Title News

the official publication of the American Land Title Association

ALTA Tapes For National Public Radio

March, 1975

A Message from the Chairman, Title Insurance and Underwriters Section

MARCH, 1975

The program at the Mid-Winter Conference at Hotel del Coronado in San Diego highlights many items important to all of us in the title business—regardless of size.

A great deal of attention is focused on The Real Estate Settlement Procedures Act of 1974. This act becomes effective on June 20, 1975—*does* affect you—and has very harsh penalties for violations. An excellent in-depth analysis of the Act is scheduled for the Conference. Prior mailings from ALTA (particularly the December, 1974, issue of *Capital Comment)* have highlighted the provisions of this law. I suggest you secure advice of counsel to make sure you are in compliance.

It is important that we recognize that this legislation will not be the last effort by some in Congress to impose federal control on our business and those in related real estate professions. Senator Proxmire has made it clear that he does not feel that the new law goes far enough. As the new chairman of the Senate Banking, Housing and Urban Affairs Committee, he may well advocate future legislation in this field and has stated that the Congress in 1975 should "consider stronger measures for reducing excessive settlement charges." He suggests the possibility of (a) limiting the amount of such charges (which could mean federal rate controls on abstracting, title insurance, escrow services, real estate commissions, etc.); (b) making the lender pay for the closing services he requires in order to make a loan; and/or (c) requiring the federal government to furnish these services.

Your Association will continue to monitor all federal legislation introduced and will oppose any attempts to implement suggestions like those of the Wisconsin Senator, which are not in the best interests of our members or of the free enterprise system.

We recognize the need for fair and just regulation of the title insurance industry . . . as for any line of insurance. We believe this can best be accomplished at the state level. Your Association is working with the National Association of Insurance Commissioners to strengthen any areas of weakness in state regulation of our industry.

From the pronouncements made in Washington, however, and the makeup of the Congress, it appears inevitable that we will have to call on you to contact your Senators and Representative in Washington to get our message to them. Your response to these pleas in the past has been excellent; your help this year may well be essential to retain our title industry as a free American enterprise.

Sincerely,

C J McConville

C. J. McConville

ALTA action

Representatives of ALTA and the Mortgage Bankers Association of America met in Washington on February 26 to discuss topics including federal flood insurance law due to go into effect July 1. Both ALTA and MBA are interested in postponement of the implementation date.

ALTA members of the Liaison Committee with the MBA include Chairman Robert C. Bates, Chicago Title Insurance Company; James O. Hickman, Pioneer National Title Insurance Company; Bruce M. Jones, SAFECO Title Insurance Company; Thomas Pearson, Security Title and Guaranty Company; and Billy F. Vaughn, Lawyers Title Insurance Corporation.

* * *

ALTA Executive Vice President William J. McAuliffe, Jr., will be a guest speaker March 1 at American Title Insurance Company's first annual seminar for policy-writing attorneys, to be held in Miami. His topic will be "Federal Governmental Agencies—How They Affect Title Attorneys."

On March 13, McAuliffe is scheduled to speak on the subject of title insurance before students at the George Washington Law School, Washington, D.C.

* * *

Conferees from the National Conference of the ALTA and ABA are scheduled to meet March 8 in Coronado, Calif. Discussion will include a recent ABA pamphlet entitled, "The Proper Role of the Lawyer in Residential Real Estate Transactions" and other matters.

The ALTA Conferees include Chairman Alvin W. Long, Chicago Title and Trust Company; Fred B. Fromhold, Commonwealth Land Title Insurance Company; Gerald L. Ippel, Title Insurance and Trust Company; James H. McKillop, II, Lawyers Title Insurance Corporation; James J. Vance, Jefferson County (Wis.) Abstract Company, Inc.; and William J. McAuliffe, Jr., ALTA staff.

