These are a complex of approaches which illustrate, I believe, that the Board is exploring every possible basis for meeting the need to stabilize and develop the essential role of S&L's as both thrift institutions and long term home mortgage lending institutions.

I appreciate the opportunity to speak to you on a subject which I think is of importance to us all and is so infused with national interest.

## Premiere: An Important New ALTA Film

*Comments by*

William H. Thurman

*ALTA Public Relations Committee Chairman  
President, Gracy Title Company, Austin, Texas*

*and*

H. Randolph Farmer

*Committee Vice Chairman  
Director of Public Relations and Advertising, Lawyers Title Insurance Corporation, Richmond, Virginia*

MR. THURMAN: Good Morning. I'm Bill Thurman, Chairman of the ALTA Public Relations Committee and on your right and my left is Randy Farmer, Vice Chairman of the PR Committee. Randy and I want to bring you some highlights of the national ALTA Public Relations program conducted in the public interest on behalf of our industry.

Before going into specifics, let me remind you that one of the major concerns of the title business is consumerism. Because of the consumer phenomenon the title industry in recent years has received a considerable amount of inaccurate criticism. While creating problems of public misunderstanding this criticism also has produced a great deal of new public interest in our business. Your ALTA Public Relations Committee is responding to this interest with an ongoing effort to reach a nationwide audience of millions with the true story of our industry. Randy?

MR. FARMER: There's no better example of that success than three ALTA thirty second celebrity film announcements that were sent to television stations earlier this

year. These featured Julie London, of NBC's Emergency, Lloyd Haynes, who recently was featured in ABC's Room 222, and Jim Bowles appearing in costume as a vampire who warns against purchasing a home haunted by land title hazards.

These educational announcements were telecast again and again in free public service time by nearly 200 stations throughout the country. As a result they were seen by literally millions of people. Bill?

MR. THURMAN: As further evidence of what television material can do, a 60 second ALTA mini-drama film emphasizing the need for land title protection was sent to stations this spring and has generated impressive results. This 60 second film has received more than 31 hours of free public service air time from stations in 37 states and is reaching an audience of millions.

Another 60 second television mini-drama is in distribution this fall. This film clip should also do well. Randy?

MR. FARMER: This year a three minute film on preparing for home purchase closing was produced for local television talk shows. It has been aired by 80 stations in 34 states

and has resulted in local land title and other real estate experts appearing on television to explain closing practices in a number of communities.

A package of ALTA television public service slide announcements has been used by 60 stations in 37 states. And the ALTA film "A Place Under the Sun" in 1974 has been seen by a television audience of nearly 300,000. Once again all this air time has been donated free by stations because of the educational value of ALTA Public Relations material. Bill?

MR. THURMAN: Let me add that ALTA films also receive exposure through loan prints that educational organizations and others request from the Washington office of your Association. Let's not forget while talking about television material that ALTA activity also includes radio.

This year a package of ALTA public service radio announcements is being broadcast by more than 1,000 stations across the nation again in free public service time. These radio announcements are used in communities of every size. They feature Arthur Hill of ABC television's "Owen



Marshall, Counselor at Law", Don Mitchell of NBC's "Ironside" and two prominent country western singing stars, Loretta Lynn and Donna Fargo. As usual these ALTA announcements are shown by us to teach home buyers about closing and land title protection before they purchase real estate. Randy?

MR. FARMER: Along with television and radio, ALTA is making a positive impact on the public through print media. Our messages receive widespread exposure through releases to daily newspapers and through material sent to suburban and rural weeklies as well. We also receive positive exposure through magazines and other publications. In February ALTA was instrumental in helping to develop the first title insurance issue of the *Mortgage Banker*, the monthly magazine of Mortgage Bankers Association of America.

Bill McAuliffe and Gary Garrity of ALTA Washington staff continued to be active in furnishing media personnel with accurate information about our industry, especially in connection with federal settlement reform legislation. Also, your Public Relations Committee is developing consumer oriented print advertising that can be used by interested members of the Association. Bill?

MR. THURMAN: And there's more. In November, ALTA for the 6th consecutive year will sponsor the consumer information

category for the National Association of Realtors Creative Reporting Contest for journalists. Thousands of ALTA educational publications continue to be distributed to the public through individual members and through our Washington office. Work continues on developing model speeches for member use, and the Centennial Ideas subcommittee of your Public Relations Committee under its energetic Chairman, Ed Schmidt, is busy developing approaches for observing the Title Insurance Centennial in 1976. Randy?

MR. FARMER: Needless to say, all this effort and impressive results would not be possible without a lot of hard work and very dedicated people. Bill and I would like to extend our thanks to the ALTA Board of Governors and Executive Committee, and to you the members, for the support that makes what we do a reality. In addition we would like to thank those who served with us on the Public Relations Committee. Phil Branson, Joe McNamara, Frank O'Connor, Jim Robinson and Ed Schmidt. As well as Bill McAuliffe, Gary Garrity and Richard Ronder of ALTA staff.

As an important postscript let me add that our effort at the national level is being made even more effective through growing involvement and public relations activity of affiliated land title associations and by individual title companies. Bill?

MR. THURMAN: And now for the special feature of this presentation. For some time your Public Relations Committee and staff have been very interested in producing a film that will have great public appeal and at the same time will emphasize the importance of protection through the services of title companies. I'm pleased to report that our hopes concerning such a film have finally been fulfilled. After a good deal of effort we have finally produced what we feel is an excellent promotional film that tells about our industry in a very appealing way.

The film is rather general in its treatment of land title services. This is of course due to the differences in local law and customs around the country, but the film is eleven minutes long which means there will be enough time after showing to explain local land title services in a particular community.

We're now going to present a premiere showing of this important new film. Its a privilege for us to present to you, "1429 Maple Street".

For ALTA members who are interested, prints of "1429 Maple Street" may be ordered immediately by signing up at the convention registration desk here in the hotel. The price will be \$100.00 per print plus postage and a modest charge for the permanent shipping container. That concludes our presentation. We thank you for the opportunity to talk about the ALTA Public Relations activities.

## Washington Report

*Comments by*

William J. McAuliffe, Jr.

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

During the past year there has been a great deal of Association activity which has involved your ALTA officers, staff and outside counsel. The outcome of many of them is not known even as we meet today.

In 1974, we made a number of changes in the staff. On February 24, Ralph Marquis, an attorney, joined the staff as Director of State Governmental Affairs. He is responsible for our new State Legislative Reporting Service. All members are invited to subscribe to it. A fee is charged. The service is operated on a break even basis. A monthly bulletin is published reporting legislation that has been enacted in the various states of interest to the title industry. In addition, copies of the bills are available upon request to the subscribers. Through the end of September, Ralph had reviewed 34,500 pages of bills or about 8,600 bills and he found 1,335 of them to be of interest to the title

industry. This is a very fine service.

On May 6th of this year, Richard Ronder filled an opening in our public relations area and became our new Public Relations Associate. He works with Gary Garrity and assists in connection with *Title News* and other activities relating to public relations.

As Jack Jensen mentioned to you we were sorry to lose Mike Goodin who left to join the Texas Land Title Association as Executive Vice President. Our loss is the gain of the Texas title industry. We wish him well.

We feel very fortunate in having replaced him with Dale Riordan who joined the staff on August 12th of this year. He comes to us with heavy qualifications in the area of statistics. He holds a master of economics degree from the University of Maryland.

Gary Garrity and Dave McLaughlin continue to serve you as Director of Public Affairs and Business Manager, respectively.

I believe that your Association is well staffed. These men are dedicated to serving you. If at any time you feel they can be of help to you, I hope you will call upon them.

Perhaps the most important matter facing the industry involves the Federal legislative battle over closing costs. During the course of this convention, you will be brought up to date on the status of this issue by our very capable Chairman of the Federal Legislative Action Committee, Jim Schmidt, and Tom Finley, the outside counsel for the title industry. Accordingly, I shall not delve into it.

But in connection with it, I want to mention ALTA member activity relating to contacts with members of the House of Representatives and the Senate. As we prepared for this battle we urged ALTA members to advise ALTA headquarters of the names of members of Congress whom they would be



willing to contact. As a result, we developed a list of contacts. When we needed to bring our position concerning this legislation to the attention of members of Congress we called upon these individuals and they did communicate with the members of the House and the Senate. First, we asked ALTA members to contact the members of the appropriate sub-committees on housing as they took up the legislation. Then as this legislation moved up to the full committee we had our views on this legislation brought to the attention of the members of the full committee. When the legislation moved onto the floor of the House and the Senate we attempted to reach as many members of Congress as possible. I am pleased to report that our members responded very well. Members of Congress are aware of this issue and many of them are aware of the ALTA position.

Now I'm not saying that the success relating to this legislative battle can be pinned entirely on the American Land Title Association or its members. Attorneys were involved in this battle, as well as allied professions, such as mortgage bankers. While there were a great many people involved, I believe that under the very able direction of Tom and the members of his Steering Committee, the Association played a very dominant role.

Undoubtedly, in the future there will be further need to work with Congress. The legislation we support directs the Secretary of HUD to report back within 3 to 5 years concerning the need for any further legislation in this area.

I urge all members of this Association to develop rapport with their senators and congressmen. People representing you in Washington, Tom Finley and the Washington staff, can only do so much. Congressmen and senators will listen to constituents. That is the very significant role you can play.

You have a two-fold responsibility. One, to keep informed as to the issues. Secondly, to become involved and maintain rapport with your congressmen and senators. Many members of Congress are attorneys. I'm sure that a number of them in the course of their practice have had occasion to use your services. So you probably know many of them. Maintain that contact. Maintain that rapport.

The ALTA position with respect to regulation of the industry is that we oppose federal regulation, but we support strong, effective and fair state regulation—fair to the consumer and fair to the title industry. Thus, in a number of states we find that the laws and regulations relating to the title industry need to be improved.

To assist in this endeavor, the ALTA has developed a model title insurance code. Copies of it are available from the ALTA headquarters. In addition, the American Land Title Association has been urging the National Association of Insurance Commissioners, the trade association for insurance commissioners, to develop a model title insurance code. We are aware that there are some regulators who feel that the ALTA code may be self-serving and that they would feel more comfortable working with an N.A.I.C. model title insurance code.

We have offered our assistance to the N.A.I.C., both money and information. We hope that they will come up with a model title insurance code. The N.A.I.C. has created a task force for this purpose. The

task force is headed by Dr. Dick Rottman, Insurance Commissioner for the state of Nevada. Over the past year, we have had many, many contacts with him. You will be hearing more about that from the Chairman of the ALTA Liaison Committee with the N.A.I.C., Mack Tarpley.

But let's face it, the title industry is not well understood by the public, by legislators, or regulators. Thus a great deal of help is needed to inform people concerning the purpose and the manner in which we operate. Government at the state and federal levels is going to exert more control over this industry than they have in the past. In the public interest, in your interest and in the interest of the industry that you pass on to your successors, you have the responsibility to participate in the governmental process that will be responsible for the laws and regulations which will control the way this industry operates. Thus I commend you for what you have done and urge you to increase your involvement in government.

On April 10th of this year ALTA representatives met with six attorneys of the Federal Trade Commission in connection with an announced Commission investigation of the title industry. Joseph J. O'Malley, the Assistant Director of the Bureau of Competition informed us that the FTC concerns included the relationship of title insurance companies to other entities the structure of the industry, mergers in the industry, interlocked between title insurance companies, lenders and abstracters and competition in the industry.

The representatives of the title industry at this particular meeting responded to the concerns of the Federal Trade Commission. We provided a great deal of written material. We also provided a trip to a District of Columbia title company for the members of the FTC staff. It was our hope to avoid a costly, industry-wide investigation of this industry.

Unfortunately, on August 6th of this year, the Federal Trade Commission issued subpoenas to a number of title insurers in connection with the Commission's non-public investigation of the title industry. This is a matter that is of concern to those who received the subpoenas. The American Land Title Association as such, has not been subpoenaed.

Earlier this morning you heard Bob Dawson refer to an American Bar Association pamphlet entitled, "The Proper Role of the Lawyer in Residential Real Estate Transactions". This pamphlet was made available to the membership of the ABA at their annual meeting in Honolulu in August of this year. I have been informed that it was drafted by Professor John Payne of Alabama.

This pamphlet has been circulated to members of Congress, state legislative leaders, presidents and executive directors of state and local bar associations. In addition, very recently the American Bar Association has issued a press release concerning it, with the headline, "The American Bar Seeks Reform of Homebuying Transactions". This release has appeared in many legal newspapers throughout the country.

In my judgment, this pamphlet is anti-title insurance. For instance, on page 17 it is stated and I quote; "Another way of reducing legal costs is to reverse the present trend on the part of the mortgagees to demand more and more protection. Protective devices like title insurance, mortgage insurance,

surveys, appraisals, and the like, are necessarily expensive and may not be needed."

The pamphlet advocates that lenders accept an attorney's certificate. While the pamphlet does not state that this certificate should be used in lieu of title insurance, the implications to this effect are very strong. Thus it is stated on page 22: "The Committee recommends that the Association take steps to establish a joint conference with representatives of the Mortgage Bankers' Association, The United States Savings and Loan League and the American Bankers' Association for the purpose of formulating a statement of principles governing the acceptance of certificates of buyers' attorneys by mortgage lending institutions".

In addition, on page 25, under the Conclusions and Recommendations, it is urged that: "State and local bar associations should after study and consideration: . . . (b) Attempt in every way possible to induce mortgage lenders to accept certificates of title submitted by the buyer's attorney."

I urge all members of this Association to obtain a copy of this pamphlet and read it. I believe that you probably can obtain a copy of it by writing directly to the American Bar Association. They have indicated that they are soliciting comments concerning this pamphlet. It is my understanding that this pamphlet may be considered by the Council of the ABA Section on Real Property Probate and Trust Law later this fall.

This morning we heard from Mr. Allen of the Federal Home Loan Bank Board. I know that you were very interested in what he said concerning the problem relating to service corporations entering into the field of title insurance agencies. Unfortunately, he couldn't say too much about this matter because it is under consideration by the Federal Home Loan Bank Board. But I can tell you what we're doing and I think you should know.

Before these regulations were adopted by the Federal Home Loan Bank Board we met with the Board's staff. We submitted . . . a quasi-brief in opposition to the proposals that the Federal Home Loan Bank Board adopt regulations which would allow service corporations #1, to become title insurance underwriters, and #2, to become title insurance agents. As Mr. Allen reported to you, we won the first battle and lost the second one. We argued that these regulations would result in tie-in arrangements contrary to the anti-trust laws. Our concern appears to be justified, because in a few areas of the country members of our Association, title insurance agents, are losing business to the service corporation title insurance agency apparently as a result of the savings and loan association directing its title business to the service corporation title insurance agency.

This is a matter of great concern to those who are affected. Within the past few months we have met with the staff of the Federal Home Loan Bank Board. We have urged the Board to issue another regulation with respect to this activity. We have recommended that the title insurance agency of the service corporation be limited in the amount of business that it can do with an affiliated savings and loan association. We have suggested that only 40% of its total business could be with an affiliated savings and loan. In other words, 60% of its business would have to come from other sources. At the same time we reiterated our opposi-



tion to the basic rule that permits the service corporations to enter the title insurance agency business.

We submitted our letter to the FHLBB some 5, 6, or 7 weeks ago. About a month ago we checked on the status of our proposal. We were told that within four weeks the FHLBB would have comment concerning our recommendations.

I was hopeful that by the time of this meeting we would have some word concerning the position that had been taken by the Federal Home Loan Bank Board. But as you heard from Mr. Allen this morning, that hope is not to be realized. As long as the current rule exists, I think that title insurance agencies should be aware of the

economic threat that may be posed by the entry into their area of a service corporation title insurance agency.

When I have spoken to various state land title associations around the country during the past couple of years I've always tried to point out this concern. Unfortunately, some of our members are telling me its no longer a threat, its a reality.

These are just a few of the matters that have been of concern to your Association this year. During the course of this convention you will hear reports from committee chairmen. They have some very important messages to bring to you. I urge you to listen to their reports.

One of my functions in the American Land Title Association is to serve as a Trustee of the ALTA Group Insurance Trust. Chairman of the Trust is Robert M. Beardsley of the Douglas County Title Company in Roseburg, Oregon. Other members of the Trust are Richard E. Fox of Chicago Title Insurance Company, Arthur L. Reppert, President of the Clay County Abstract Company of Liberty, Missouri. Art is a past president of the American Land Title Association. It's indeed a pleasure for me to serve on this Trust which provides certain types of insurances for members of this Association. At this time, I'm going to ask Art to talk to you about the activities of the Trust. Art.

#### *Comments by*

**Arthur L. Reppert**

*Trustee, ALTA Group Insurance Trust  
President, Clay County Abstract Company, Liberty, Missouri*

MR. REPERT: Thank you very much, Bill . . . I was asked to be a member of the Trust at the 1973 Annual Convention in California. I was very impressed with the ability of the men who had served on it. I replaced Mort MacDonald who had been a member of the Trust since inception and who had done a tremendous job of helping with it.

The fiscal year of the Trust is from April 30th to May 1st. The Trustees try to meet each year shortly thereafter. We met this year on August 2nd here in Miami with consultants, plan administrators and insurance company representatives.

I am pleased to report to you that the insurance financial report was excellent and the Trust is in fine sound financial condition. The net worth of the Trust at April 30th was \$86,325.00. The funds when combined with an earmarked reserve of \$23,747.00, which are held by John Hancock, are sufficient to give the plan stability. They are called the Claims Stabilization Reserve or, CSR. The funds can only be used by the carrier if the plan has an unexpected deficit.

At our meeting we reviewed the claims and expense of John Hancock for the period ending April 30th. Incurred losses were favorable on each line of coverage. As a result, the Trust obtained a dividend and additional funds were assigned to the Claims Stabilization Reserve.

The Trustees felt that in view of today's money market the Trust should take advantage of the high interest rate available to

the Trust on funds held under the CSR balance rather than allow John Hancock to invest them as they only provide a return of 6%.

The CSR which has amounted to an estimated \$75,000.00 has therefore been terminated and replaced by a retrospective rate agreement with a maximum liability of \$75,000.00. A total plan surplus of \$102,000.00 plus previous accumulation of \$23,747.00 has been turned over to the trust. Dick Fox, one of the Trustees, has agreed to accept the job of regularly coordinating the investment of the funds for the Trustees to keep the reserve properly invested.

The current Trust agreement restricts the Trust to investment in U.S. Government instruments. The Trust asked the Board yesterday to approve amending the document to permit purchase of commercial paper as well. This change will improve the opportunity for better yield than has been possible in the past.

The Trustees agreed to pay a dividend totaling \$35,000.00 to participating companies, as of the meeting of August 2nd, upon the proportionate share of life and health insurance. It calculated out to be about 30% for participants in the life insurance plan and 5% for health insurance participation.

Within the next few months those of you who are in these programs will be receiving dividend checks on this basis.

Despite the financial success, the life and health plans suffered a net loss in participa-

tion last year primarily due to the loss of one large company, the Broward County Title Company, which merged into another company. At the present time, there are in the plan 1,125 employees in 177 companies with an insurance volume totaling \$12,517,000.00.

The Trustees have allocated funds for special promotion in 1975. Our consultants have outlined a plan of advertising and direct mail to stimulate further growth.

We are aware of the new element of competition now existing in group products being sold by agents of major companies for small firms. Our promotion effort is based upon counteracting the impact of these products.

The plan has never been able to operate in Ohio because of restrictive state laws, but that law has been changed. As a result, Mr. McAuliffe first announced the availability of ALTA Group Insurance Trust programs to Ohio titlemen at their annual meeting this year.

The three ALTA plans of insurance have recently been revised and modernized. We shall work hard to increase participation in the life and health plans. The salary continuation plan has been well received. Our accidental death and dismemberment plan is being improved.

The Trust is in excellent financial position. As I stated before we're going to pay this year a dividend of 30% on life premiums and 5% on medical premiums resulting in a net cost reduction which will make our rates very low. Thank you very much for allowing me to make this report.



# Private Mortgage Insurance Outlook

Max H. Karl

*President, Mortgage Insurance Companies of America, Milwaukee, Wisconsin*

First I want to thank you, Bob, for this generous introduction. It is a distinct honor for me to be with you this morning and participate in your 68th Annual Convention. I must frankly admit to you, however, in the presence of this group of association executives, I feel like a neophyte.

This Association was established in 1907. Ours in 1973. That's when we started our trade association, so we have a long way to go. To a large degree though, there is a common purpose shared by this Association and the member firms of Mortgage Insurance Companies of America. Together, we are engaged in encouraging and safeguarding homeownership in this country, by offering an important element of investor security to homeowners and lenders.

In your case, that security is given to the family purchasing a home, by far the largest single investment most families will make, by providing the necessary search and review needed to protect the homebuyer from any possible land title hazards.

The members of Mortgage Insurance Companies of America, on the other hand, provide security to the mortgage lender against financial loss, thus encouraging the origination of larger mortgage loans which are needed by a larger number of American families today. While members of both associations are not in the bedding or mattress business, I think we can say without qualification that we do help people sleep a little better.

Although the state of housing is far from healthy, current conditions can in no way detract from the contributions made by these security services towards strengthening the nation's housing capability.

The lengths to which the title search sometimes must go is illustrated very well by a story which you may have heard before concerning a Louisiana applicant for a government insured loan who employed a lawyer to represent him. When the loan application was submitted, the FHA sent the following reply: "We received your letter enclosing application for your client supported by abstract and title, we observe however that you have not changed the title prior to 1803 and before we can give final approval it will be necessary that the title be changed before that year. Yours truly."

The lawyer sent the following letter back: "Gentlemen, your letter regarding title received ask that my title be changed beyond 1803. I was unaware that any educated man failed to know that Louisiana was purchased by the United States from France in 1803. The title of the land was acquired by France by right of conquest from Spain. The land

came into the possession of Spain in 1492 by right of discovery by a Spanish-Portuguese sailor named Christopher Columbus who had been granted the privilege of making a new route to India by Queen Isabella. The good Queen being a pious woman and careful about titles, almost as careful I might say as the FHA, took the precaution of securing the blessings of the Pope of Rome upon Columbus' voyage before she sold her jewels to help him.

Now the Pope as you know is the emissary of Jesus Christ who is the Son of God, and God it is commonly accepted made the world. Therefore, I believe it is safe to assume that he also made that part of the world known as Louisiana and I hope to hell you're satisfied."

That situation illustrates a type of red tape which has long been associated with federal mortgage loan insurance. In fact, it was the consistent presence of red tape which helped to nurture the beginnings of the private mortgage loan industry back in 1957. There was an obvious need to develop an alternative to government insurance since most savings and loan associations, the predominant mortgage lenders in the country, virtually ignored FHA-insured and high ratio mortgage loans because of the time consuming red tape and the duplication.

Since that beginning 17 years ago, private mortgage insurance has made substantial strides. The members of MICA have insured \$31 billion dollars of home loans in their brief history and our insurance in force at MGIC is now \$21 billion. In 1973, private mortgage insurance volume far outpaced the government's volume of insured loans and I think it's a good trend.

Builders, lenders, developers, and I'm sure even title companies felt it was an improvement over the government system because there was speed in processing which is most important to you.

During the first couple of years of this decade, several federal actions have added strength to the home finance sector of the economy and, in that way, to private mortgage insurance as well. The Emergency Home Finance Act of 1970 established a true secondary market for conventional mortgage loans through Fannie Mae and the Federal Home Loan Mortgage Corporation. The congressional committee which helped to establish that Act specifically encouraged the use of private mortgage insurance in its implementation.

The regulation by the Federal Home Loan Bank Board allowing saving and loan associations to increase their maximum loan to devalue ratio on conventional loans from 90

to 95% was also instrumental in increasing the viability of private mortgage insurance. Insurance volume increased substantially as builders, mortgage bankers, others long involved in high ratio FHA financing now found the conventional 95% loan more appealing, and I might say that without the presence of a private mortgage insurance industry it would not have been possible to pass the legislation giving the special impetus to the conventional loan.

Following these actions, of course, we noticed the rise of the conventional loan and the decline of the FHA non-subsidized loan, the 203B program. But, this gave FHA the ability to concentrate on areas where the government alone can function, providing housing assistance for people who cannot afford to buy a home and who cannot afford to live in comfort without the aid of government. The conventional loan can handle higher ratio lending for everybody but the low, low income group. The government must step in to handle housing for the poor. That is an area where private mortgage insurance cannot operate because, obviously, it's not a profitable area.

The federal government, therefore, gave private enterprise the opportunity to maximize its service potential and allowed the government to get out of an area which was being taken care of by the private mortgage insurance industry.

Housing is a national priority. It should have the support and understanding of government. As present economic conditions so clearly demonstrate, if housing is not given some priority treatment and if the funds necessary for mortgage lending must compete in the open market then savings will flow to higher yielding investments and will not be available for mortgages.

In order to defend against the knockout blow of tight money and disintermediation, housing must be able to rely on government support. Otherwise, savings account rates would have to jump to double digit figures in order to compete for funds and that would result in mortgage interest rates of 13 to 15%. Certainly that's not a reasonable solution.

Federal support can be provided while housing remains the province of private enterprise where it can be served best. You know there are those who say why shouldn't housing pay 13 and 15%. Those who buy automobiles get their financing from banks and other finance companies will pay 14% or more. On appliance loans, consumers are paying 18%. Why shouldn't housing pay those interest rates? Well, the simple fact is that the average worker can buy one



automobile for 4 to \$5,000.00 let's say and pay the interest rate of 14% on that kind of financing, but he can't do it on an amount 10 times that figure.

In other words, if he's buying a \$40,000.00 home, he isn't going to be able to pay 14% of interest on his mortgage loan and that is the critical difference. It's the difference between paying 14% on a \$4,000.00 item and 14% on a \$40,000.00 item. You can afford to do it on one automobile but you can't afford to do it on 10 automobiles, and certainly the long term of maturity involved in the payment of a mortgage loan must be taken into account as well. So we do need a program that will bring that interest rate down below the 10% level where you see it today.

In August, the disintermediation of the savings and loan associations was at record levels. It reached 1.2 billion dollars and that was the largest August outflow on record. While savings and loans have enjoyed exceptional growth with savings inflow amounting to \$8.4 billion for the first 8 months last year, S&Ls saw only \$3.3 billion this year. If what we witness today continues, it will be a minus figure instead of a plus figure before the year is out. So, it's a desperate situation.

Channeling funds into savings institutions is not simply a question of allowing these institutions to pay greater rates on passbook savings. That is not the answer because those higher rates are always passed on to the homebuyer.

If we are to provide the volume and standard of housing which has made this country a nation of homes, then housing and mortgage funds must be given favored treatment commensurate with their traditional role in our lives and the needs of future generations.

Mortgage Insurance Companies of America has developed a package of supportive federal action which we feel can give housing the opportunity to regain its strength and adequately serve this nation's growing housing needs.

MICA proposes, as an emergency measure, that a tax incentive be offered to savers and investors who will make funds available to home financing institutions at low rates. The lowest rate passbook accounts, specifically 5% at commercial banks, 5 1/4% at savings and loans, should be free from both federal and state income taxes. Any institution committing to invest these funds or a sufficient portion of their savings funds to new home mortgages could offer insured, taxfree accounts. Institutional investors could also qualify as depositors.

This proposal would raise the effective rate of return by 20 to 50% for the investor and that would be done, by the way, and I want to emphasize this, without raising the cost of home mortgage money. It could stimulate new levels of low cost savings. Corporate institutional investors would be encouraged to bring many millions of dollars into the savings and loan associations, for example, and get a pre-tax yield of 10 1/2%.

This proposal would for the first time, provide an attractive day-of-deposit to day-of-withdrawal tax free incentive account with full flexibility as to the amount to the small, medium and large savers, individual as well as institutional. This proposal is anti-inflationary because it encourages savings. If we can stimulate more savings and less spending, we're moving in the right direction in fighting inflation.

As we can obviously see, the present monetary policy of tight money has not been an effective tool. In my opinion, it fans infla-

tion. It fuels inflation rather than stops it. As the prime rate rises and corporate borrowers maintain compensating balances, the true cost for corporate borrowing runs to about 14 1/2% and that cost is obviously built into the price of products resulting in further wage and price increases.

When we encourage the building of homes, of course, we encourage the building of capital assets and that too is anti-inflationary. There are some that say if you build more homes, it's inflationary. Yes, it is inflationary when you get over two million starts. But when you move one million starts up to 2 million, we're at a 1.1 million level today, you are meeting ordinary demand and not fanning inflation.

There are others that say, if you're going to have a tax incentive plan, you're going to cause a considerable amount of tax revenue loss. That's not true. First of all, when you bring a 10 3/4% rate mortgage rate down to 8 3/4% or 10 down to 8 that 2% of decline means the homebuyer cannot take that extra 2% as a tax deduction. We estimate there is about a \$400 million savings to Uncle Sam just by reason of the lower interest rate deduction.

There is also an increase in tax revenues when you build more homes. For each dollar invested in new housing, there's a two dollar increment added to the gross national product. This 100% multiplier effect results in tax revenues of 1.26 billion dollars on a 100,000 with an average value of \$35,000. It is our estimate that with a half million new starts, the amount lost to the government through this tax free savings plan would be recovered. So the final answer is that there is no loss of revenue to the government as a result of the tax incentive plan.

There are other costs for the government to consider. The loss of a healthy housing market takes the construction workers and those in allied fields off the employment rolls and places them on welfare rolls and that's a costly item as you know. Now we see a considerable amount of lay-offs and unemployment is mounting.

I attended the summit conferences, the pre-summit in Atlanta on housing and the big summit meeting in Washington last Friday and Saturday. There was considerable amount of concern voiced by the many spokesmen for housing. Labor representatives pointed out that there was an 11.1% unemployment rate in the construction industry in August. They indicated that this 11.1% could go to 20% unemployment rate in the construction industry if nothing is done to correct the situation.

Spending for housing can be constrained for short periods only. Certainly care must be taken to assure that pressures to achieve short range objectives do not become so severe as to destroy an entire industry and leave a vacuum that in the long run will cost our society dearly. What we're witnessing today is something catastrophic.

During the past year there were 1600 construction firms that have withdrawn from business. A significant number of banking organizations have gone bankrupt and many others have opted to withdraw from residential financing entirely. As you know, the banks have closed their mortgage loan windows.

So it's become a desperate situation. Action must be taken immediately. The economists that want housing to bear the burden don't really understand what is going on. They do understand that housing is being hit

generally and they say housing will have to bear this burden because we've got to fight this inflation entirely.

But they don't realize that the fellow that bought a house a year ago for \$28,204 and was paying an interest rate of somewhere around 8%, today, one year later is paying \$32,300 for that same house, an increase of \$4,096. When you add to that higher price an extra 2% of interest the homebuyer needs an additional 37% in income in order to qualify for a five percent down loan.

It's an untenable position. Something major must happen; and, I think it will happen. There's an indication coming out of the inflation conference that housing will get priority treatment. Something will be done soon. The tax exempt idea will have to go through the House Ways and Means Committee. In its first attempt it was knocked out on a 10 to 8 vote, but it's going to be brought in again for further consideration and hopefully by next spring something might happen in that direction.

It's going to be a tough fight because the country is not inclined to increase tax incentives. In fact, there's a definite trend to do away with tax incentives. If this plan is going to happen at all it will take a great deal of support from every sector of housing.

We must keep in mind that the real estate market is a local market. We may focus on the national scene but we definitely have to consider that it's a local market, using mortgage lending institutions with knowledge of local demand and markets, local relationships with realtors and builders, and the underwriting overview of private mortgage insurers.

The Freddie Mac and Federal Home Loan Bank programs can effectively serve housing markets across the nation. Any subsidy that develops should go through this national system. It should go through the Freddie Mac operation and the Federal Home Loan Bank program because they represent a great delivery mechanism. They can reach out very quickly to satisfy the needs of homebuyers everywhere in this nation.

The concern of most housing analysts, at the moment, is on the short run. We believe that the long run is extremely important and we shouldn't forget about it. Over 60% of the nation's households own their own home. America is a nation of homeowners and we ought to keep that in mind. Over the next several years, we are going to see the 25 to 34 age group increase by 53%. That is the most important group to the housing industry and it's going to grow substantially.

I think it important for us to understand that that segment of our population needs to be given encouragement and in order to provide encouragement we've got to permit greater use of higher ratio lending. We've got to make sure that the lending institutions will satisfy the needs of the young American family which has been able to accumulate only 5% as a down payment to buy a home.

We all recognize that this nation needs an average 2 1/2 million starts over the next 10 years. There are some that say that its a number which is a little high, that 2.3 million is what is actually needed but whether its 2.3 million or 2.5 million, the point is that we've got to double the production that we're at right now. But we've got some money problems and over the next 10 years we're going to see the needs of all segments of the economy double and triple.

There was an estimate made by a GE economist that 4 trillion dollars of corporate



debt will be needed between now and 1985. The chairman of the board of Chrysler states that 2 trillion dollars of equity money will be required in the same 10 years. What we're looking at is a worldwide shortage of long-term capital and, of course, when you look at a shortage of capital you're looking at higher money rates.

For homeowners, two key questions emerge. Can the individual homeowner compete for funds in the general money market with these large corporations, and governments that put out treasury bills at 9 and 9-3/8%? And the other question is, should he? Should he compete? Should the homeowner compete with these large corporations and governments? The answer is, no to both of these questions. Some system will have to be devised to take care of this homeowner who cannot compete in this kind of a market.

Of course, the prospect of a 10 to 15% mortgage rate is totally incompatible with the goal of broad homeownership. Those high rates are bound to preclude building of housing on a large scale and will prevent resale of our existing housing stock. Somehow man must intervene. We look at all of the computerized statistics but realize that man must intervene to do something. The challenge is to find lower cost money and channel it into mortgages. We think the only way to do that is through the tax incentive plan which I mentioned earlier. It should be done at the lowest savings levels, the passbook rates. This is happening in most countries in the world and there's no reason why the United States cannot give this the same kind of priority.

There are other actions that should be taken. We think that subsidies can come into play at a time like this. The country needs an injection of more capital, something like the \$10.3 billion that we saw a half a year ago. We need more of that. We need an increase in the maximum limit of the insured deposit. In other words, I think the FSLIC insurance should go up to \$50,000.00 instead of \$20,000.00 and FDIC insurance to encourage more savings.

We should not forget the delivery system that's already been set up. Freddie Mac, the Federal Home Loan Bank system and Fannie Mae for secondary marketing of mortgages will become extremely important as we go through the next 10 years. There is some consideration being given now to the subsidy of about 2% of interest on mortgages. This would provide for originating mortgages in the 8 1/2% area and then having the government buy those for 10 to 10 1/2%.

Another action which would benefit housing would be for the federal government to develop one national usury law. It is becoming very, very difficult for national investors to deal with usury laws state by state. As you know, many of them are at such low limits that they deter any kind of housing production. Something must be done to take the legislator off the hook who doesn't want to answer to his constituency for raising usury limits. The federal government should develop a national usury law.

One other subject I want to share with you today is the intended entry of bank holding companies into our business and your business.

We feel that the Federal Reserve Board should certainly not permit bank holding companies to enter the title insurance business or to come into the private mortgage insurance business or even into the insurance business. I think that the key question is; is this closely related to banking?

That's what the Fed examined when several applications were made by bank holding companies to get into the private mortgage insurance business about 10 months ago. The Fed acted on these requests and came out with the decision very recently that while they consider private mortgage insurance to be closely related to banking now is not the time for the banks to get involved in this kind of business.

I guess they've seen banks burned by the REIT and commercial real estate experience. That is precisely why the banks should not get involved in this field. It isn't a question of ruling they shouldn't do it now with a possible change in a more favorable economy. If the cycles continue and we have another bad cycle, banks could be seriously hurt all over again. The term closely related is a broad figure of speech. Since banking and money lending touch so many areas of business interests, closely related becomes a term open to wide range interpretation.

Because a bank makes an automobile loan should the parent bank holding company be allowed to acquire automobile agencies? Should a bank holding company be allowed to acquire land title companies or mortgage guaranty companies because the banks make mortgage loans? The National Association of Insurance Agents recently announced its intention to fight the entry of bank holding companies into the insurance business. Bank holding companies today already wield awesome power and the further extension of their presence into other businesses provides dangerous concentration of strength.

It's encouraging to note that an eastern

bank holding company has elected to divest itself of a recently acquired title insurance company. Because of its affiliation with the bank holding company, the title firm was subject to more restrictive regulations than its competitors and was considered by management to be unable to achieve its full potential in growth and earnings. To reduce the power that can result from bank holding company acquisitions through stringent operating regulations is a source of consolation to those independent firms which see bank holding company firms as a many-tentacled competitor armed with unusually strong connections and capabilities. In my opinion, it would certainly be better to rule against such acquisition.

Again, I think every effort should be made to voice the deep concern that was expressed at the inflation conferences on housing. If nothing is done, your growth, and the growth of private mortgage insurance companies will be inhibited. There is an area for government involvement directly in the insurance business. I think the FHA should be strengthened to a point where it can handle the inner-problems, the problems of the poor. But, there is a tendency to dominate all insurance operations once the door is opened to the conventional program.

So I urge you to give strong consideration to limiting support for the enlargement of the FHA program. I know that some leaders in the Mortgage Bankers Association have expressed some strong feelings on this subject. Some favor a much stronger FHA. I'm convinced that what has happened in the past several years to strengthen the conventional loan has been good for this country and good for housing.

For me, housing has been a long standing career dating back to my days as a Milwaukee attorney when my practice was heavily involved in real estate law. My feelings are no different from yours. This is an exciting and important field. Home ownership is woven deeply into the fabric of our nation. It's a part of our heritage. One of the first orders of business for the pilgrims was to find and build homes. And it's the continuing dream of millions of Americans. Mortgage insurance companies, as far as I'm concerned, will play an increasingly important role in the years ahead in the development of this nation's housing.

I take great pride in being a part of our housing scene and look forward to the day when this difficult period will end so we can once again get down to the business of adequately serving this nation's housing needs. Thank you for letting me share these thoughts with you.



# TIPAC Report

Francis E. O'Connor

*Chairman, Board of Trustees, Title Industry Political Action Committee  
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People in business today know only too well that the most accurate description of tomorrow's business climate resembles that of a tropical hurricane: "stormy and unpredictable." Most signs suggest continued waning of public confidence in business, plus a significant upsurge in government regulation. It is surprising that, with the exception of a small number of dedicated socialists, no group seems more convinced of the inevitability of socialism in the United States than business managers!

The winds of change giving rise to this somewhat overcast prediction have been fanned by recent legislation and increased regulation in the fields of equal employment opportunity, consumer environmental protection, occupational safety and health, pension reform, and the like. The ends often may be well-justified, but the means leave a definite impression of great and growing governmental interference in corporate operations.

The title industry is not immune to these interfering "ill winds." Indeed, we have become an attractive target for federal government regulation and have been devoting much of our valuable resources to fight it over the past several years.

External forces appear to be brewing up quite a storm for us. We can allow ourselves to be blown around—the equivalent of marching to someone else's legislated drumbeat. Or we could react by building defensive barricades—which, regrettably, we have done in the past but, hopefully, have learned that such a reaction/formation leads only to a "fortress mentality" with the title industry under siege on every side.

Or we have another alternative: to drift, waiting out the storm with our fingers crossed while the winds rage. The risk here is that we lose *everything* by doing *nothing*. And I say NO to that. I say we need an *active* strategy if we are to determine at all the direction and flow of events.

A strategy that promises us a measure of control and direction is without question

most appealing . . . but it is also most demanding. Today, as a result of government action, we face an unparalleled number of front line battles which are far too threatening to suffer the slightest neglect. An active-approach strategy demands money . . . and *more*: it demands the dedication and re-dedication of your most valuable personal and professional resource—TIME.