* * *

The North American Conference on the Modernization of Land Data Systems is scheduled for April 14-17, in Washington, D.C. Interested parties may refer to the February, 1975, issue of *Title News* for information. Related questions may be directed to: Chairman of the ALTA Committee on Improvement of Land Title Records Thomas E. Horak, Commonwealth Land Title Insurance Company, 1510 Walnut Street, Philadelphia, Pa., 19102.

* * *

Recent activity of the ALTA Public Relations Program includes preparation of scripts for two 60-second television public service film clips scheduled for shooting this month; planning for the 1975 public service radio spot package of the Association; and distribution of the 1975 version of the ALTA "Lincoln Lost His Home" release to newspapers. All of these activities identify the land title industry with serving the public interest.

The two film clips will be mini-dramas emphasizing the importance of land title protection; one will be distributed to stations this spring and the other will be sent out in the fall.

ALTA television and radio material is aired in time stations donate free in the public interest.

Different versions of the ALTA release—telling how Abe Lincoln's family lost three farm homes because of land title problems—are sent out each year. In 1974, this release was published by 20 different newspapers.

Chairman of the Public Relations Committee is H. Randolph Farmer, Lawyers Title Insurance Corporation.

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ON THE COVER: ALTA Immediate Past President Robert C. Dawson left, tells Bob Edwards of the National Public Radio network how title insurance protects. The commentary was included in a nationally-broadcast interview in response to an earlier attack on title insurance by Richard Hapgood, liberal author, and Martin Lobel, attorney and former legislative assistant to Senator William Proxmire (D-Wis.). For the story, please turn to page 4.

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

ALTA Refutes Allegations Through National Public Radio Interview

ALTA has refuted allegations made late last year in an attack on title insurance by Richard Hapgood, liberal author, and Martin Lobel, attorney and former legislative assistant to Senator William Proxmire (D-Wis.).

The Association response was delivered by ALTA Immediate Past President Robert C. Dawson during a nationally-broadcast interview heard over the National Public Radio network.

It all began last November 7 when David Hapgood, a liberal author, was interviewed on "All Things Considered", a Peabody-Award-winning NPR show aired nationwide in drive time.

"Now you pay for the title search, but then the same person who did the search turns around and sells you insurance on his own performance," Hapgood said on the program. "He sells you an insurance policy so that in case he made a mistake, you'll be covered."

Later, on December 24 and again on December 26, Hapgood interviewed Martin Lobel on the show. Lobel is a Washington, D.C., attorney and former legislative assistant to Senator William Proxmire (D-Wis.). Among the Lobel statements on the air were the following:

"Title insurance essentially is nothing but insurance against the negligence of the title company when it searched the title.

"Well, the most common defects are usually excluded from title insurance coverage. But the loss ratio for the title insurance company is rather indicative of how severe a risk they incur. For every $100.00 they take in, they pay back $2.10.

(In response to a question from Hapgood about the "excess" cost of title search and title insurance to the consumer) "Oh, hundreds of millions of dollars a year. The average fellow who buys a policy pays as a percentage of the value of his home, so the more you pay for your home, the greater the cost of title insurance and the title search. The cost that you pay bears no relationship to the amount of time or effort put into the search.

"But the real problem is that the title records in almost every state in this country are in dismal shape, and the reason they're in such bad shape is those who are most intimately involved have a vested interest in not reforming out title laws and records, because the more complex it is, the higher it is, the more you need experts, that is, a title insurance company, or a lawyer, and so forth. There is no reason transferring title to real estate should be any more expensive than transferring title to an automobile."

ALTA was given no advance notice that these allegations were to be broadcast, and received no invitation to respond. As soon as the Hapgood and Lobel broadcasts became known, ALTA staff contacted the NPR staff in Washington and demanded that the Association be given an opportunity to correct related misinformation on the "All Things Considered" show during drive time. Because of the one-sided and misinformative nature of the Hapgood and Lobel broadcasts, ALTA staff also demanded that a land title industry spokesman be given air time separate and apart from these two individuals.