And the time for devotion and dedication of time is, naturally, NOW.

Some current business leaders predict the near-demise of the business world as we know it. One has expressed the thought that the "Corporate Judgment Day" is near . . . that within two or three years, the most explosive domestic issue in this country will be the showdown over the structure of the American corporation and the viability of the free market—represented as it is by the private, competitive enterprise, economic system.

And in truth, thinking business managers in our industry and others today wonder how viable the free market concept really is, with government control and regulatory involvement in so many industries. How viable will it be tomorrow as more and more legislation is introduced in Congress and in state legislatures—bills designed to broaden the influence of government over private enterprise? Who is to draw the line that separates "influence" from "intrusion"? We wonder. And we ACT. We established TIPAC.

While the current "weather report" for business may look bleak and threatening, there is a calm at the eye of the storm where TIPAC is quietly but persistently undertaking our first objective: those in government must be informed; they must understand the workings of our industry.

TIPAC is the organization through which we will make headway slowly and surely. We are not attempting to create a high-velocity battering force, a big blow, or a "storm of protest." Rather, we have chosen the slow, sure educational approach: active, positive, enlightened forward movement.

The reasoning is right. Unless we cope

with our governmental problems on an intellectual, elastic, and realistic basis, it will be people with a lack of awareness of our industry who will be making judgments for us. If we remain in isolated vacuums, we will have no appeal process available to us and therefore, obviously, no control over our destiny.

Should this happen, it will be those who refuse to participate who will say, "Why didn't we do something about it when we had the opportunity?" The opportunity is with us now. Through your membership in TIPAC you will help support—with financial contributions—the election of candidates for public office whose views are compatible with our interests. By joining TIPAC you make an investment in the well-being of the entire title industry—and assist in assuring us some measure of control over the future destiny of our business.

As I have stated before, asserting our collective voice in this manner is no one-shot deal. It is an on-going process aimed at improving our relationships with elected government officials. It requires continuous effort, attention and funds to maintain momentum. That is exactly why it is so important for each of us to give generously to TIPAC—and to encourage our associates and employees in the title business to join and do likewise.

Again, at this meeting, those of us who have joined TIPAC can readily be identified by the distinctive colored ribbon attached to our badges. You have probably noticed the facility adjoining the registration desk which will be open throughout the convention to accept your membership. Please visit it and enroll as a member of TIPAC. Give as much as an effective legislative voice for the land title industry is worth to you. Carefully study the literature we have distributed . . . and join with us in this worthy undertaking—which may be the most significant ever undertaken by the title industry.

Through your efforts, there will be a clearing on the horizon—a windfall of brighter days ahead.

Thank you.



# Housing: How Sick is the Patient?

Dr. Grover Noetzel

*Professor of Economics, University of Miami, Coral Gables, Florida*

Thank you, Mr. Chairman, ladies and gentlemen. I always like to open my remarks by defining what an economist really is because on so many, many occasions they say if you put 10 economists together, or 15 or 20, you're going to get 10, 15 or 20 different answers. So an economist essentially is trained to take a look at the overall economy and in connection with you and in connection with me in my business life our purpose is to try to give you an overall picture of the climate, the business climate, the economic climate, the financial climate.

Now here it is approaching the end of 1974; its too early yet to give a forecast for 1975 except what I call off the seat of the pants or horseback, but I'll do the best that I can. I'm going to start by saying that the economy is in a mess right now as if you didn't know it and I'm sure you do. The housing industry or the building industry where your interests lie and mine too to a considerable degree is probably one of the most thoroughly and completely affected of any segment of our economy for a combination of reasons.

Now, why? Why has building and its related industries, like yours, been hit so hard? I find almost weekly as I go to various meetings, many like this, a considerable lack of appreciation of why we are in the mess that we are in and so I want to spend the next 5 or 6 minutes giving you the background of just exactly why the economy as a whole and the building segment of it are in trouble.

This analysis of the background is more or less noncontroversial. If you were to get almost any economist worthy of his salt up here to discuss the reasons for our current trials and tribulations he would agree at least 90% on this brief background. Now we all know the definition of gross national product. It is the dollar value of the output of final goods and services each time period, usually per year. Since the end of World War II a significant change has occurred in the distribution of gross national product; that is, the percentage-wise distribution.

Gross national product is divided into three parts. The largest part goes into consumption, consumption of goods and services. Next is the part that goes to the government. By that I mean the federal, state, county, municipal and so forth. The third flow is the part that goes into investment, investment in rehabilitating worn out capital and building new capital.

What has happened since the Great Depression of the '30's and World War II? Very simply its this; the percentage of gross national product going for consumption has

been going up, up, and up. We have been on one magnificent spending spree. In part it is due to the teachings of the late Lord John Maynard Keynes, a famous English economist, who constantly stressed the deficiency of demand and there was a marked deficiency of demand during the 1930's. There can be no question about that. The Federal Reserve did contract during the '30s the supply of money and so the Great Depression of the '30s was due in this country and in other countries to a deficiency in demand emanating from any number of causes many of which boiled down to a collapse of the international system.

There was no real supply problem until the very end of the '30s when we got into World War II, but after World War II we were still thinking in terms of Keynesian economics and consequently we started upping demand and we did it in two ways. One, the Federal Reserve System increased the supply of money largely through keeping interest rates artificially low and through open market operations. In other words, they bought government bonds and pumped money out into the system.

As I used to say and I can say to you ladies and gentlemen the years from '47 or '48 until a couple of years ago were magnificent years. I like to look back and say at the end of each year that we did more business than the year before and we were richer than we were the year before and our incomes had gone up more so they were greater than they had been the year before. It was a magnificent period of over two decades of expanding consumption. I really like to look back at them.

I am a rather meticulous person when it comes to keeping books for myself and . . . not for my wife, she draws the line, take care of your own books I'll take care of mine, which is the way it should be I mean after all if you go bankrupt its her fault, so for myself and for the companies that I have worked with this was a marvelous period of expansion of consumption. It was a magnificent period for expansion of governmental services and the government expanded much more rapidly than gross national product did. Consumption expanded much more rapidly than gross national product. In all cases I am talking percentages of G.N.P.

But investments expanded less rapidly so consequently today we have a relative shortage of capital throughout the world. In other words after 20 to 25 years of expansion of consumption and expansion of government spending because remember we balanced the budget or had a surplus only 3 years out of

the last 25, that's all only 3, every other year we had a deficit which was made up by borrowing.

Now it is extremely important that we recognize this fact because it has to do with three things. One, why we are in the mess that we are in; two, that it's going to point the way to get out of it; and three, it is going to indicate to some extent how long its going to take us to get out of it. Now what to do about it?

Well, we're going to have to reverse what we've been doing and its going to be frightfully unpleasant; it is unpleasant right now. I checked us recently as yesterday and I find the typical American worker has less real spending power after you make adjustments for inflation, less real spending power today than they had a year ago. In other words somehow, someway we have got to cut consumption.

Most of us economists will agree on that, there are a few extremely liberal, or I may say radical or I may say Marxist economists, many of whom are extraordinarily capable economists who do not agree with this and a little later in my talk I want to point out to you what can happen if they get their point of view over and accepted by Congress, and the Fed and the President, but we cannot, I repeat we simply cannot continue spending an increasing percentage of GNP on consumption. Someway consumption has to be cut. The way we are cutting it now is pretty brutal.

What has happened is that the cost of living has gone up more rapidly the past 12 months than most incomes, consequently at the end of the month, at the end of the year most working Americans have less real spending power than we had at this time a month or a year earlier. So as a result of the actions taken by the Federal Reserve System 6 months, a year, a year and a half and starting even two years ago, as a result of those actions we are accomplishing part of our objective. Its frightfully unpleasant I repeat, extremely unpleasant but I'm sure that the women here will agree with my wife when she tells me it takes more money now to run this establishment, meaning our home, than it did 6 months ago. I say agreed, how much more? My income has gone up say 10% this year . . . I'm lucky, I say does it take 10% more and she says I don't keep an exact count, you've always suggested I don't keep an exact count or a budget until I have to. I said, right why take all the pleasure out of life, let's leave some but try to make some estimates because I'm an economist. She said, I'll do my share if you'll do your share.



I said what's that? She said, come to the supermarket with me once a month. I said, compromise, once every three months; no, she said, compromise; every two months.

So I've been going to supermarkets and going shopping with her once every two months and in a very haphazard way counting maintenance on our home, counting maintenance on the automobile, counting everything for which we spend money; normally our cost of living has gone up more rapidly than my income for the past 12 months. I reviewed it with her briefly as recently as a couple of days ago.

This is important, it may sound prosaic but it is important and I'm going to return to it. Now President Ford and many responsible leaders in Congress and in many of the states, and in municipalities and sub-divisions thereof are also taking measures to try to reduce in part their take out of your pocket-book through the vehicle of taxes.

Now why? Why is the government becoming concerned? There are two reasons why the government is becoming concerned. One, they thoroughly recognize now what the economist has been preaching for several years, that they too, the government, have been raising their level of expenditure at a more rapid rate than GNP. That's the first reason. The second reason is, and I'm going to be brutally frank and a bit nasty about it, they're beginning to recognize that the American public right now and I don't know how long its going to last, is more afraid of inflation than they are of unemployment.

That . . . if you don't get anything else from what I say today, please recognize that all of the indicators, all the Gallup Polls and other polls have finally gotten over to Wilbur Mills and other members of Congress, to the President, to the Fed and to the other leaders in our state and local government. Gotten over to them that the American public at this time is more afraid of inflation than they are of unemployment. How long this is going to last, I don't know because I'm going to tell you very bluntly and very frankly that I expect unemployment within 6 months to be up to around 7% and when it gets up to around 7% it is entirely possible that public opinion can change and if public opinion can and does change and a substantial amount of it, namely public opinion, veers over and becomes more afraid of unemployment than they are of inflation, then we are in serious trouble again, to which I will return in a moment.

Now let's recognize that the public is reducing its real expenditures through inflation and through actually cutting down in part. Many of my friends have taken shorter vacations this year, many of my friends instead of taking an expensive trip to Europe have taken a cheaper trip up to the mountains of North Carolina where I was this summer. So that level of expenditure in terms of percentage of GNP has gone down both voluntarily and as a result of conscious decisions and through inflation, and I repeat, action by the government.

Let's skip over to the problem of capital. Two of you have asked me are we going to have another 1932? Or are we having another 1932? And one or two of you today at luncheon asked me, Dr. Noetzel are we going to have another 1932-33?

That gets back to this third component of GNP, namely investment. When the Fed started tightening up 18 months ago, interest rates naturally went up, and up and up. Short, intermediate and long, you know that

story so well and suffered so much I shan't repeat it anymore or again. Even though interest rates have gone up the volume of debt securities, not common stock, but debt securities has increased and increased. We have issued more debt securities already this year, I have figured for only the first 8 months, but September figures won't change this at all, we've issued more debt securities, bonds and mortgages, than we did last year.

What is that money being used for? Its being used to refurbish existing plant to increase supply and its being used to build new plant to increase supply. There is a real shortage worldwide in supply capability. There are exceptions. I'm talking in broad and general terms and there is a real shortage.

Part of it was contrived, like in the oil industry or in the energy . . . let's call it the energy industry, part of it was contrived but I wrote an article 19 years ago which was entitled, "The Coming Shortage Of Energy". Many of us foresaw the coming shortage of energy and now it is upon us with a viciousness and you know quite frankly I'm grateful to the Sheiks of Araby for bringing home to the American people . . . this is a diabolical and devilish thing to say . . . but I am in a way grateful to them for bringing home to the American public that there is a real shortage of energy in the world and we have to do something about it.

Namely, increase supply and as you increase supply you usually have to use inferior resources and what happens to marginal cost of production? Goes up, doesn't it? Which again feeds the fires of inflation unless productivity goes up at the same time. Now there's another thing where I have to be brutally frank and blunt about it and that is that productivity of both capital and human workers is not increasing as much and has not for the past 10 years, even 20 years as it traditionally had in the United States. The productivity of capital has . . . yes, it has gone up at approximately the traditional rate but the productivity of workers has not.

Now it is very, very easy to pick on the other guy. I do it all the time, whenever I can throw the blame on somebody else I do it. Anything to get out of the blame yourself, you know, but the fact remains the statistics prove without a shadow of a doubt that productivity on the part of our fellow human beings and probably ourselves, including me, has probably gone down. When productivity goes down that gives another twist to inflation because we're turning out goods at a higher marginal cost. So you see many things have conspired together.

We have this 20 years increase in demand. We have created new money through the Federal Reserve and through governmental deficit. We've created money at a more rapid rate than GNP is expected to rise so that additional money is now in circulation and the Fed this year has increased money at the rate of 6% per annum average so far 6.2% annual average whereas last year it was closer to 12% so they've cut it approximately in half which they had to do.

So there are many things that have conspired together. Now the next thing I want to mention is something that hits very, very close to home, namely the housing and building industry. It is most regrettable that after a period of inflation or prosperity you attempt to bring it to an end by the various means that I suggested. Interest rates are going to go up and the two industries that get clobbered first and the most are building and

small business.

Big industry with its better lines of credit, with large banks can get money if they're willing to pay 12 to 15%. Very, very few big industries during the past 18 to 24 months of high interest rates have had to go without money. But the building industry hasn't had to face just higher rates, they have had to face an absolute withdrawal of loanable funds. There has been not just a shortage but in certain areas due to a combination of reasons, usury laws play their part but that isn't the main reason, the main reason is that we are creating less money, interest rates have gone up and the building industry gets hit first and hardest.

I know of no other way to slow down an inflation. I'm called a building industry economist and I work with the industry constantly. I know of no other way that we can help the building industry except two. One of which I approve, and the other of which I do not approve; 1) we can help the building industry by getting this inflation under control as rapidly as possible. I want to give you a little bit of optimism: we are getting it under control a small bit, which I want to talk about in a moment, and 2) is to subsidize them with federal funds from Washington, D.C., which we're doing but, to the extent that we subsidize the building industry, ladies and gentlemen, we run the chance of running a deficit in our federal budget which is mixing the good with the bad and I'm not sure I can recommend it. If it's done very gingerly and cautiously I think that it probably has more good than bad so I have favored very cautious and very mild and very . . . relatively small-subsidies to the building industry.

The reason I have favored mild and small subsidies is this. The building industry tends to unwind slowly and then it tends to wind up again slowly. Its an industry that you just can't stop all at once and then start up all at once again; you know that, you know that as well as I do, maybe better. So my studies on the building industry show what you already know, namely that we're in an economic mess. I look for the building industry to get worse, not better. I look for very little over a million starts next year, maybe somewhere between a million and a million two. Why? Because, ladies and gentlemen, this inflation is finally beginning to get under control. Finally short term interest rates are beginning to start to ease a bit. Why? Two reasons. One because the Fed is creating less money and two because effective demand for loanable funds is declining slightly.

The demand for loanable funds started to increase at a decreasing rate . . . get that at a decreasing rate, roughly 6 months ago . . . and that of course alerted me and most other economists to the fact that we're beginning to start to get some response to the anti-inflation measures that we were taking. When the price of copper dropped roughly 50% in a few months I began to recognize again there is a signal and so short term rates give us some hope, some hope that they will stand still and probably go down slightly in the next few weeks and then watch my words, the prime rate will go down just as rapidly as it went up and it is possible . . . I'm not prophesizing that this is going to happen necessarily but it's possible that starting in December or January or February that the prime rate can do down as rapidly as it went up the spring and summer of this year. Its possible, I don't think it will happen but it is possible that it will because



we've got a recession on our hands for at least the first 3/4 of 1975 in order to wring out more of this inflation because we've got to continue wringing out the inflation in as much as it jeopardizes our complete economy.

Now let's talk about long rates for a moment. Long term rates have eased slightly the last three weeks, but don't expect long term rates to ease much for the next foreseeable months. Here's why; let me give you two quick figures. The recording New York banks normally have loans outstanding on short to utilities, public utilities electric and gas and so forth, of 5% of their loanables.

Last week 11% of their loanables were to the utilities, why? Because the utilities could not go long without paying 10 to 11 1/2% for their bonds with no call privileges for 10 years. Now the utilities have increased their shorts, but they and other industries including the building industry are going to come into the long market because the long market finally is beginning to stand still and ease a little bit so you can expect a shift out of short demand into long demand and as you get this shift I am strongly of the opinion that the demand for long loanable funds is going to maintain itself at a very high level and I might add that is something which most of us economists agree on and most of the New York bond experts agree on.

Consequently it looks bad for us and our industry because long term loanable funds are going to be high priced for quite awhile.

Let's go on to 2, 3, or 4 other quick things. One, how about the international situation and how about the way it directly affects building and the rate of interest and the rate of inflation? I'm going to be brief. This is a worldwide inflation, it is a worldwide shortage. The problem of changing proportions of the GNP has been the same throughout the world in England, France, in Belgium, even in conservative old Switzerland there was a change. In other words we've been living too high and we've been investing too little for too long and so there's an international shortage and consequently we cannot borrow from Europe because they're short.

It would be very nice if this shortage was localized in one or two or three countries, but ladies and gentlemen it is not localized, it is a worldwide phenomenon.

Secondly, about energy. I said something most unpleasant a few moments ago inasmuch as I said that I was almost happy that the worldwide price of energy went up be-

cause it alerted us to the worldwide shortage, at a price of course, of energy. This increase in the price of energy has been an absolute catastrophe. I built a model along with several other economists which indicates that the increase in the price of energy, including coal, gas, petroleum and so forth as it ripples out through the economy of the world is responsible for almost half of the inflation that we are suffering at this time.

It's incomprehensible because anything you do such as flying down here to a convention, taking an automobile trip from your home to your office is based upon energy to a degree and so this cost of energy, this rippling affect of the cost of energy has been most devastating coming at this time and it's not over yet by any means because we have to increase the supply of energy from places other than the traditional suppliers.

Some of you may say there is a shortage and yet the Arab states have so much oil they don't know what to do with it. That's true, but remember its a cartel and they control how much they will produce and at what price. So at the price that they're demanding and getting, there is a shortage of energy at that price and that's why the price of coal has gone up, and natural gas has gone up and other sources of energy have gone up, up, up and they're going to continue at that level.

The last thing I want to say is this. I want to get back to the possibility of another 1932? No, there will not be another 1932. I want to repeat what the great basic difference is between the Depression of the '30s and the Depression that we're in now. The great difference is that in the 1930's there was a shortage of demand as banks failed as the traditional business cycle started down, and as there were international implications the Federal Reserve withdrew money from circulation. The Fed was still living in the 19th Century and they compounded the errors. There was no shortage of supply, there was a shortage of demand.

Well now what do we have? We have plenty aggregate demand. There is no real shortage of demand, money is available if you can pay the rate. The money is there, the Fed has seen to it the money is available at the price but there is a shortage of technologically advanced supply in many industries. In a few industries there is no shortage but this depression that we're in is a traditional depression or recession which comes every 3 or 4 years but we haven't had a bad

one since the end of World War II. This depression is not based on the shortage of demand as I've said again, and again, and again but its a traditional recession added to the shortage of supply which is drastic, added to the necessity to change the distribution of gross national product more into profits and investment and less into consumption and lastly, the energy crisis. You add these things up and you've got the mess that we're in.

I anticipate that its going to take the remainder of this year and at least the first 3/4 of next year to do what has to be done, namely hold down effective demand and increase supply. So consequently we're going to have a soft economy, I like that expression, it sounds nicer than depression . . . we're going to have a soft economy and there are certain parts of the economy that are going to be better than others which is normal, traditional, but our segment of the economy is not going to build up rapidly. It can't. When the building industry gets down it stays down for awhile and even if you poured money into it its going to recover slowly.

So I'm not worried about another 1932; what I'm worried about is what's going to happen when Congress and the President believe that the American public is more afraid of unemployment than they are of inflation. That is a basic issue to watch ladies and gentlemen, because when the American public becomes more afraid of unemployment than of inflation it is entirely possible that the Federal government may put on a spending program before the time is right. If that happens say the 3rd or 4th quarter of next year, then we can assume we'll go back into inflation again before we have corrected the disproportion in the amount of GNP that goes to wages and profits and interest. We have to increase the percentage of GNP that goes to profit and interest so that we can increase the supply of investment funds.

So the key question that all of us economists are deeply concerned about and which we can give no answer to because the answer rests with the American public; when is the American public going to shift? So I say that after you leave me and I leave you please keep that in mind because that is the issue which is going to be the key to whether we're going to have a resumption of inflation or whether we're going to have a resumption of inflation or whether we're going to manage somehow, somehow, to get inflation under partial control. Thank you.



# ABSTRACTERS AND TITLE INSURANCE AGENTS SECTION

## Texas Looks at Problems Confronting the Title Evidencing Industry

Comments by

William J. Harris

*Underwriter Member and Chairman of the Select Committee, Texas  
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Thank you, Phil. Good afternoon, ladies and gentlemen. I'm almost tempted to tell you what they say a Texan is in Colorado, but there are ladies present and I can't tell you that story. I can tell you a story about the men who will be on this panel.

You've often heard, how can you tell when a Texas is lying? First you look at his hands, if his hands are moving a little bit you can kind of guess maybe he's lying. Look at his feet, if his feet kind of shift around a little bit, maybe he's lying. Check his eyes, if his eyes roll around a little bit shifty, maybe he's lying. The acid test, look at his lips. If his lips are moving, he's lying.

This committee came about as a result of a series of unfortunate circumstances. We discovered, much to our dismay, that in spite of our very excellent commissioner we had in Austin, in spite of a very fair and capable State Board of Insurance, in spite of a good Chapter 9 of the Insurance Code, we had what appeared to be a total lack of communication between industry and the board and the commissioner and we discovered we were having "show cause hearings" for things that we considered to be as small as forgetting to stamp a letter. Now that's an exaggeration, and my lips are moving, but we did have "show cause hearings" and it became so bad as to become alarming. We then began to exhibit an interest in what was going on, and at that point in time the commissioner, who is now counsel for our group, and for the State Association, became aware of the fact that communication between industry, the commissioner and the director of title insurance had been lost.

We have set about to correct this and it was suggested quietly but firmly by the commissioner, that a committee be selected to get this show on the road and no longer would the excuse "my competitor does it" be accepted as a reason for bad practices. We have a well regulated industry in Texas. Some 21 underwriting companies licensed there, probably 7 or 8 of them "qualified" to do business. We have 450 agents who are members of Texas Land Title Association, about 123 who are not members and we attempt to take care of our businesses without litigation or public conflict, but we are fraught with and we experience many difficulties.

Some of the difficulties are, in addition to having no communication, through the

years that I've been in this business, we've had a very difficult time of ever achieving a real genuine community of interest. Each fellow has kind of wanted to plow his own field, put his oats in when he felt they would grow best, sell his cows when he wanted to sell cows and the other guy could do what he wanted to do.

We discovered there was not a genuine interest on the part of industry or a willingness to invest the time and trouble in training and making available to the State Board and/or the Commissioner, a man who by experience, education and other abilities could adequately fill or adequately hold and respond to the needs of the "Director of Title Insurance." We were also of a conviction, and many of us still are, that its entirely possible to purchase political favors and in times of stress or in times of special need we felt, and perhaps we still feel to a degree, that its possible to acquire by dollars, the things that logic and reason and things that are good for the public fail to achieve.

We have within our group a large segment of people, and perhaps I step on your toes, I step on mine. We have within our group a large segment of people who feel that great grandfather owned this plant and he left it to grandfather and grandfather left it to my daddy and my daddy left it to me and this county owes me a living.

We have and still have within our group a large segment of people who feel that our business will always be as it has always been, that is by tract book. How many of you remember fountain pens? Tract books and fountain pens and a bottle of fluid called Script. I can well remember when the chairman of my board told me that no instrument should ever be executed by use of a ballpoint pen. I don't know of any instrument now that's executed with anything else.

I'm not knocking the tract book and I'm not saying that's not the proper way to do it, I'm just saying it's not the only answer. Many of our people are blinded by customs that came over with Christopher Columbus. I was having breakfast in Roswell the other morning and a man came into Sambo's. He looked up at the wall and he saw a picture of Sambo and the tiger and the umbrella. If any of you are old enough to remember that story you know about little Sambo. This guy looked up there and he said, "that's ridiculous, that's ridiculous, I've never seen

anything like that before."

How many of you have seen a new process, a new Chapter 9, a new regulation and immediately said "that's ridiculous" because you've never seen it before? Some of our folks feel that way now. If its brand new, if its something that they've never tried or done before, the first impression is, "it's ridiculous."

Another weakness we're faced with is our willingness, or rather our dedication, to changing the rules to suit the abilities of our team. I'll rephrase that and eliminate the word team and say my company. If we've got a guy that can kick 40 yards, I'm going to pass a rule and put goal posts on the goal line. If my opposition has got a guy that can kick that good and I don't have a guy that can kick that good, we're going to have the goal posts by legislation placed 20 yards behind the goal line. We have found in our state that quite selfishly we make trips to Austin and for one reason or another we urge our legislators to pass those things that will benefit our team. We change the rules to meet the talents that we have within our company.

Since being on this committee, it has been a most refreshing experience to find that there were men of different situations, some underwriters, some agency representatives in smaller communities, some agency representatives in metropolitan areas and a former commissioner of insurance willing to unselfishly work for the benefit of all. We found that at least within this small group there was a genuine community of interest and willingness to do what's best for the industry.

We've got a long way to go, and as these gentlemen speak to you they will point out what they particularly feel the committee problems were, are, and what we intend to do about it. I've got one thing to leave with you. I'm convinced that regardless of where you are, whether you're in Texas or Podunk or Illinois or Florida, wherever you are, whatever your method of doing business may be, if you'll produce a quality product, timely and at a fair price, you'll continue to be covered up with a profitable business. Now in the order that they are named in our brochure I'll ask these gentlemen to step up and speak from their hearts and tell you about the committee and its activities. First, my good friend, Mr. Clay Cotten.



Comments by

William H. Schroeder, Jr.

*Abstracter Member, Select Committee, Texas  
President, Caldwell County Abstract Company, Inc., Lockhart, Texas*

Thank you, Mr. Harris, Mr. McCulloch, ladies and gentlemen. First of all, let me say that I very much appreciate the opportunity to be here with you today. As a matter of some background I think its important to do this. I would like to tell you something about myself, how I came to be serving on this committee.

I was asked by the president of the TLTA to be one of the two members on this committee who would in essence speak for the small abstracter, rural county abstracter title agent. At the time I was called, I must admit I certainly had some doubts about how I might be able to participate with a group of gentlemen in a particular committee who were, in fact, taking a close look at the title industry in the State of Texas.

And the reason I had these doubts was simply because I had not myself had an opportunity to participate that actively in what TLTA was doing and of course was not as familiar as many other abstracter agents I could think of in the State of Texas concerning the activities of the metro agents as well as the underwriters might be. So as I say at the time I was called upon to do this I really felt that I might not be able to contribute to what it is this committee may be attempting to do.

However, I did accept the appointment to this committee and of course we began to have our meetings and I must say that after the first couple of meetings, those doubts I had about my opportunity to participate were no longer there. I felt that there was no question but that each member of this committee had utmost in his mind the good of the title industry in the State of Texas regardless of whether we were abstracter agents, metro agents, or underwriters. And I certainly feel as a part of this particular committee and the particular participation in attempting to resolve these problems that I certainly gained a lot from it and a great amount of knowledge about the title industry that I did not have before.

So, as far as I'm concerned I certainly have had an opportunity to benefit from participating with this group of gentlemen in the matter at hand. We had some twelve meetings I suppose this last year after this committee was formed and I would have to agree with Mr. Cotten insofaras working, I think we have been a working committee. I think that we have begun to tie some things together in the State of Texas that needed to be done. I think we were able to become a conduit for what many agents, many underwriters and of course many metro agents were thinking about and that is, we've got problems.

Each of us thinks we have our own unique problems and we need to relate to someone and I don't think they felt there was anyone to relate these problems to and therefore as we began to have our meetings and as the

word got out that there was a committee attempting to resolve some problems we began to get some letters, we began to get some phone calls, about the problems that each of our agents had, or each of the underwriters had or of course the metro agents had.

As a result thereof, I think that I found that I certainly wasn't unique and I think the other committee members felt the same way. Each of us has problems. We know that they're there and what can we do about them? So we set about trying to I think give some priority to what we thought the problems were, and of course attempt to resolve them as best we could. As Mr. Cotten has mentioned before, we wanted to attempt to resolve those problems within our industry before we had show cause hearings and before it got to the matter of someone contacting legislators about the problems at hand.

As I mentioned to you earlier, at the time I began this I did so with a certain amount of doubt in my mind. I suppose as a . . . and I don't think that the term maybe depicts this . . . but we'll call ourselves the smaller rural abstracter, but I really had a feeling that maybe the small abstract man was not going to get his say, but I found out after several meetings that each person did have an opportunity to speak and say exactly how he felt about the industry and the problems that related to it. I think that theres no question but that this particular type of approach to the problems are making this committee work.

I felt very free to speak my piece and to attempt to represent what I felt was the thinking of the smaller rural abstracters in the State of Texas and I think that the number one problem that most of those abstracters felt at the time we started this committee was brought about by what we can call home office issue, or out of county issuance; it had to do with the fact that here was an abstracter, a person who had invested his money in a local plant in a rural area and of course as an investment it was an opportunity to make his business grow, an opportunity to serve the people of the State of Texas and as a matter of attempting to protect that investment they became very much concerned about the problem of the metropolitan areas growing in size very rapidly, about the fact that the people from the metropolitan areas were beginning to purchase lands in surrounding counties, in increasing numbers also, and therefore being faced with something new and different because its not something we had experienced in the past.

In the particular county that I am in we are affected primarily by the city of Austin on the north, its an adjoining county, we are affected by the city of Houston, which is to our east about a hundred and fifty miles and we are affected by some of the other smaller

communities in our area and I have found that with that growth these problems became greater. I found that there would be title people who would call me up and ask me if I would prepare title evidence for them and submit it to them for the purposes of issuing a title policy.

At the time that this began to come about . . . and by the way I've been in the title industry about 9 years and that may sound like a long time but you learn every day, every week, and every year and this was a new experience for me, but it became evident to me after these requests that the basic attitude I felt here was an out of town party calling Bill Schroeder and saying, Bill you submit the title evidence to me on my terms and if you don't like it well I'll come to the courthouse down there or find some other way of going about issuing title policies. Of course I think we were seeing this happen in a number of other areas in the State of Texas and I know for a fact that it has because I got so many calls about it.

Well I could see at that time there was no real basic I suppose formula of how you went about doing this. It was strictly a matter of someone calling and saying this is what we need, this is what we want and we want you to cooperate with us and if you do not then we'll find some other way of doing this. Now that was my initial I suppose contact with this sort of thing as it began to grow . . . and by the way I absolutely refused to do it at that point in time simply because there was no way I could economically and feasibly do this, as a small agent my business was growing to some extent but not really as fast I think as inflation has and it greatly concerned me from the point of view of economics.

I felt that in order for me to be able to economically continue to have a sound and good abstract plant that it was necessary for me to take my part of the premiums and not be sharing it with other persons. The simple fact is that if I had I don't think I would have been able to continue in business at that particular point in time. As we continued to grow and as the requests came in more often I began to realize that there were problems that the agents and the title companies had in the metropolitan areas in that they had the customers and we had the land.

As a result of having served on this committee I began to at least have an opportunity to listen to what the problems are on the other side of the fence and I think as a result I have a better understanding of what our title industry is faced with concerning the matter of growth. We realize and recognize that we're to serve the people not necessarily the State of Texas, but those people who are involved in land transactions and as long as we do that in the best possible way then I think we're going to serve our purpose, I think we're going to make our profit, I



think we'll continue to be in business but we have some I guess I might put it, we had some disagreement about how we went about doing this and how we went about serving the public generally and therefore, to me, the matter of having an opportunity to serve on this committee offered me an opportunity to express my feelings to the rest of the industry as to what I thought the problems were and as to what I thought the concerns were from the small abstractor viewpoint.

I think since the time the committee began its work that I can say I've had some influence on the other members of the committee concerning the small abstractor agent problems and I can certainly say from my viewpoint that I better understand the problems of the metropolitan agents and better understand the title industry as a whole.

However, I must say, it is my basic feeling that this local abstractor, this local abstract plant that has the proper facilities and indexes to serve the public and to come up with the best title evidence is still the best way to go and there's no way you can beat it. I'll always be convinced that this is the soundest and best possible way to go about getting a title report.

Now, with that in mind, I would also say that from the viewpoint of being able to cooperate with other people in surrounding counties and in the metropolitan areas that I certainly realize I do have the facilities and the place to get that best evidence and I would attempt to work with them in the best way I know how in order to provide that customer the best possible service. I have found since working with this committee in the past year I've really been able to work out much better and more cooperative rela-

tionships with people who have called me out of county. And I must admit that some of the first conversations I had and some of the first particular transactions I had did not work out the best in the world and that is probably what gave me the somewhat pessimistic attitude about how this was possible.

But I'm finding and I think this is true that the people who are in the title industry in the State of Texas are beginning to realize that the small rural agent, that abstractor out there is the key for the issuance of title evidence and the best possible title evidence you can get and I think we are finding as a result thereof we are able to meet on a common ground and come together and work together and provide that metropolitan area buyer with a title policy in the best possible way with the least amount of problems.

Now I know we still have problems that exist in the State of Texas and will have problems that exist 5, 10, 15 years from now, but I do think that this particular committee that was formed is a very basic way of being able to attempt to solve those problems within our own industry and I feel that even though the members of this committee may not continue on in the same way that we began, there's no question in my mind and I think it's shown by the fact that there has been adopted at TLTA a standing committee concerning these particular problems.

I also think as a result thereof that the State of Texas and the title people of the State of Texas are going to see some fruit borne from this particular committee in the future, I think we have seen some borne already this past year but I know it has brought us all closer together and I think we

have a better understanding of the problems that each of us has and I think that we'll all grow in stature as a result and I definitely think that our industry will grow.

In closing I would simply say this I have no idea out of this group of people how many small abstractor agents there may be, I have no idea of how many underwriters there may be and I have no idea of how many metropolitan agents there may be but I would simply tell you this with the attack that we have in our industry from the federal levels as well as the other levels, we have the attorneys in Texas attempting to form an organization that will issue title insurance, I think the only thing I can leave with you today is simply this if you're interested in your industry and its continued growth and continuing to serve the people then you better get up off those seats and you better start working within your industry to take care of these problems. I know for a fact that we have seen in the State of Texas in the last year a lot of this coming about and I think it was brought about because of the committee, not really knowing exactly what direction we were going in but a conduit for people to express their ideas and concerns about an industry and I think we have a much more cohesive industry than we had before it was formed and I think you will find the same thing happening in your state wherever it may be.

Again I appreciate this opportunity to have some time to express to you what my feelings are about the industry and my concerns about the industry. Of course my feelings are completely optimistic so long as people can work together to solve their problems. Thank you very much.

#### *Comments by*

**Edward S. Cutrer, Member, Select Committee, Texas**

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

Thank you, Jimmy, Phil for asking me to be on this panel. It is very difficult to be the last person to speak not knowing what the two ahead of me were going to say. I'll tell you one thing it does, it cuts down on what I'm going to say to just a few words here because most of it has been said.

It seems that maybe Bill and I serving on this committee at the same time have just been debating with each other, me being a metropolitan agent wanting some right to issue in his county where I did not have a title plant and him being an abstractor that had built up quite an asset in that abstract plant and wanting to control the business in that county. It does become a very difficult problem.

I think the answer to that problem is either cooperation or competition and if the large agents cannot find an abstractor in a county where a transaction is going to close to cooperate with him then I guess it's up to him to build a plant there and be in competition with him. This at all times is not feasible, it's not economical and I think that we will be able to work out our problem, we've taken great strides to do that.

I'd like to also say that I'm not on the select committee this year so I think that they will be getting a letter from me and probably one of their most difficult jobs would be to come up with some recommen-

dation on how a transaction can be closed in a metro agents office where title evidence is obtained from a licensed agent maintaining a plant in another county and the big thing . . . is not the recommendation that can come forth, but how to satisfy both of the agents as to the division of premium. They'll do a good job, if they can just do that one thing.

Metropolitan agents have many problems that are unique to that particular group. I belong to an organization, Independent Metropolitan Title Agents of Texas, Inc., which was formed based on that statement. We realize that metro agents were basically underwriters and abstractors, our examinations are prepared by employees, our staff includes those qualified to make underwriting decisions based on rules and guidelines set by underwriters and most of the claims that we receive develop from our handling of the file so we must have someone also experienced in the handling of claims.

The problem developing from this was communication. The State Board of Insurance would issue bulletins and interpretive letters to underwriters regarding underwriting problems and some of these were never distributed to the agents. We feel that it was imperative to receive these and through the work of this Select Committee not only are we notified of any contemplated change,

but we are given the opportunity to express our opinion on these before these bulletins are issued. It breaks that communication gap, we don't have to worry about whether we have received all of the bulletins that have been sent out or if we hear of something that has come word of mouth we know we can go to this committee to find out if this is something to affect us.

There are many other problems that would seem unique to a metro agent, such as the mass handling of escrow funds, the number of documents filed, the tax information problem and this would seem to be a problem because of the large volume but this is relative of course because the small counties also have an increase in filing and it seems they would have problems created by this too. But whether these problems are unique to our metro agents or not, the composition of this Select Committee which is two people from the Metropolitan Agents, two from the Abstractor Agents and three from the Underwriters, this composition is such that the opinion from all areas will be voiced before any recommendation comes out of this committee.

Now this Select Committee may not be the answer to all of our problems in Texas but I feel it's a great stride in the right direction. I feel it will continue to operate and will have just as many results as it did last year. Thank you.