After an extended period of negotiation, NPR agreed to air the ALTA view on "All Things Considered" during drive time. ALTA Immediate Past President Robert C. Dawson was interviewed by Bob Edwards, NPR staff announcer, and the conversation was taped. Later, an edited version of that tape was broadcast on the national network on January 24.

Following is a transcript of the full Dawson interview. Portions that were broadcast are shown in italics.

Edwards: Their main complaint seemed to be that title insurance was not necessary. That it's simply insurance against the title searcher's mistakes.

Dawson: Well let me say this, Bob. Of course in my opinion title insurance is absolutely necessary for the protection of anyone who deals with any interest in real property. You know, land title insurance has been available to the American public for approximately 100 years and, of course, during that time a great many homebuyers and investors in real estate have taken advantage of this very valuable protection. But, even so, it does remain a consumer safeguard that is often misunderstood. Title insurance is a lot of things. It's a tremendous benefit to the insured, it's a great bargain—possibly the greatest bargain available in the insurance industry today. It insures against a very wide variety of title problems and includes a considerable number of potential title defects that even the most competent search of the public records could never possibly reveal. And, in addition to all of those areas of coverage, there is one that I want to mention that is very seldom emphasized and that is simply the commitment of responsibility on the part of the insuring company to, at its own expense, provide for the defense of its insured in any litigation, any lawsuit, that might be brought against that insured that includes a claim against the title as insured. Now, this liability on the part of the company is assumed whether or not the claim against the title is well founded or whether or not the insured is eventually successful. So, in my opinion, that one aspect of coverage alone is worth more than any premium that's ever been paid for an owner's policy of title insurance.

Edwards: *There seems to be some question as to whether it's optional or mandatory.* Mr. Lobel says that he wasn't allowed by his bank to search his own title even though he had some expertise in it.

Dawson: *Title insurance, of course, is not mandatory from the standpoint of the purchaser of real estate although it really should be, at least in the mind of that purchaser. From the standpoint of the lender, in a great many instances, and with a great many lenders, they absolutely require that title insurance be provided as their protection in any transaction where they're making a mortgage loan that is secured by an interest in real estate.* Now, Mr. Lobel's claim that he was not permitted to search and examine his own title and to provide the certification to the title insurance company is something of a ridiculous statement, really. It would be tantamount for example to a life insurance company that would permit a doctor to provide his own certification of the status of his health when he was making application for a life insurance policy. It's too self-serving. We wouldn't accept the certification from any attorney in any transaction where he was either the seller or the buyer of the property. It's just a logical position to assume.

Edwards: *There was also mention of the cost. Mr. Lobel contends that, on the average, a person gets $2.10 of protection per $100 taken in by the title insurance company.*

Dawson: *Bob, he, I assume, is referring to the allegation of the low loss ratio that title companies experience. Of course, I think what you have to keep in mind is that the title insurance industry is involved in a loss preventive effort. You know the United States is one of the very few remaining major powers where the rights of ownership in real property are considered to be inviolate. And, consequently, in this country we have built up a very vast, a very complex body of laws that define and protect those rights. And so from the standpoint of our industry, our major concern is an effort to make sure that our insureds are safe and secure in that ownership. And so this loss preventive posture translates into the fact that we expend approximately 80 percent of our income in trying to make sure that all of the titles that we have insured are sound.* And that our insureds can, and they will be able to continue the use and occupancy and the enjoyment of their property. And to me it's a very logical position to assume.

Edwards: *Mr. Lobel says that the buyer pays a percentage of his property value. That the higher the cost of the piece of property, the higher the cost of the title insurance.*

Dawson: Bob, what he is referring to, I believe, is the fact that in this business *(O)ur charges are based on what we might call an averaging of costs basis. And it is a very logical means of making the charge because this means that the higher price real estate transaction is actually, to some extent, subsidizing the lower range transaction. For example, if the title company charged on a per hour rate or for actual work performed in a transaction involving a low-priced acquisition, I'm sure we would find that the cost would be substantially in excess of the average cost that's made today. It's a price averaging concept and it benefits the consumer who is involved in acquiring the lower priced real estate.* We think it's a very sound, and a very logical means of establishing charges.