# ELECTION OF NATIONAL OFFICERS

By proper nomination and second, the following officers were unanimously elected for 1974-75:

*President*—ROBERT J. JAY, Detroit, Michigan  
President, Land Title Abstract Company (Port Huron)  
2661 Guardian Building 48226

*President-Elect*—RICHARD H. HOWLETT, Los Angeles, California  
Senior Vice President and General Counsel, Title Insurance and Trust Company  
433 South Spring Street 90054

*Chairman, Finance Committee*—ALVIN W. LONG, Chicago, Illinois

President, Chicago Title and Trust Company  
111 West Washington Street 60602

*Treasurer*—FRED B. FROMHOLD, Philadelphia, Pennsylvania  
President and Chief Executive Officer, Commonwealth Land Title Insurance Company  
1510 Walnut Street 19102

## BOARD OF GOVERNORS (Term Expiring 1977)

JOHN E. FLOOD, JR., Los Angeles, California  
President, Title Insurance and Trust Company  
433 South Spring Street 90054

FRANK B. GLOVER, Miami, Florida  
President, American Title Insurance Company  
150 S.E. Third Avenue 33131

F. EARL HARPER, Bartlesville, Oklahoma  
Secretary and Manager, Southern Abstract Company  
221 East Frank Phillips, Box 966 74003

CHARLES JONES, Lebanon, Indiana  
President, Boone County Abstract Co., Inc.  
108 North Lebanon 46052

SAM D. MANSFIELD, Ocala, Florida  
President, Marion Abstract & Title Company  
Suite 200-Concord Square, Box 938 32670

# ELECTION OF SECTION OFFICERS ABSTRACTERS AND TITLE INSURANCE AGENTS SECTION

By proper nomination and second, the following officers were unanimously elected to serve for 1974-75:

*Chairman*—PHILIP D. McCULLOCH, Dallas, Texas  
President, Hexter Fair Title Company  
1307 Pacific 75202

*Vice Chairman*—F. B. (FRITZ) WEED, Helena, Montana  
President, Helena Abstract & Title Company  
P.O. Box 853 59601

*Secretary*—A.L. WINCZEWSKI, Winona, Minnesota  
President, Winona County Abstract Company, Inc.  
535 Junction Street, Box 335 55987

## EXECUTIVE COMMITTEE

ROGER N. BELL, Wichita, Kansas  
President, The Security Abstract & Title Co., Inc.  
434 North Main Street 67202

WILLIAM B. BOYD, Fulton, Missouri  
President, Boyd & Boyd  
106 East Fourth Street 65251

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

JAMES R. SUELZER, Fort Wayne, Indiana  
President, First Land Title Company of Fort Wayne, Inc.  
731 Court Street 46802

# TITLE INSURANCE AND UNDERWRITERS SECTION

By proper nomination and second, the following officers were unanimously elected for 1974-75:

*Chairman*—C. J. McCONVILLE, Minneapolis, Minnesota  
President, Title Insurance Company of Minnesota  
400 Second Avenue South 55401

*Vice Chairman*—W. H. LITTLE, Los Angeles, California  
President, SAFECO Title Insurance Company

13640 Roscoe Boulevard, Box 7741 91409  
*Secretary*—JAMES W. BAYER, Chicago, Illinois  
Vice President, Chicago Title Insurance Company  
111 West Washington Street 60602

## EXECUTIVE COMMITTEE

FRED H. BENSON, JR., Troy, Michigan  
President, Burton Abstract and Title Company  
1650 West Big Beaver Road 48084

HAROLD G. GOUBIL, Mobile, Alabama  
President, Title Insurance Company of Mobile  
164 St. Francis Street, Box 2265 36601

JOSEPH J. HURLEY, Bryn Mawr, Pennsylvania  
President, The Title Insurance Corporation of Pennsylvania  
10 South Bryn Mawr, 19010

R. H. MORTON, San Francisco, California  
President, Western Title Insurance Company  
350 Bush Street 94104



# Workshop on Title Company Equipment

Russell Lowry

## Discussion Leader

Systems Officer, Chicago Title Insurance Company, Chicago, Illinois

Mr. McAuliffe and Mr. Garrity were very vehement that I promote audience participation and therefore if I don't get participation I'm in big trouble. I don't know what kind of participation we're going to have on the morning after of a night like we had last night.

The general subject is "Title Plant Equipment". I was notified of this presentation several months ago and I have been looking over the brochures and all of the things that have happened since 1971 as Mr. McCulloch mentioned. There hasn't been that much new but there have been a few things here and there. If you have some difficulty in hearing me perhaps you should move forward at least to be able to see the slides that I'm going to show because typically they are not as good as they ought to be or as bright as they ought to be. The slide projector was delivered just this morning and I put the slides in hurriedly, some of them might be upside down. They may be more interesting upside down, inside out and so forth but if you see a piece of equipment that says MBI on it you'll know what it is.

I'm going to exercise license and mold this presentation to be perhaps controversial just to excite discussion. We've got a microphone out there and if you really want to be heard I invite all or any of you to go to that microphone and put your question so the house can hear it. I think I've been set up however, when Mr. McCulloch said I could handle any question, I'm not sure about that.

Now I suppose that when title men get together to talk about equipment, seven out of ten are only interested in one thing in equipment and that's something to do with computers, or some way to automate their plants. But I want to talk to all ten. I intend to talk about some very fundamental things and I hope as I said I can excite discussion.

I am going to start this off and to be sure I've shown up at the right place, can I have a show of hands of how many people in the audience represent title companies that keep some kind of a land index in their plant, some kind of a tract book series? Wonderful. I'm in the right place. (Majority held up hands.)

And could I again ask those who held up their hands whether they're keeping what I would call a slip plant or copies of live documents in folders, in ownership folders? Are there any here that keep that kind of a plant? Okay, good. Thanks.

Well it looks like and this is something that always impresses me of all the people that held up their hands I think I counted

only three that had geographic folder plants. I recall in Chicago one time they had a poll taken by a newspaper. They stationed a couple of reporters at the commuter station and counted all the men that got off the trains that had hats on and those that had caps on and those that didn't have anything on. The next day they published the results and they got several letters from irate commuters who said, "I don't want to be in the group that didn't have a hat on, I want to be in the group that didn't have a cap on". Is there any other variation of land index that I've missed?

There are generally in our industry these two general types of land indexes and I want to talk about this for a moment because its always been a problem or a question in my mind as to why this ratio exists and who keeps what type of record. The most common type of record would be the one graphically illustrated at the top here where you tend to keep an index of the recording arranged geographically in bound books and you keep the documents they refer to, in separate cabinets either in paper or a microfilm form.

As opposed to a geographic folder indicated below where each day every recording that affects a particular ownership is simply dropped into the folder. Now among my company's family, we've got a number of companies that have very good progressive geographic folder plants and what I've noticed about the managers of these plants is they always tend to be defending their systems as superior to the more common type up above.

We had the occasion this last year to build a plant in the south here. We used computer techniques and built the tract book type where the indexing is all in one series of microfilms and the documents are held in a cabinet secured by a reader printer.

Now it happened that one of our managers of a geographic folder plant went down to visit this new plant and he watched it work and he told me afterward, "you know I watched them pull a chain, run a search and what took them about one hour would have taken me about five minutes". Now why should that be? My poll this morning indicated that almost everybody has a tract type index.

I myself grew up in a tract book environment; we went to the books, pulled off the chain and went off to a system where we got copies of the documents. It seemed that we had to do everything twice as compared to a slip plant. Why then doesn't everybody have

a slip plant?

A typical tract book page has anywhere from 3 to 5 ownerships, if its a columnar type it can have anywhere from 20 to 30 lots with a check off system. We have made studies on this sort of thing and discovered this is a preferable system because its far easier to infile the documents and index them when you have small groups of ownerships on each page.

If you try to get your tract books down to a single ownership a page than you begin to get into difficulty similar to that of the geographic folder where an ownership splits you're obliged to re-head the page and create new pages for new splits.

I'm going to summarize this by the relative advantages and disadvantages of the two indexing systems. The professional is generally able to give a reason why he keeps his type of index. Most tract book indexers claim that if they went to a geographic or a folder index they'd use a lot more space. That may be true. Tract books tend to be more compact.

If you're in a geographic folder or slip plant type of index you have to get copies or paper copies generally of your documents. I've been ignoring microfilm systems which I know exist in some areas where a jacket is kept for each ownership and you just put a frame of film into it for each affecting recording, but you're obliged to pay more for your take off in that you have to get it in the paper form.

I think another piece of folklore I've heard is unless you have a very good share of the market you can't justify a geographic folder system. I've heard that again and again, I'm never quite sure about it. What they seem to be saying is apparently the geographic folder system tends to be inefficient and if you're not making a lot of money you can't afford one, something like that.

Indexing skill, if you're operating a tract book system you tend to have more competent people entering or writing things in the tract books than you would if you had people filing slips in folders. I remember talking to a manager of a folder plant and I noticed he hired a lot of young high school people after hours who sorted the daily filing down and by lot and block and went along and dropped them into the folders. I said to him, how do you know one of those boys isn't going to drop it in the wrong folder?

He said how do you know your man is writing the indexing into the right place in the tract book? Well, I don't know, but I do know that the indexer or the poster as we call him, is somewhat of an abstracter.



He has to recognize the salient features of the document which is the guarantee he'll write it in the right column. Things of that nature.

So this tends to be a disadvantage of the tract book system, you need a more competent staff to maintain it.

Multi parcels as I stated before if I get a document that conveys lots 1 to 4 chances are my tract book page will cover that and I can write it in one page, at the most maybe two pages, but if I go to my folder file I find I have four files, four folders and I have to make 3 copies of that paper take off to distribute it to each folder.

To my mind the tract book system is really a series of pigeon holes that covers the entire county. There's a place somewhere in that series of books to post every document that's recorded. I cannot be sure of that when I have a folder system. How can I be sure some folder isn't out of the file?

Finally, getting down to automation, its far easier to automate a plant if you're on the tract book system. The resultant automation will produce another tract book system. Copy and purge? Well, we like to think in automation that when we get our tract indexes into an automated form that we're very readily able to make copies of them for our branch offices and our closing offices and of course the computer disciplines our file, we're able to purge things readily.

Someone said one time when they pulled a tract book 99% of the book is dead material. A computerized tract book file could be disciplined. So what I'm leading up to is a land index first of all is a necessity to any progressive title facility and I think the tract index type is the preferable type mainly because it most likely will lend itself to automation.

Now I am overlooking some of the high-flown microfilm systems Mr. Otto Zerwick mentioned yesterday. Some systems that have been developed in the microfilm industry that tend to automate the geographic folder system. He mentioned the Scott System. I don't know how many people here have heard of it. I think it was announced about two years ago. I'm a member of the National Microfilm Association and I saw it for the first time at a convention in Boston, where I talked with the inventor.

What it amounts to is a clear piece of film measuring about 4 by 6 inches with a tab on it which can be placed in a machine which looks not unlike a copying machine. You can locate a place on that clear piece of film and photographically reduce a document and lay it down as a microimage on that piece of clear film by electrostatic means. I expect to talk more on automation, but at this point does anybody care to make any comment on anything I've said thus far?

I'll talk for a moment on courthouse take-off. I've talked many times on this subject and I keep getting questions on it. I assume that most people nowadays use photography in the courthouse either a photocopy machine or microfilm. I can't imagine anybody taking things off manually and bringing them back to the office under the guise of being a take-off. That ignores court material, of course, but even photography works well in there.

I acknowledge of course that a copying machine at the courthouse is sometimes the best way to go in producing a copy, a paper copy either Xerox or a small electrostatic device. If I had 20 documents or less I think perhaps it would be a little too cumbersome to go through a microfilm process. But I have always advocated and I continue to

advocate that when you get that paper back to your office to change it into a microfilm form after you've posted your books. Don't keep papers stacked up. A microfilm file carried to its maximum will store about a quarter of a million documents in the same space that you can store about 10,000 pieces of paper and there's no question about it, the file is inviolable, its there and always available to you with a simple microfilm reader.

It is important to enhance retrievability. I showed you a slide of the two most common forms of retrievability in microfilm, the jacket or microfiche and the cartridge. I am a cartridge type myself. I prefer 16mm film and I think the cartridge with 100 feet of film in it is the best thing to jam into a reader and zip to the place.

Most of the new microfilm equipment that's been announced in recent years seems to concentrate in the readers, reader printers and retrieval devices of one form or the other. Rarely do you see a new camera introduced for some reason or another unless its some kind of a rotary camera. But I spoke of a camera . . . I think I talked about it in Detroit . . . it was introduced about 5 years ago and I'm very high about this camera and I recommend it to you again for your consideration. I think its made by the Japanese under the Minolta name, and marketed by Bell & Howell under the Filemaster name. It seems to me, this machine is custom designed for the title takeoff business. We have adapted it in many areas, its compact, comes apart, and has fluorescent lighting for the courthouse that is not air conditioned.

It only works with 16mm film. It has the typical reductions I prefer, 27X, that means my document images are about 1/27th of the original size and they're in what we call a comic mode where the documents on the film read like a comic strip.

Now there is a new machine introduced just this year to the title industry. We've been playing around with it. I promised the manufacturer that I'd mention it in fact I think he was trying to get a room here to show his machine off.

Its not new to the banking industry. Its a kind of a novelty thing, its called an AES Checkmate. It apparently is the only machine on the market that does both photographing processes. When you feed it a document it takes a microfilm picture of it and also makes a paper photocopy of the document. In a reduced form. It was developed for the banks, for their lock box operation. They have a need for photographing the check they're processing now and make a paper copy of it. It does a pretty good job. I suppose its only justifiable in the larger title companies. I suspect the average Recorder would like to have a device like this and I think they are going to start to sell it to the public offices. Its manufactured right now close to Chicago by the AES Company.

I'm going to talk for a moment about file storage. This is a matter of controversy among title people. It seems that when old title men get together they start to talk about their problems. I think one of the biggest problems is what to do with that paper mountain that's building up in the back room or downstairs in the basement. If you've been a successful operating company you probably have a paper mountain or a series of cabinets full of old files or old abstracts. What's to be done with them?

Now the reason I want to talk about this is that I saw an article, I think it was in *Title*

*News* about a title company that decided to take all of that material out of drawers and throw it into a microfilm camera and how nice it all was when they got through. They produced a system of microfilm jackets in drawers and in their plant there was no trouble finding the old file anymore. I have been unable to find that issue. I know it was a title company somewhere in the mideast or south region, it seems to me it was in Pennsylvania. Is it possible that anybody in the room saw that article? Or perhaps the company themselves, has a representative here?

Because I'm going to say a few things and I want to be sure . . . this article came out and said they saved an awful lot of money doing this in addition to saving all that space. I think in alternate years we at Chicago Title have conferences as to whether we're going to start a big bonfire or whether we're going to rent another warehouse or put another floor on the warehouse we now have or as part of the energy crisis converting our furnaces to burning paper. Maybe we can get some benefit after all out of the old paper.

The subject of microfilm does come up and I know I may have been guilty in years past at one of these conferences of mentioning the possibility. I take it all back now because we have made a careful study of this and find this is full of cautions. There is a major microfilm vender running around the country advocating that insurance companies and title companies buy his little package of equipment which includes small cameras, jacket stuffing machines and Electriever motorized filing cabinets to put all the jackets in when you're through. Also a jacket duplicating device that duplicates the jacket you've made of your prior file to a piece of microfilm which you send to the examiner. Of course each one of your examiners and abstractors has to have a little reader on his desk from that day forward. The order girl has to have a reader on her desk. Everybody is going to have a reader and instead of a stack of files on everybody's desk there's going to be a stack of microfilm sheets.

The idea is to keep that original series of jackets in a cabinet type of file, put somebody in charge of it and for a request of a file you make a copy of that original for use. Never have any lost files anymore.

Before anyone takes this step I would like to suggest a few things. I would like to suggest that you reexamine your filing system one more time. The experts in filing nowadays say you ought to have a 3 to 1 ratio. What does that mean? It means that you ought to be able to store 3 cubic feet of files for every square foot of floor space in your plant. That is an efficient ratio, how many people . . . you can figure this out for yourself . . . how many people have that kind of ratio. If you're really clever you can get up to 7 to 1.

Now what all this gets down to is the ratio of filing space to the aisle space that you need to get to the files. If you have an open shelf filing system, you have to have at least a 30 inch aisle to get at two 14 inch shelves for your file and therefore have about a 1 to 1 ratio of filing.

If you have any kind of a cabinet, pull drawer on each side, you can see the ratio of storage space to aisle space vastly increases. Now this questions simple open shelf filing and I would hate to take a poll on this because I've been in too many companies where I went in the back room and everybody's got open shelves. But I'm going to throw a little model at you to show how the calculations



came out when we considered three possibilities to get rid of the old stack of paper in the basement or back room.

Here's the model, let's say you have 100,000 files. You stored them on open shelves, you used a 1,000 square feet of space. Each year you expected to add 5,000 new files and you're paying today \$5.00 a square foot office rent. Now I don't think that's untypical. I think that's pretty average.

Now what we did was, we applied three possibilities to take care of this filing system. We made up our mind we're not going to add anymore space for prior files, we're not going to store anymore paper. We recognize we're going to get 5,000 more new orders this year, hopefully. Now what we're going to try to do is make room for the new files, like microfilm. Everyday we take five orders we'll microfilm one of the old things and put the microfilmed 5 orders in that space we've vacated. We're only going to do as much microfilming as we need or we're going to go in and just purge the file, the average file in our company has about 17 pieces of paper and generally a half eaten ham sandwich, but we're just going to get all the junk out of the file and keep only the important pieces of paper in the file.

I guess you're a little bit in trouble if we're talking about abstracts here but maybe there's something to be done there too, but there is a lot of junk stored away and most people are just too lazy to go in and look or they don't want to hire someone to go in and look that knows what he's looking for and throw away all the duplicate pieces of paper and slim the thing down.

Now here is the result of our calculations and I hope you can see it. What we're doing is figuring everything on a present value basis if there are any accountants in the audience. What we're saying is I'm only going to microfilm only as much as I have to. I have to buy equipment, a camera and a reader printer; or I'm going to sit somebody down to strip the files, I'm not going to buy any equipment; or I'm going to buy some very modest but adequate pull drawer stacks on steel cabinets.

Now this is figuring the cost over an eight year period, and I think you can see if you decide to take that microfilm step you're going to be spending quite a few extra dollars and I would suggest to you, reconsider the whole thing especially when this unnamed vender comes at you with this microfilm system and says he's going to save you money. (Illustration showing: cost to strip files and make room—\$4,748; cost to convert open shelf to pull drawer cabs—\$1,898; cost to microfilm—\$8,742.) There's one other possibility I'd like to mention and that's if we decided to use off site storage. I'm not sure about the rural areas, but in the urban areas your Red Book will tell you that there are a lot of storage companies that take your files and keep them. I think on the average prices that I've seen you can store about 50,000 files now for about a \$100.00 to \$150.00 a year and that's pretty cheap.

But if you went through all of your existing filing system in that model that I gave you, took out the one or two pieces of paper that you wanted to keep in the office and sent all the rest to one of these remote facilities you can still get at it if you have to. You would be spending \$4,500.00, you'd be saving that amount of rent in a ten year period and there's money there. So the next time you walk by an open shelf filing system, think about it.

Is there anybody who'd care to make a comment on this?

A VOICE: I didn't get there fast enough. I believe there is a small company who has automated the filing for Aetna Insurance Company, called Spacesaver, its in Wisconsin. They build caster arrangements in the floor of a filing room. It is as you enter the door you can select electronically the aisle you want. In other words, they fill the entire room with files and have one aisle, they only have the aisle they need, and then either manually or electronically the files open so that you can get to the one aisle that you need.

MR. LOWRY: Right, right. That is not exactly the article that I was referring to, but I remember seeing that one too, thank you. There are systems where your open shelf cabinets can be put on rollers and pushed around. They're not too expensive and that of course will increase your storage to aisle ratio because you're only making an aisle when you need an aisle and the rest of it is high density storage.

I would like to move now to a discussion on automation of title indexes.

There continues to be a lot of development in electronics probably in this industry more than anything else, its bewildering sometimes to read the various publications of what's available now in computing and miniaturization. Unfortunately I think the ante is still pretty high to get into automation. If you do have a tract book system now, you have some advantage over the fellow that has nothing. What you're going to have to face up to is to pay somebody to sit down to transfer everyone of your documents, if you're going to build a back plant into machine language.

There have been a lot of developments as Mr. Zerwick mentioned in the optical scanning industry but don't expect to haul your tract books over to a device like this and expect it to get anything out of it. There's also a machine now called the CIM machine which means Computer Input Microfilm and it presumably reads rolls of microfilm and makes a kind of a file out of it, but don't get your hopes up.

The hard fact that has to be faced is that you have to spend anywhere from 10 to 30 cents to translate each document you have in your plant now into an automated form. 10 to 30 cents, it doesn't sound like much. Why that variation, 10 to 30 cents? I think this hinges on the complexity of the legal description and the way it works in your community. I think the land index is the most potent index in our plants and the one we should automate because it does the most things.

A name index is nice but that's easy. The land index, the tracts, the lineage of parcels of land is something else again. That is something that should be automated, put under computer discipline, but we have to pay this price. Now you hear statements made about legal description when things get tough, then we revert to a grantor or grantee index, I think that's a copout, I still believe there are ways around this problem.

The problem basically is this, any one in this room I'm sure can write a legal description three different ways, three different sets of words that describes the same piece of property. There isn't a computer blinking its lights today that can figure out that those are the same legal descriptions. What you have to do is to convert them to abbreviated notations or some kind of an arbitrary code

numbering system.

The legal description, its gyrations, splitting, its permutation, its consolidations, this is the problem. What we have to do if we're thinking about automation is to convert legal descriptions to something that looks like an accounting number so that we can add and subtract from it, and therefore work on it with a computer.

Now this technique of numbering or arbitrarily designating legal descriptions has been going on for a long time. In fact there's even a beautiful word for it in the dictionary, its called cadastre or cadaster, the art of defining land by numbers. I think Thomas Jefferson was appointed in 1785 to square up the whole country west of Pennsylvania and north of the Ohio. The geodetic survey, the section, town and range system, then the recorded sub-division. I don't know how many of you ever thought about it that way but the recorded sub-division is just a way of putting numbers on tracts of land, Lot 1, instead of saying beginning at a point by the creek and proceeding thence north a 125 feet etc. Its a numbering system. Also street addresses, an arbitrary way of describing land.

In recent times there are some highflown systems called State Plain Coordinate Systems where people fly around with helicopters, to come up with a uniform number. There's a lot of committees being formed. The American Bar Foundation has got a thing going called CLIP, Compatible Land Identifier system. There is a tri-state Conference, CULDATA, Comprehensive Unified Land Identifier system. But the system I think that will benefit you and I is a system that's going to develop in your own county and its most likely going to be developed by the tax collector. I think we as an industry, we in our community should cooperate with this endeavor.

The tax collector, the tax assessor has the job every year of mailing a bill to every parcel of property in his county and it isn't very long before he's going to get himself a computer. The minute he does that, he's going to get some abbreviated notation and thus comes the tax number, the folio number, the parcel number. I think the title company should cooperate with this system and I am sure the local bodies are interested in our expertise. We can tell them about the slippery legal description and what is needed to build a system that describes land.

I'm appalled at times to go into an area to see what looks like a pretty good tax numbering system and the title company building another arbitrary system right along side of it. In searching the title, we always have to look up the taxes, we have to determine what the number is anyway, why not use it in our tract book? If we're thinking about automation eventually, let's put the numbers into the tract books now. Its going to make life so much easier when we get around to it.

Here is a picture of a numbering system that is used in my county, I think its a fair attempt. What should a number do? I think first of all it ought to refer to prior systems. The ideal number would be a number that could be derived by reading the legal description; the lot number, the block number, the book and page of the sub-division, instead of having to go to an index. But that may be idealistic.

This is how the Cook County system works. The first two digits of the number defines the township which is a township and range. They condense it to 2 digits and call it



an area number. The second one is a section number, section 19. And that next three define the southeast quarter. As a result the first five digits of that ten digit number uses the prior geodetic or the section, town and range system plus the quarter section. The balance of the number is arbitrary.

A ten digit number to describe perhaps one million four hundred thousand parcels of land in a county. We've started to use it in our automated record. We think that documents may eventually use these numbers instead of legal descriptions. Some documents do now, tax foreclosures, and so forth.

If your county undertakes the job, look into what your county developer is doing. If he's doing things wrong advise him, tell him he's going to get into a problem that way. I'm going to give you an illustration of what could go wrong and what could be fatal to a system. Let's say we had given an arbitrary number like 46723 to a legal describing a Lot 4. What you should check out with the local system is what happens to that number if Lot 4 splits into an east half and west half the next time its conveyed. How does the system handle it?

It's interesting to see people that are developing numbering systems and how they usually handle it. Here are a few examples where you will see the original number with a suffix, 1 or 2 or A or B, but occasionally you'll see them do something like keeping the original number in one part of the lot and a "dash 1" for the new part. This is fatal. This is no good and your local collector or assessor ought to be advised of it because what this does is allow a number, a given number, to indicate two different pieces of property in two successive years. This can break you. The bottom example is what our county collector does, he gives two brand new numbers to the split parcels which I think is probably the best way to go.

Well I think this is the most critical phase if you're going into automation is what to do about the legal description. You've got to get yourself a good flexible number system. If your local authorities are going into a number system they're no doubt going to come out with all kinds of interesting publications like assessee lists by number, street address lists, by number. All of these are good title plant records. Also they will probably come out with a series of plats, like this, used in Cook County where the assessor graphically shows the number assigned to each parcel of property. It's an excellent addition to our map department and each year they issue the revisions showing the new numbers. Get yourself on the subscription list.

Automation comes in all sizes. What's the old Oldsmobile commercial? "A Rocket for every Pocket". From the very biggest systems to the one I described in Detroit as Mr. McCulloch said, we call it the Opticom system where there's nothing more in the plant than a reader-printer and a typewriter with a special type ball. This system puts the land index file into a cartridge of microfilm.

For those of us who aren't big, who are modest in size, who are considering automation, we must go to what I call the interim file system where we use somebody else's computer. That's what Opticom does. In the local title office you have nothing more than a reader-printer and an interesting little file alongside of it called an interim file. Jim Gray served with me in Detroit. He described his automated file, he bought a Key-punch machine one day and taught his wife

how to Key-punch and they punched all the documents up for a whole year and filed them in drawers. The last day of the year he threw them all in the trunk of his car and went off to the computer center in the nearest big city, had them all read into a computer, sorted out and tract books printed. After New Year's he started all over again.

The interim file in Jim Gray's case was a whole year of punch cards. Now the Opticom system that I spoke of in Detroit cuts this period down by making instead of a punch card, a typed 2 part optically scannable form. You only need a typewriter. The top part is a clean piece of original typing that you send off once a month, and you keep the second part as the interim file in your office. Everything is either on film in a cartridge or its in the interim file.

When the computer produced film comes back its got all of your back plant all tied together with last month's recording, all properly integrated. This is what is meant by the interim file system of automation. Opticom merely cuts the period. As we get more sophisticated we automate the interim file.

What do the big boys do? The interim file is stored on rapid retrieval large long playing phonograph records, if you will. And of course all the attendant machinery to operate it. These are called disc packs.

Is there anything for us little people? Yes, I think there is. In fact a machine has been announced by IBM again. As Zerwick mentioned yesterday its called the 3740 Series. What is it? Its supposed to replace the Key-punch machine. What's different about it? Well, instead of punching cards, the medium has become something that looks like a 45 RPM record, holds 2000 records perhaps, and its called a diskette.

Now these machines can be rented as cheap as a \$135.00 a month. What could you do with them? Well, for the \$135.00 model you can enter all your documents every day on a diskette and you can call back a document by the legal description. It may again take a little bit longer than you'd like it to take, but it can be an interim file and that diskette as they call it can be mailed off to a computer center where they can sort it out for you and produce a tract print out.

But, IBM also sells a little line printer to go along with it. They're going to get another \$165.00 a month from you but now you're able to write out everything on that disc into a printed page. Not organized, but in exactly the order that you put it in. And of course as IBM always does they say there is a newer, fancier model coming out very soon that will improve the search speed. Now we're beginning to automate our interim file right in our own office. And we don't have to spend too much money. I think a lot of us are spending more than that for automatic typewriters nowadays.

There are also a lot of mini-computers being offered and what they call intelligent terminals really small computers that can communicate through the telephone lines and talk to other computers, larger computers to do heavier work for them. But the vendors continue to put more power into these little machines.

This is one, its called the SYCOR. It features in this little package here for something like \$500.00 a month, a printer, the entry model, and a little CRT screen. It also features cassettes for bulk or batching and also handles these little diskettes. Now you have the whole package in your office and you've got real power.

I think these are the way things are going to go, the use of modest priced disc storage units that makes even the small operator beginning to look like the high priced computer plants.

A VOICE: What the initials CRT stand for? Some kind of a terminal?

MR. LOWRY: Cathode Ray Tube.

There's a new technology going on called Word Processing, and I'd like to talk about this for a minute. You know here's another case where the title industry has adapted a stenographic system to their purposes. I don't know how many in the room have some kind of an automatic typewriter but I'm talking about a typewriter that records what you keypress and plays it back like a player piano for you older people. How many automatic typewriters are represented in the room? I mean how many are using them now? And if I ask for a show of hands how many of them are IBM make I suppose all the same people will hold their hands up again? Anybody using anything besides IBM? Good.

I think the first one probably on the market was the MTST. I don't think its made anymore now. Kind of sad. Put a lot of recording on little reels of tape and the selections could be called out by number. Now there are all kinds of these things around. They have changed the medium now to either a mag-card pictured on the left, exactly the size of a punch card, or these little cassettes which you can use in your cassette tape recorders. I get a lot of questions on automatic typewriters. I get a lot of questions from people who already have automatic typewriters. Questions like, look we've got 7 typists in our pool and we've got 5 automatics, should we get 2 more or should we get rid of some? Are we spending too much for automatic typewriting?

This is a good question. We sat down and tried to figure out what is the proper mix, should everybody have an automatic typewriter, they don't come cheap. Prices are going up all the time. The Mag-card II is getting close to \$300.00 a month now.

The best systems that I've heard of involve machines that use more, or are able to use more than one mag card at a time and the only company I can think of right now that is doing that is the Redactron Company, and also marketed by Remington Rand. Its a mag-card machine, but it has two stations. I can read from one mag-card and make another one. But word processing involves other types of equipment which may not apply in our business. I heard about such a case recently from one of our agents. He sent me a letter and said this 3 letter progressive vending company is telling me I need a word processing center in my plant and I'd like your advice. I read the letter, I was fascinated by the proposal. What IBM did was, they sent some very proper looking gentlemen and ladies into the plant and "analyzed" the title operation for a couple of days. Then they made all kinds of notes and came back with the proposal involving three dictating machines, and three mag-card machines.

I wondered why they proposed dictating machines? Well they caught people in the plant writing things down by hand on paper. Here was this girl taking orders at the front desk, writing things down on paper and she gave them to a young fellow who went over to a book and he wrote other things down on paper, passed the paper to someone else who wrote something more on it. Finally it was



passed to some girl with a typewriter and she typed it all. Well I thought that was interesting, in fact I called the IBM agency in that town and talked to the man and I said, you know I don't know how much you know about the title industry, the insurance and abstract work but we do have nasty habits in our business we do occasionally write with a pencil and so forth, we compose things and make notations. Yes, Mr. Lowry but then they give it to a messenger and he carried it over to someone else's desk, that's stupid.

Well, yes, but what are you suggesting? He said, set yourself up a typing pool, give everybody a dictating device and then dictate the chain, the name search and so forth. Well, my friend from Kansas told me before the meeting today, "I decided not to follow

their recommendations and I think they learned something in the process."

I think the finest applications, the typical applications of automatic typewriters are to use or make a mag-card when you're writing the commitment, and use that card to play back for the policy writing. Put your subdivision file on a series of mag-cards, only add the lot and block for the order at hand. Put the long restrictions, the condominium declarations on mag-cards and play it again and again. I've seen excellent applications involving a closing. A girl used a mag-card machine and wrote the name of the seller on the top line, the name of the buyer on the second line and the address of the property on the third line. From the fourth to tenth

line she put the legal description and the 11th line was something else and so forth.

Using this master mag-card—she was then able to quickly and accurately prepare all of the forms. I counted later that she had played the address of the property 17 times. Can you imagine a girl typing an address 17 times, perfectly and accurately? That's an excellent application for a mag-card machine.

Well I think that's just about the end of my rope here and I haven't got that much comment so I'm not sure that this has been a successful presentation but I would like to hear questions on any subject I may not have covered or statements of subjects that I have covered and am in error, especially. I'd like to hear about those. Speak up. Go ahead.

# COMMITTEE REPORTS

## Report of ALTA Research Committee

John E. Jensen

*Committee Chairman*

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

Over the years the Research Committee has been collecting data on the title industry, it has become apparent that we are a significant factor in the national economic picture. By the end of 1973 the assets of our underwriting companies alone totalled somewhere around \$1.3 billion and those companies paid salaries close to a quarter of a billion dollars.

The underwriters who participated in our study showed operating income for 1973 of \$621 million. We are no mere drop in the GNP economic bucket. Now I may sound like I'm a little too proud of the activities and the progress of our industry, but it seemed to us in the Research committee that it's now high time that we began associating the activities of our companies with the national economy. We feel it's appropriate to see how the title industry relates to other economic activities. Unfortunately, at this point in time our pride may have outstripped our ability because we only have six years of data to work from and this makes it very difficult to stipulate a statistical relationship between title operating revenues and some general economic indicators.

Nevertheless the Research Committee believes it will be useful if we start trying to

develop an information bank or information which would help us, and you, not report on what happened last year, but predict what's going to happen next year. As a first step we have, through the offices of the ALTA research department and Dale Riordan, performed some simple statistical regressions. We've attempted to use a number of what we think are forecastable indicators such as housing starts, (the most obvious one)-single family housing starts because the mixed starts between single family and multi-family are becoming distorted with the carrying of condominiums as a multi-family item; total private domestic investment, the amount of mortgage loans made for home purchase; and, private residential construction as a percentage of private domestic investment. We have tried to look at the effects of the GNP deflator and other inflation indicators. We are looking at the effect of net savings by S and L's, the effect of disintermediation, and the relationship between disintermediation and Treasury Bill rates.

Unfortunately at the present time we don't have the ability to relate operating income to more than one of any of these foregoing measures at a time since Dale and other people more knowledgeable than myself

tell me we would be really straining an already weak and relatively small data base. However we have come up with some interesting first conclusions, but conclusions that should not be relied upon.

As you might expect, title industry operating income is significantly affected by the number of new housing starts. Even with only six years of data and not accounting for any other factors, there appears to be a statistically significant relationship indicating that we could expect operating income to rise when housing starts increase and the opposite when housing starts decline. These numbers are the part I don't want you to rely on, but its the type of thing eventually we hope you will be able to rely on. I repeat, don't rely on these numbers.

Based on the starts that took place in 1973, a decrease of 250,000 starts annually would cause operating income for our industry to decrease by \$75,000,000. This suggests that if the '74 guesstimates on housing starts are correct, our operating revenue could be down by something like \$150,000,000. This would be true if all of these numbers were right, and if the regression analysis were more sophisticated than it is. These numbers are not right and I'm not forecasting a 25% drop in operating revenue for '74 although



that may be what happens from what I hear.

In any event it is this type of analysis that we are shooting for. We think if we take three or four forecastable indicators and are able to perform a multiple regression rather than the simple regressions that I've talked about heretofore, that each of you when given the proper information, will be able to develop your own forecast for what's going to happen to the industry and your own firm.

Well, how did we do last year? Like everything else it wasn't a bed of roses, but I don't think it was as thorny as the bed is going to appear in 1974. Expenses again outstripped operating income so that 83% of the operating dollar was allocated to operating expenses. This compares to 79% in 1972. Losses and loss adjustment expenses jumped to 5.3% of operating income, the highest yearly percentage number since we began collecting these figures. Unfortunately, I feel that record may be beaten in 1974. We have prepared a few slides to cover the rest of our report, and I'd like to run over them briefly with you now.

As a part of our data collection process we have been attempting to develop claims information based on the standard claims categories prepared by the Special Claims Committee. Since the beginning of that data collection effort the number of companies participating has grown gradually every year, I'm pleased to say. I hope it will grow again in the next go-round. Absolute comparisons of the numbers that appeared in our claims report are inappropriate; however, Dale has been able to prepare an index so we can eliminate the absolute numbers, either the dollar numbers or the claims numbers from our calculations and by using the index we are able to make some comparisons. Here we're showing a comparison of total losses, losses resulting from mechanic's lien claims and special assessment losses. Losses resulting from mechanic's lien claims are skyrocketing. I don't think this comes as much of a surprise to many of us in the room. They were 63% higher in 1973 than they were in 1969, whereas total losses were only 49% higher in 1973 than in 1969, based on the index. Special assessments, peculiarly, although relatively stable from 1969 through 1972, climbed significantly in 1973. We suspect and hope this is an aberration.

The variation in new claims is not as erratic as the variation in the amounts of dollars that we spent on losses. This slide shows the indexed trend of new claims received for closing procedure, special assessments and total claims. Note that in 1972 the three categories had approximately the same relative standing as in 1969 though they diverged markedly in 1973.

Next we see an overall picture of what percentage of total losses was attributed to each category. Special risks and closing procedures accounted for about 25% each of the total amount of claims. This involved a marked increase in 1973 in losses due to closing procedure. Almost all of that increase in turn was due to the fact that the instructions issued as a part of the settlement were not followed. I'm pleased to see, however, that losses due to examining error are down from 20.9% last year to 12.9% this year.

Here we have the same format for the number of new claims received. Closing procedure claims also jumped markedly from 23.4% in 1972 to 35.3% in 1973. Last year I suggested that we take a look at the problems we were having as a result of in-

creasing losses due to examining error. This year I might suggest that we take a look again at our closing procedures and the way we and others follow instructions in connection with closings. Special assessment claims remained the same at about 21% and as pointed out in one of the earlier slides the number of claims for special assessments are holding pretty steady. In fact, except for the substantial change in new claims received because of the closing procedures and examination error, most of the other categories remained relatively constant.

Tight money and high interest rates helped make our profit figures trend look like a zigzag machine. Here we see a graph of salaries, losses, profits and other expenses as a percentage of the operating dollar. Note that other expenses has a consistent upward trend while loss payments have been fairly stable. When you graph them like that its not as apparent how much losses have grown as a percentage of the total as it is when you look at the actual numbers. That little dip up in 1973 is quite significant.

There is no discernable pattern as yet to the pretax operating margin of our industry. However, we did decline in 1973 to a pretax margin of 11.7% as compared to 16.9% last year. By comparison, Standard & Poor's 425 industrials increased their pretax operating profit margin from 14.6% to approximately 15%.

Now we've talked about the pretax operating profit margin for a fair number of years. We are becoming more sophisticated in our analysis of the data, I think. We're getting better input, and we're getting better data. I should emphasize that as far as the pretax operating margin is concerned, the numbers are overstated. Our margins are smaller than are indicated by extracting information from the NAIC report. In addition, the pretax operating margin or any kind of profit margin is only one measure being used by regulators in determining fairness of our rates.

The Research Committee, working with Arthur D. Little, has been stressing the idea of using rate of return figures as the appropriate regulatory yardstick. Varying methods in the reporting of Form 9 precludes an exact rate of return calculation. However, for the first time in 1973 we were able to make a preliminary judgement as to what the rate of return was for the title industry. This is a rate of return based upon total assets. Net income includes operating income, investment income, realized capital gains and losses, and unrealized capital gains and losses. We are using total assets which includes non-admitted assets as well as we could determine them, but we're still missing quite a few of the pieces of the puzzle.

In any event, on this preliminary basis, the title industry rate of return in 1973 was 4.6% after taxes. This compares to 7.7% for the 50 largest industrials reported in *Fortune*, 6.7% for *Fortune's* 500 and 4.8% for its 50 largest retailers. At any rate, in 1973 we had just about half the rate of return for our industry as did the 50 largest industrials and about 2/3 the rate of return as *Fortune's* 500.

Finally, as far as the slide presentation goes, we are showing here a six year compounded average of what makes up our operating dollar. Over 82 cents of our dollar went into expenses over the last six years. Approximately 4 cents went for losses, and just over 13 cents went into operating gains.

This is a pretax number and if we assume a 48% tax rate, we're talking about 7 cents on every dollar of sales ending up as profit.

Well, I've been talking up until now about things we've done in the past and I'd like to spend a little time now talking about things that we're doing that are going to affect the future.

At the present time there are approximately 15 states that are attempting one way or another to regulate the rates of the title insurance industry. This type of regulation has varied from regulation of underwriters only, to regulation of underwriters, title insurance agents, underwritten title companies and abstracters. As a result of the experiences many of us have gained by confrontation and discussion with the various regulators, it has become apparent that we do not as individual companies nor as an industry maintain the right information for the regulatory agencies. They ask questions such as, what was your rate of return? What is the impact of your charges on the consumer? What is the impact of a charge for a particular item, and why did you pick that particular number? How does your industry affect the market? How is your industry affected by the real estate market? What are the capital requirements needed by your company to remain solvent?

In addition to state regulation, we also have the issue coming up now (assuming that the uniform settlement cost act passes the Congress) that there is likely to be another study of the title industry and we have precious little information to the types of questions they asked the last time around.

As you know, the industry is working with the NAIC Task Force, which in preparation to recommending a model code, is contemplating a study of our industry. I can assure you that they are going to ask the same types of questions that local state regulators ask. But what are we going to do about it? We don't have the answers right now, gentlemen, and in states where these questions have been asked and we've been asked to justify our rates, we have not been able to furnish the proper information.

As a first step the Research Committee, under the authority of the Executive Committee, last year appointed a Task Force headed by Roy King of Commonwealth Land Title Insurance Company. This Task Force consists of members of both the Research Committee and the ALTA Accounting Committee. They have met and deliberated vigorously in Chicago several weeks ago and they have produced the document that you will find in front of you.

The first two pages of that document go into some of the justifications for data gathering that I have just discussed with you. I would like to very quickly run over page three which is the guts of the handout. I can't emphasize too strongly that we (the Task Force and the Research Committee) consider this the bare bones, the minimum that you can get away with in collecting data on a policy by policy basis. This will not be enough to answer the specific questions in a specific jurisdiction.

First, we think that you should collect the date, day-month-year, of the policy issuance of every policy you issue. Second, we believe that you should indicate what kind of policy you're talking about, and here we break it down relatively simply—owner's policies, mortgagee's policies, simultaneous issues and record title policies. This does



not include the full product line, if you want to call it that, of either underwriters or title insurance agents. It includes only policies as defined by the four types we're talking about in item #2. We talk about the amount of liability in #3. It's important. Regulators want to know what's going on vis-a-vis re-issue rates. So what we're talking about in effect here is the original insurance and re-issue insurance, or the fact amount of the policy and how much of that is re-issue.

Item #4 was moderately controversial in the discussions. We're talking about the amount of revenue connected with that title policy, and in a way what we're really trying to say here is the amount charged to the customer to furnish him with a title insurance policy or a record title policy.

Before you object, I know that this information is going to be very hard to gather centrally for a few of you. I know this will be difficult to gather from attorney agent's, for example. Nevertheless, we feel that we should make every effort on each policy to find out what was the premium or underwriting charge, i.e., the risk rate. Underwriting charge is an awfully good way to phrase it however. What was the search and examination charge? What was the closing and/or escrow charge? This is a question that comes up time and time again by both state and Federal regulators. And finally, is the charge a combination of all these items as you usually have in a single line rate?

Once you've gathered that information we feel you should then indicate the amount of revenue retained by the agent for services rendered. I am not talking about the agent's commission under his contract because we're not talking about the amount on which the commission is figured. We're talking about the amount of revenue retained for services rendered.

Item #6 is the location of the property. That's broken down into state and county. County becomes important in some jurisdictions, particularly because of zone ratings or because of different customs and prac-

tices in different parts of the state.

And finally, #7, the different types of property—one to four family residential, or other. That ought to be fairly easy to determine. As pointed out at the bottom of page three, this is the minimum amount of data that should be collected. We would suggest for those of you who can, or those of you who want to, go ahead and collect this information. All the luck in the world. We're going to try for a while. We have designed this in such a way so that regardless of the size of the company, and here I'm talking not only about underwriters but also about title insurance agents, that regardless of the size of the company, the data should be relatively easy to gather in a central location in your shop. For example, everybody probably has a policy register or an order register or something that serves that purpose. By expanding that register all of this information could be gathered. Standard accounting records can be used in some shops. Some companies already put the bulk of this information on a stamped block that appears on the policy. In any event, we consider this a bare bones minimum and step number one as recommended both by the Joint Task Force of the Accounting Committee and Research Committee and by the Research Committee.

Step two has to do with the existing experience reports that are presently being required in many jurisdictions. It is becoming increasingly apparent that if anybody took the trouble to gather a particular company's (mine included) experience reports in all jurisdictions for a particular year, and added the numbers together, they would come up with different numbers than appear on our NAIC Form #9. There is absolutely no consistency and some danger in the way we are presently filling out our state experience reports. We hope the Task Force again will be taking the lead on this. We hope to develop some standards, some guidelines for the preparation of the experience reports. Once again

they will be the bare bones minimum because we are required by particular jurisdictions to furnish particular information unique to that jurisdiction.

Finally, assuming the passage of the Uniform Settlement Cost Act, the Research Committee hopes to be working with the Department of Housing and Urban Development, giving input into the development of the standard settlement cost sheet provided for in that Act. It is obvious that if that Act passes, that settlement sheet is going to be the basic data gathering device for the HUD study which will take place over the next 3 to 5 years. We think it is quite important that ALTA have something to say as to what appears on that sheet, not only what appears vis-a-vis the title industry and title charges, but what appears concerning everybody involved in the settlement.

At this point I'd like to thank the Washington staff and the members of my committee, all of whom have worked especially hard this year and in prior years. The members of the committee are Karl Bick, Title Insurance Company of Boise; Jimmy Butler, Lawyer's Title Insurance Company; Charlie Gardiner, Trans-America; Vic Gillett, Stewart Title of Phoenix; Roy King, Commonwealth Land Title; and Allen McGurk, Title Insurance and Trust Company.

In addition a special word of thanks to Roy who worked not only with the members of the committee I just named, but with Carlyle Schumann of Stewart Title and Chuck Coffman of Pioneer, on the Task Force. Last, and certainly not least, I extend my appreciation to both Mike Goodin, who was ALTA's Director of Research until June, and to Dale Riordan, who jumped in right in the middle and has done a splendid job so far. Of course our basic thanks go to you—the members of the industry. Without your help in furnishing us with information which we ask for from time to time, we wouldn't be able to do anything. Again, thank you all very much.

## Report of the Committee to Establish Liaison with the National Association of Insurance Commissioners

J. Mack Tarpley

*Committee Chairman*

*Vice President, Chicago Title Insurance Company, Chicago, Illinois*

Bob, and members of ALTA. The initial purpose of the Committee to Establish Liaison with the NAIC was to promote a better understanding of the business of title insurance by the commissioners. Subsequently a second charge was given to the committee. That is to seek more effective regulation by the states in order to minimize the threat of federal regulation.

Someone said, some officer of ALTA said initially we'd like you to get the attention of the insurance commissioners to our industry. I don't know how much the committee had to do with it, but ladies and gentlemen, we've sure gotten their attention. You all know of the existence of the NAIC Title Insurance

Task Force which is a task force to the Property and Liability Committee (D Committee) of the NAIC. There have been a number of meetings of that Task Force.

John Wilkie representing the ALTA committee has participated in the meetings with that group that were held in Phoenix, and Oklahoma City and at a meeting held in Birmingham, Alabama. John Wilkie and Bill McAuliffe met with the chairman of the Task Force, Dr. Rottman, the Commissioner of the State of Nevada. The Executive Committee of ALTA has met with the Title Insurance Task Force in order to bring to the committee a better understanding of the proposed activities of the Task Force. At

the NAIC June meeting which was held in San Francisco and attended by John Wilkie and I representing the committee, by Bill McAuliffe representing ALTA and a number of other people interested in the title insurance business certain actions were taken by the Task Force.

The Task Force received a report from Ervin Beal, as chairman of the industry Advisory Committee on the Revision of Form 9 for their study.

The Task Force members voted unanimously to accept the \$5,000.00 that was offered by ALTA for the purposes of the title insurance study and to solicit contributions from the Bar-related Title Guarantee Funds.



It was intended that this money be used in conjunction with a proposal for a comprehensive study of the title insurance committee.

When the parent committee, the Property and Liability Committee met they received the report of the Title Insurance Task Force with the following amendment. "The Task Force has considered alternative approaches to funding this project, including foundation grants, assessments against the members of the NAIC and contributions from industry. For several reasons the latter approach was unanimously agreed upon, on the basis that appropriate safeguards be employed to insure the independence of the study. It was emphasized that the study could be of value if it was independent in fact, it must be independent in appearance. The industry must clearly be advised that sole and final responsibility rests with the NAIC for both the conduct of the study and the end product resulting therefrom. Within this framework Commissioner Rottman, Mr. James Wadham of Nebraska and Mr. Don Dunham of Texas met with the ALTA Executive Board in Birmingham to agree in concept that the initial funding that would be provided would be used in conjunction with the development of a request for a proposal and a proposal for a study of the title insurance industry. Any other parties who agree to make contributions must agree to the above stated concept."

In conjunction with the funding of a study and a conduct study the ALTA Executive Committee asked the Liaison Committee to develop a proposal or an ALTA position for this study. The committee met and submitted a proposed position to the Executive Committee which adopted it and it has been transmitted to the Task Force.

I'd like to quickly go over the 8 points of ALTA's position with respect to the study.

*One.* ALTA will provide \$5,000.00 as tendered at the meeting in Birmingham, Alabama on May 14, 1974 to be paid to the party making the best acceptable response to a request for a proposal for a study of the business of title insurance and if such party conducts this study the \$5,000.00 is to be credited to the fee paid for the study.

*Two.* The NAIC Task Force will determine the best acceptable response. To qualify as acceptable, the respondent's proposal shall demonstrate a thorough familiarity with all currently existing material concerning the practices and regulations of title insurance as well as contain a detailed scope and approach for the study.

*Three.* The NAIC Task Force shall propose the areas for study.

*Four.* The areas of study to be contained in the request for proposal shall be those mutually agreed upon by the NAIC Title Insurance Task Force and the ALTA Executive Committee, after consideration and determination of the sufficiency of existing materials previously submitted by ALTA.

*Five.* ALTA will pay for the services of Dr. Irving Plotkin of Arthur D. Little, Inc. to assist in the drafting of a request for proposal based on areas of study mutually agreed upon by the NAIC Task Force and ALTA.

*Six.* The purpose of the study shall be to provide a better understanding of the title insurance industry; A) an aid for the members of the Task Force to serve as a basis for their developing a NAIC model title insurance code and, B) for insurance commissioners of the various states.

*Seven.* After selection of the best acceptable response to the request for a proposal by the NAIC Title Insurance Task Force, ALTA will determine on the basis of the respondents demonstrated understanding of the issues, review of the existing material, proposed scope and approach, cost and general qualifications of the selected organization whether and to what degree it will contribute to the funding of the study.

*Eight.* While recognizing the right of the respondent to control the study and the responsibility resting with the NAIC for the conduct thereof and the end product resulting therefrom, ALTA shall have the right to attach as an appendix its comments, if any, to the report of the study prior to any use or distribution by the NAIC.

As I said, this has been submitted to the Task Force, to date we have no response indicating what action they will take on the position of ALTA other than the fact that it has been disseminated and distributed to all the members of the Task Force.

As a further activity of the committee during the year at the request of the Executive Committee of ALTA we considered an amendment to the ALTA Model Code and by a majority of the vote of the committee recommended to the Executive Committee the deletion of one sentence of a section of the Model Code. That matter will be presented to you at the business meeting this afternoon.

Your committee met in Miami on Saturday to review the activities of the committee and to see what further action the committee should engage in at this time. To a great degree, I have to say to you our action is dictated or indicated by our progress or the progress of the NAIC Title Insurance Task Force and the positions they take with respect to various matters.

We did decide that we would do one thing which we thought would be helpful to ALTA in showing that there is an effort on the part of various states to regulate the title insurance business. We thought this might be helpful in our current program in respect to federal legislation. We will collect this data, and the committee seeks your help in collecting it. Send it to any member of the committee or to me as chairman. We propose to make the information available to ALTA headquarters in Washington for such use as they desire to make of it.

Now to demonstrate to you that the states are active in regulating the business of title insurance, whether the regulation is effective, regulations you may quarrel with, I would like to give to you just a few items of activities by state regulators. This does not purport to be a comprehensive list, but only a list to demonstrate that there is activity at the state level to regulate the title insurance business.

First, you heard yesterday from Don Kennedy the State of California has been quite active in the area of rates and in rebating practices. As an example, in Nevada we know that at least one company has been challenged on its premium tax. There is an attempt by the State of Nevada to collect a premium tax from that company based on its total revenue from operations which would include escrow fees, foreclosure fees, miscellaneous search fees and any items of revenue in addition to these premiums collected.

The State of Nebraska last week reversed its position with respect to something that has been most commonly referred to as

Guarantee of Completion, it has now stated that this is verboten in the State of Nebraska.

South Carolina adopted in to the famed California 74-2 regulation defining certain practices as rebates. It also has required that all title insurers shall within 120 days from the effective date of the regulation, refile all of its rates and file a justification for its rates.

The State of Ohio which has a statutory prohibition against the so-called Guarantee of Completion has issued a cease and desist order. I don't think anyone was doing it in the State of Ohio, but they have issued a cease and desist order.

The State of Wisconsin has required that there be filed a justification of rates and also has approved a plan for the gathering of a statistical experience report realizing and admitting that it will be several years, at least 5, before they will have any credible data from the statistical reports submitted.

The State of Missouri has instigated a very thorough study of the business of title insurance and the practices of title insurance companies including coverages and rates. I think this will probably lead to further regulation . . . or legislation being enacted at the request of the Missouri Insurance Commissioner.

The State of Tennessee has required that all title insurance companies refile their rates.

I'm sure that a lot of you have heard of the problems in Pennsylvania where the insurance commissioner has disapproved a filing made by the Pennsylvania Title Insurance Rating Bureau back in January. There will be a meeting of the Pennsylvania Rating Committee I believe on the 9th of October to consider what action to take. There is also quite a hassle in Pennsylvania with respect to form filing, specifically the owners policy, and the question of whether or not general exceptions can be placed in Schedule B of the owners policy in view of the current form filing by the bureau.

In the State of New Jersey the department has been very active in suggesting provisions of a model title insurance code which the New Jersey Title Insurance Association is attempting to get approved. For those of you who are not qualified in New Jersey, but might like to do a little reinsurance business in New Jersey, I would suggest that you take a look at some of the provisions of the code with respect to reinsurance. One of them is by the execution of a reinsurance agreement you automatically designate the Insurance Commissioner of the State of New Jersey as agent for service in any action brought in the State of New Jersey by reason of the policy and by reason of the reinsurance agreement. This sort of contravenes the provisions of the ALTA Facultative Reinsurance Agreement.

I've also just learned, just yesterday, that there is some agitation by the New Jersey Legislature and perhaps by the New Jersey Insurance Department for the creation of an Insurance Guarantee Association which would include title insurers.

And lastly, the Commonwealth of Puerto Rico has required that all title insurance companies refile their rates and refile a justification therefor.

So you see there is activity at the state level. Whether or not, I say whether or not you consider it to be more effective regulation is up to you, but they are not ignoring us. We certainly have their attention.

Thank you ladies and gentlemen.



# Report of the Committee on the Commission on Uniform Laws

Robert Kratovil

*Committee Chairman*

*Vice President, Chicago Title Insurance Company, Chicago, Illinois*

Mr. Chairman, ladies and gentlemen. I have heretofore reported to you on various phases of the Uniform Land Transactions Act. As you all know this is an Act that is patterned after the Uniform Commercial Code but will do for real estate transactions what the Uniform Commercial Code has done for personal property transactions.

Since I last reported to you, the National Conference of Commissioners on Uniform State Laws met in Hawaii and they gave their approval to Articles 1 to 5 of the Code. This means that an important part of the Code has now been finalized and the timetable calls for finalization of the remainder of the Code in August of next year. I think it would be most unwise if you were to underestimate the power of the National Commissioners on State Laws. Their power is very great. Moreover, I believe that the Code itself seems to be in keeping with the spirit of the times, and that is to make real estate transactions simpler and uniform from state to state.

To you here it means that if you have not already done so you are going to have to sit down with this Uniform Commercial Code and read it and read the many articles that have been written on it because in the Land Code you will find many provisions that are identical word for word with the provisions of the Uniform Commercial Code.

Articles 1 to 5 of the land code are these. Article 1—General Provisions, tracks with Article 1 of the UCC. Article 2, deals with contracts and conveyances of land. Article 3, secured transactions, obviously deals with mortgages. Article 4, deals with condominiums. Article 5, deals with mechanics liens. All of these have been finalized, they are in final form ready for submission to the state for enactment.

The Committee, chaired by Allison Dunham of the University of Chicago has indicated that they will accept suggestions as to revisions of these articles, but, they mean just that. If a suggestion is made they, of course, reserve the right to accept it or reject it. The ABA Real Property Committee is going to go over the Code now and make suggestions to the Commissioners. I don't know what those suggestions will be, so my report to you will be on the Code as it was approved by the National Commissioners in Hawaii this last August.

The first concept that is of interest to the

title industry is the concept of the protected party. He is the buyer or the mortgagor of a residential unit containing 4 dwelling units or less or containing not more than 3 acres. Various provisions give protection to this protected party. For example in a foreclosure suit, he is entitled to longer notice than that given to non-protected parties. He is entitled to cure defaults in the mortgage though he may not do this more than once a year. Once a year he will be able to cure faults.

One troubling thing to me about protected party, is that there is no dollar restriction. The owner of a home that is worth a million dollars is a protected party. The protected party rule extends not only to your home, but to your summer home and your winter home. If the Ford Motor Company were to acquire a home that is subject to a mortgage and they were to do it in the process of transferring an employee, the Ford Motor Company would be a protected party.

It seems to me that this section of the Code may draw some flack, but at all events it's there. What it means to you as title insurers is that you are going to have to go off the record. You won't be able to examine a foreclosure suit, for example, without first finding out whether it is owned by a protected party. If it is a home falling within the protected party rule, the notices are going to be different than the notices in a normal foreclosure. So you're going to have to go off the record to find out what's built on this particular lot and who occupies it.

The code states that usage and course of dealing enter into the construction of every contract. This is not of earthshaking importance to us, but I will draw your attention to the fact that there is a court decision where they admitted proof of a custom to give mechanics lien waivers without receiving payment. Course of performance may also be resorted to; so you can't just look at a contract and say the language tells us what it means. You are going to have to know the usages of the particular industry, you're going to have to know how the parties handled their transaction in the past, if there has been a series of transactions between them and then you're going to have to know what they did after the contract was made, because all of that bears upon the interpretation to be given the contract.

The code has some faulty draftsmanship in

it as does the Uniform Commercial Code. There is a section on waiver that is rather muddy, but I have read it very carefully and I now believe that I can state with a degree of confidence that mechanics lien waivers need not be supported by consideration. There is a broad requirement of good faith in the code and there is a strong section against anything being unconscionable. This requirement of good faith sounds innocuous on its fact, but actually it's very important. These two sections working together will have a push-pull force on every contract. By the good faith section the courts will be able to push into a contract clauses that are not there but are needed to accomplish a fair result. By the pull force of the unconscionability section the court will be able to take out of the contract any provision that it deems unfair. The courts have already been doing this, since courts have said that they regard the Uniform Commercial Code not as a law relating to personal property but as a statement of legislative policy that applies to all transactions. So that in effect we already have Uniform Commercial Code-Uniform Land Transaction Code on our books to some extent. There was a case, for example, where a tenant had an option to purchase a piece of property, the rented property. He exercised that option and when they got to looking it over they realized that as a result of defective draftsmanship it would take about 50 years to pay off the option price. The court said, "this is unconscionable. We're going to strike this out. We'll give you 30 days to enter into a new provision regarding payment, and if you don't at the end of 30 days arrive at some just result we're going to say that the purchaser has to pay cash." This is the kind of thing you can expect will happen under the Land Code.

The Land Code is unclear as to the affect of unconscionability or impracticability that exists at the time the contract was made but was unknown to the parties. The Code speaks in terms of supervening impracticability and things of that sort. Actually impracticability or unconscionability existing at the time the contract is made is going to play a part I am sure. There is, for example, a case in California where there was a sale of gravel at so many dollars per ton. When they started excavating they found that the gravel was covered by water and it would



cost a fantastic amount to take out the gravel. The court said we're going to strike this contract out, knock it out because of impracticability. I feel that this type of impracticability will be read into the code by the courts.

The Code says that the doctrine that a contract of sale merges into a deed is abolished. However you are at liberty to insert a clause in the deed that changes this rule. I think it will become standard procedure for every deed to contain a merger clause. Certainly the title people want it there so that all questions of marketability of title and all questions of the evidence of title are merged into the deed and there are no problems with marketability or evidence of title remaining after that time. This is a very important thing.

In almost all states there is a rule that when a mortgage secures a negotiable note or is accompanied by a waiver of defense or a certificate of no-setoff, whatever you call these things, any assignee of the mortgage takes it free of defenses, such as the mortgagor coming in and saying "I never got the money" or "I never got all the money" or "I paid the mortgage off." This doctrine is abolished by the Code so far as a protected party is concerned and there is no way of getting it back in. This Code consists of certain parts that you can contract away and certain provisions that you cannot contract away and this is one of the provisions that you cannot contract away. In other words, the whole doctrine of negotiability is abolished so far as the protected party is concerned.

The statute of frauds has been emasculated. The contract of sale need not even state the sale price. That can be shown by parole evidence. And even if the contract is completely oral, if you can get that defendant on a deposition or in court on the witness stand and he will admit that a contract was made, the terms can then be proved by parole evidence.

If a contract omits an essential provision such as the interest rate in a purchase money mortgage, we're accustomed to the rule that the contract is not enforceable. The courts cannot make contracts for the parties. That is probably out now. The court will supply the missing term. As you can see the judges will play a very active role now in the process of making and remaking contracts.

An offer to buy or sell land cannot be withdrawn if it is characterized as a *firm offer*. This is a provision in the Code that I don't like because a broker can go out and get a buyer to sign a contract of sale and if

he states in it that "this is a firm offer and cannot be withdrawn for 30 days" that broker can go out and shop the market and try to get a higher price for the property while this buyer can't move. He's tied down for 30 days to this contract of sale. The commissioners didn't like that provision, so they added a provision that the firm offer has to be in conspicuous type and has to be on a piece of separate paper. I don't know if that cures the problem, but there it is nonetheless.

The Code states the rule now that in every contract of sale the vendor must pay for the evidence of title. As you know in many parts of this country, notably in the East, this is not the practice, but this is a provision that you can contract around. I assume that in all the states where they have the custom of having the buyer pay for the evidence of their title, will continue to have a provision that the buyer pays.

Every deed, including a quick claim deed, is a general warranty deed unless it expressly excludes the notion of covenants of title.

The earnest money concept is abolished, in contracts for the sale of land. Instead if the buyer defaults the seller must resell the property and his damages will be the difference between the first sale price and the second sale price. There were objections to this. They got nowhere. It was pointed out that if the first buyer defaults, he's going to record his contract. Then when you try to sell the property to the second buyer, the title is going to be clouded and you're going to have a tough time finding a second buyer for the property. But at all events the earnest money concept is abolished. If you hold earnest money in escrow you must be very careful in drafting your escrow agreement so that when certain events take place you will be able to hand the money back to the seller. The buyer should expressly agree in the escrow agreement that the title company is off the hook and that the buyer will litigate his problem only with the seller.

The Code has a provision on future advances stating that all future advances under a mortgage have their lien from the original recording of the mortgage which is very great as far as we're concerned.

Like the 1972 amendments to the UCC the code provides that an advance made pursuant to a commitment if the secured creditor has bound himself to make it whether or not a subsequent event or default or other event not within his control has relieved or may relieve him from his obligation. You all know that every construction loan agreement on big loans has a provision listing certain events of default. If any one of those events occur, the mortgage lender has the authority

to discontinue disbursement. Under half a dozen court decisions the courts have said once the default occurs, disbursements made after that time are optional and are subject to any mechanics liens attaching after that time. This is poor law, but the Code will take care of it.

Another helpful provision is that a construction mortgage is good for whatever it takes to build a building no matter what amount is stated in the mortgage. If you have a million dollar mortgage and it turns out that it takes 2 million dollars to build the building, you've got a mortgage for 2 million dollars.

There is a provision that is patterned after the Florida mechanics lien law that says if a notice of commencement of construction is recorded on October 3rd and the construction mortgage is recorded one day prior, October 2nd, the construction mortgage will have priority over all mechanics liens arising in the course of construction.

There is a provision in the Code that once a default occurs under the mortgage, the mortgagee can go into possession immediately using a forcible detainer suit to get into possession.

There is no redemption period. Once the property has gone to sale, there is no further redemption period after that. There is a provision that is going to give all of us trouble saying that when a mortgage is foreclosed by a power of sale everything must be commercially reasonable, including the notice. There is a comment in this section saying that it may be necessary for the mortgagee to get a real estate broker to help sell the property. How do you get a real estate broker to work on a deal where he has no idea whether or not the deal will ever come to fruition because the mortgagor can pay off the mortgage any time before sale?

Another comment says that it may not suffice to publish the notice in a legal type newspaper but that you may have to go to the real estate section like that of the Chicago Tribune. However any defects in the notices become immaterial so far as the third party purchaser is concerned. Once the mortgagee has sold the property to a third property purchaser the title cannot be attacked because of any defects in the notice.

I've only hit the high spots of the Code. As you can see it has many good provisions from the standpoint of the title industry. It has some that are going to give us trouble. My feeling is that you can't stop the inevitable. Some form of legislation like this will be enacted and it is up to us to prepare ourselves to live with it.



# Report of ALTA Federal Legislative Action Committee

James G. Schmidt

*Committee Chairman*

*Consultant, Commonwealth Land Title Insurance Company, Philadelphia, Pennsylvania*

This has been an active year in Washington as has already been described to you by Bill McAuliffe in his report and by Tom Finley at the workshop session yesterday. I think that Bill and Tom have brought you up to date as to the proposed bills dealing with the federal regulation of closing costs, so I will concentrate on other areas of the Federal Legislative Action Committee.

The most recent matter which has come to our attention involves a number of bills dealing with the individual's right to privacy. Many members of Congress have been extremely interested in this subject. Senator Goldwater has stressed that such legislation is imperative and that there should be precise safeguards for the minimum protection of personal privacy. Already details of our health, education, employment, taxes, telephone calls, insurance, banking and financial transactions, pension contributions, professional societies, and family relationships are being stored and processed by computers. Senator Goldwater says that "People must not be reduced to numbers".

The present bills before Congress S. 3418 and H.R. 16373 dealing with privacy protection, apparently would not have any serious effect on a title company because they only provide for control of federal agencies in their collection and maintenance of personal information. S. 3418 does provide for a study of the programs of private organizations maintaining information systems. However, an early draft of S. 3418, as well as another bill, H.R. 15524, contain provisions which could seriously affect a title insurance company or an abstractor. These bills not only provide for control of federal agencies, but also for control of any public or private organization engaged in business for profit which maintains an information system. Such system is described as a record-keeping process whether automated or manual, containing personal information, including financial transactions and the name or other identifying particulars of the party involved. This could well apply to a title company maintaining judgment, mortgage, tax and other information on a name index. The proposed bills impose upon a company maintaining an information system considerable red tape, such as notifying the individual as to the existence of the information maintained and requiring the obtaining of permission from the individual before disseminating such information.

The new Congress is expected to give early and serious attention to the Koch-Goldwater Privacy Bill (the above-mentioned H.R. 15524). If such bill is introduced, we hope that there will be hearings so that we will have an opportunity to file a statement suggesting that the bill be amended to provide for an exemption as to any information system which is based solely on information appearing on the public records.

The second matter we are working on is the Federal Home Loan Bank Board Regulations as to service corporations acting as agents for title insurance companies. Originally the proposed regulations would have permitted service corporations to acquire title insurance companies, or themselves, to engage in business as title insurers. By a series of letters in 1973, the ALTA presented its views to the Board concerning the anti-trust, controlled business and conflict of interest aspects of the problem. While the final regulation as adopted August 15, 1973 does not permit the service corporation to act as a title insurer, it does permit such corporation to act as insurance broker or agent for various types of casualty insurance, and at the end of the list adds title insurance. On May 9, 1974, some members of the Federal Legislative Action Committee along with Bill McAuliffe and Tom Jackson met with Ronald Keaton, associate general counsel of the Board, and suggested certain guidelines to apply to a service corporation when acting as an agent for a title insurance company. This meeting was followed up by a letter dated June 3 setting forth the same guidelines. Incidentally, we noted that the Board's regulations exclude from permissible activities of service corporations, private mortgage insurance, such as that issued by M.G.I.C., whose President, Max Karl, spoke earlier today. The reason for this was that if a service corporation acted as an agent for mortgage insurance, it could lead to unsound practices. The same reasoning would apply to a service corporation acting as agent for a title insurance company. Up to the present time we have not received an answer to our letter and on Monday of this week when Charles E. Allen, general counsel of the Board, spoke to our Association he stated that they were still considering this matter and that an answer would come soon.

Two other matters which had concerned us appear to be dead. The Federal Land Use Act, H.R. 10294, which would have given

the federal government excessive control of land use and would have threatened private property rights, was defeated. The Federal Nonjudicial Foreclosure Act, H.R. 10688, which inspired a great many letters addressed to our Committee, also appears to be dead at this time.

Our Committee has been trying to work closely with the Ad Hoc title insurance group, their steering committee and counsel towards the passage of a real estate settlement procedure act this year. We hope that the House-Senate Conference Committee will work promptly to iron out the differences between the two versions of the bill as passed by the House and Senate.

Our next responsibility will be to cooperate with HUD and others to carry out the recommendations of the bill. Jack Jensen has reported that the Executive Committee has authorized the Research Committee to work with HUD in the preparation of a uniform settlement statement. Similar cooperation should exist in the preparation of the information booklet. We should make sure that in this booklet there is no statement such as was made in the recent report of the Special Committee on Residential Real Estate Transactions of the American Bar Association, which encourages the acceptance by mortgage lenders of certificates of title proffered by attorneys for home buyers.

Yesterday there was a meeting of the chairmen of the following committees: Legislative Committee, Committee on Improvement of Land Title Records, Committee on the Commission on Uniform Laws, and the Federal Legislative Action Committee to discuss our efforts to cooperate in the improvement of land title data systems. You will recall that the bills which are before the Conference Committee provided for the establishment on a demonstration basis of a model system for the recordation of land title information in a manner and form calculated to facilitate and simplify land transfers and mortgage transactions and reduce the cost thereof, with a view to the possible development of a nationally uniform system of land parcel recordation.

At our meeting yesterday it was decided that the following procedure would be followed. The chairman of the Committee on the Commission on Uniform Laws would keep the other chairmen advised as to what is being proposed in the Uniform Land Transaction Act relative to changes in re-



ording practices. The chairman of the Committee on Improvement of Land Title Records would keep us up to date as to the developments at the various conferences which he attends. The chairman of the Legislative Committee, which has fifty members, one representing each state, will send a questionnaire relating to public land records to each member of his committee. A copy of this questionnaire follows:

#### Questionnaire Relating to Public Land Records

- (1) In your county, how are instruments relating to real estate transcribed?
  - (a) Microfilm  
What mode: Roll, Jackets, Fiche, Cassettes, other.
  - (b) Photocopy
  - (c) Computer system
  - (d) Typewriting
  - (e) Other—Please specify
- (2) How are instruments indexed?
  - (a) Tract
  - (b) Name (grantor, grantee, mortgagor, mortgagee, etc.)
  - (c) Other—Please specify
- (3) If a tract index is used, how are the lots identified?
  - (a) Block and lot number
  - (b) Plat book and plat lot number
  - (c) Township—range—section number
  - (d) Street Address
  - (e) Other—Please specify
- (4) If a name index is used, how are names indexed?
  - (a) Russell system
  - (b) Soundex
  - (c) Alphabetical
  - (d) Other—Please specify
- (5) If a name index is used, are names identified on the record in any way?
  - (a) Social security number
  - (b) Address
  - (c) Other—Please specify
- (6) Does a judgment become a general lien on all real property prior to attachment?
- (7) Is the doctrine of idem sonans part of the law of your state and/or the doctrine of similar first names?
- (8) In your county, how many indexes must be run in searching titles to cover all court and land records?
- (9) Are all of these court and land record indexes in the same office?
- (10) Is there much variance in the system of recording in the various counties in your state?
- (11) Have there been introduced any changes in land record maintenance systems in any county resulting in significant improvement?
- (12) Are the following generally used in your area?
  - (a) Short form deeds.
  - (b) Memorandum of lease.
  - (c) Incorporation by reference of general provisions of a mortgage through recording of a master copy.
  - (d) Short form acknowledgment.
  - (e) Use of lot number instead of description by metes and bounds.

It may well be that someone who reads this report might have some special information as to developments in his state relating to improvements in the land title data system which is not known by the state member of the Legislative Committee. If this is so, we hope that this information will be sent to the chairman of the Legislative Committee.

The Federal Legislative Action Committee is involved in this matter because it is necessary for us to know what is being done when we have occasion to talk to members of Congress or to HUD officials. We hope that by this coordination of efforts it will be possible for the ALTA to make a very valuable contribution in the improvement of our recording system.

## Title Company Executive Suggests Positive Approach

A timely suggestion for the land title industry is contained in a letter recently sent to the ALTA office by Robert C. Bates, executive vice president of Chicago Title Insurance Company.

"I think that it's time we begin to expand on some of the specific reasons why title insurance is important to people who are buying a home, which we commonly describe as 'the largest investment of their life,'" he writes.

"Title insurance guarantees the existence of the many property rights that can exist with respect to a parcel of land, and the process of being certain as to where these many rights are vested is becoming more and more complicated. In the future I recommend we undertake to point out that the very nature of the property rights commonly known as 'the title' has always been complex. These rights are becoming even more so as land becomes more valuable.

"The only effective way to eliminate the complexities involved in real estate titles is to reduce the number of rights that can be owned with respect thereto. I don't think any clear-think-

ing person in a free society wants to reduce the number of rights that can be owned with respect to real estate. On the contrary, the trend is in the other direction. Only a court can finally say where the various rights to a given piece of real estate are vested. The next best way for one who claims ownership of rights in real estate to be assured that he does in fact own those rights is the money-back guarantee afforded by title insurance.

"It's my judgment title insurance has continued to grow because people interested in acquiring rights with respect to real estate as owners, mortgagees or lessees are becoming more and more aware of the need for the protection that title insurance gives. It therefore seems to me that our efforts should be aimed at helping both our present customers and the general public understand the real significance of title insurance as being a thing of real value rather than a necessary evil that nobody really understands. To me this then means that all segments of our industry should take a positive ap-

proach toward improving our coverages while at the same time educating our immediate users as well as the general public on the true value of our product. I see our attitude in the past as being defensive as to charges and ultraconservative in our efforts to improve coverages."

Readers with comments on this suggestion and related aspects are invited to write the ALTA office.

## Lawyers Acquires Bay Abstract, Inc.

Lawyers Title Insurance Corporation has purchased the assets of Bay Abstract Company, Inc., of Brick Town, N.J.

The newly-acquired company is being operated as the Lawyers Title Bay Abstract Division. Location and personnel, headed by Wade F. Hill, office manager, will remain the same.



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## Ray L. Potter Retires

Ray L. Potter, secretary and general counsel of the St. Paul Title Insurance Corporation, retired on December 31 after 36 years of service to the company.

He will continue as a member of the board of directors and as corporate secretary. He will also serve in an advisory and consulting capacity on corporate legal matters.

## New Chicago Acquisition

Chicago Title Insurance Company has acquired all the assets of Holland Ferguson Title Company, which has served the Winnebago County (Ill.) area since 1869.

Chicago Title operates this business as its Winnebago County office. All present services and personnel of Holland Ferguson Title Company will be continued.



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# meeting timetable



**January 19-23, 1975**  
National Association of Home Builders  
Dallas Convention Center  
Dallas, Texas

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

**April 17-19, 1975**  
Oklahoma Land Title Association  
Lincoln Plaza Inn  
Oklahoma City, Oklahoma

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

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

**May 4-6, 1975**  
Iowa Land Title Association  
Ramada Inn  
Waterloo, Iowa

**May 8-10, 1975**  
New Mexico Land Title Association  
Hilton Inn  
Santa Fe, New Mexico

**May 14-17, 1975**  
Washington Land Title Association  
Rosario Resort on Orcas Island  
San Juan Islands, Washington

**May 23-24, 1975**  
Tennessee Land Title Association  
Holiday Inn Rivermont  
Memphis, Tennessee

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

**June 1-3, 1975**  
Pennsylvania Land Title Association  
Hotel Hershey  
Hershey, Pennsylvania

**June 5-8, 1975**  
New England Land Title Association  
Seacrest Hotel  
North Falmouth, Massachusetts

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

**June 8-13, 1975**  
National Association of Insurance  
Commissioners  
Annual Meeting  
Olympic Hotel  
Seattle, Washington

**June 12-14, 1975**  
Colorado, Nebraska, and Utah  
Land Title Associations  
Tamarron  
Durango, Colorado

**June 19-21, 1975**  
Oregon Land Title Association  
Inn of the Seventh Mountain  
Bend, Oregon

**June 19-21, 1975**  
Michigan Land Title Association  
Shanty Creek Lodge  
Bellaire, Michigan

**June 20-22, 1975**  
Illinois Land Title Association  
Drake Hotel  
Chicago, Illinois

**June 20-22, 1975**  
Wyoming Land Title Association  
Torrington, Wyoming

**June 26-29, 1975**  
Idaho Land Title Association  
North Shore Motor Hotel  
Coeur d'Alene, Idaho

**July 6-9, 1975**  
New York State Land Title Association  
Sagamore Hotel  
Lake George, New York

**August 7-14, 1975**  
American Bar Association  
Montreal, Canada

**August 15-16, 1975**  
Kansas Land Title Association  
Holiday Inn Plaza  
Wichita, Kansas

**August 21-23, 1975**  
Minnesota Land Title Association  
Downtown Holiday Inn  
Rochester, Minnesota

**September 5-7, 1975**  
Missouri Land Title Association  
Crown Center Hotel  
Kansas City, Missouri

**September 9-10, 1975**  
Wisconsin Land Title Association  
Midway Motor Lodge  
LaCrosse, Wisconsin

**September 11-13, 1975**  
North Dakota Land Title Association  
Minot, North Dakota

**October 1-4, 1975**  
ALTA Annual Convention  
Palmer House  
Chicago, Illinois

**October 20-27, 1975**  
Mortgage Bankers Association of America  
Conrad Hilton Hotel  
Chicago, Illinois

**October 26-28, 1975**  
Indiana Land Title Association  
Rodeway Inn  
Indianapolis, Indiana

**November 7-13, 1975**  
National Association of Realtors  
San Francisco Hilton  
San Francisco, California

**November 9-13, 1975**  
United States League of Savings Associations  
Convention Center  
Miami, Florida

**December 3, 1975**  
Louisiana Land Title Association  
Royal Orleans  
New Orleans, Louisiana

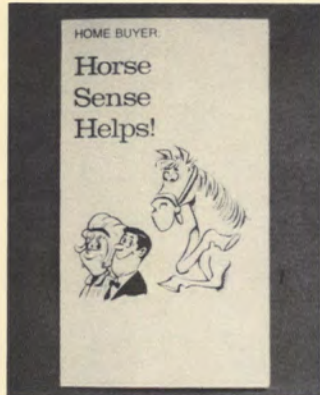
**December 7-12, 1975**  
National Association of Insurance  
Commissioners  
Regular Meeting  
El San Juan  
San Juan, Puerto Rico



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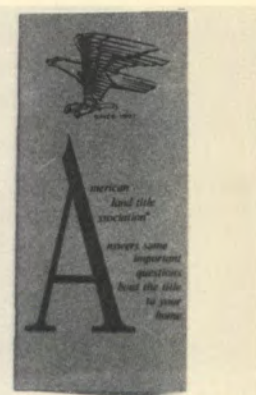
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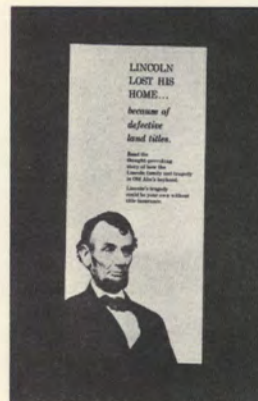
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**THE IMPORTANCE OF THE ABSTRACT IN YOUR COMMUNITY.** An effectively illustrated booklet that uses art work from the award-winning ALTA film, "A Place Under The Sun," to tell about land title defects and the role of the abstract in land title protection. 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. \$24.00 per hundred 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.





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# American Land Title Association

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