Edwards: *Mr. Dawson, Mr. Lobel says that you use much of your profits to pay kickbacks to real estate companies. He says these kickbacks are sometimes termed commissions or referral fees.*

Dawson: Well, let me say this Bob, in our business we do pay, for example, commissions. *Now, (C)ommissions are paid to agents in our business who perform all of the functions for the underwriting companies. We operate through agents just like many other phases or factors in the insurance industry operate. The agent solicits the business. They perform the underwriting, they issue the binder and policy, and they participate in the form of a commission of premium. Now from the standpoint of his allegation of kickbacks, I assume he is referring to the payment of a fee for the referral of the business. That's*

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ALTA Immediate Past President Robert C. Dawson, left, president of Lawyers Title Insurance Corporation, listens to a question from Bob Edwards of National Public Radio during an interview in which the Association officer refuted allegations made earlier in an attack on title insurance by Richard Hapgood, liberal author, and Martin Lobel, an attorney and former legislative assistant to Senator William Proxmire (D-Wis.).

Big Business: Universal Scapegoat

By

ARCH BOOTH
President
Chamber of Commerce
of the United States

The newsletter reads: "There's hefty opposition in Congress to anything helpful to business without helping plain people."

It's a reputable newsletter and I have no doubt the report is correct. But it started me wondering, as such reports usually do. How did we fall into this trap of assuming that whatever helps business hurts "plain people," and vice versa? It's almost as though we were talking about two entirely separate worlds, rather than one and the same economy, which prospers or fails as a unit.

What, after all, is "business"? It's the store you own, or the company that pays your salary, or the stocks and bonds that feed your pension fund and your insurance policies, or the companies and their employees that pay the taxes that pay your salary.

The health of "business" affects everything. Even the great, "non-profit" philanthropic foundations are in trouble today because their investments are losing value as the stockmarket sags. That, in turn, hurts the charities and cultural institutions they once supported. Many of the big privately endowed universities are caught in the same pinch.

When business is off, people worry. When the stock market falls, people worry. When workers are laid off, people worry. You would think, then, that steps to reverse these worrisome declines would be welcome. On the contrary! Just let some businessman or politician hint that something should be done to aid business, and he immediately becomes the target of every demagogue in the land.

Remember when a president of General Motors said—some years ago—"that what was good for our country was good for General Motors, and vice versa"? What he meant, of course, is that what helps American business in general is good for the economy, and everyone benefits from a healthy economy. But the possibilities of taking that remark out of context were too tempting to ignore. So, instead of interpreting the statement correctly, the major news media cooperated with the demagogues in an attempt to make a laughingstock of the unfortunate man.

Dictators often find it useful to conjure up a foreign "enemy" to distract the attention of their people from the effects of their own misgovernment. In our society, the fear of "big business" is being used in much the same way by politicians who favor more state control over the economy; that is, less economic freedom for the individual.

"Big business" is a straw man. Business is probably our weakest social institution, in terms of its ability to influence the political process. Fearing its "power" is like fearing the power of a bulldozer. Sure it's powerful, but the application of that power is sharply restricted to the design function. In the case of business, that function is providing goods and services to the consumer.

If you want to know which way things are really going, don't be distracted by the current profits of Exxon—or any other transitory and isolated bit of data. Instead, take a look at the big picture.

If you do that, you will find that government took 10 percent of the national income in 1929. Today, it takes 40 percent. And if present trends continue, it will take more than half by the late 1980s.

Think business is getting favored treatment? The fact is, we tax capital more heavily than any other major industrial nation. And capital is where it all begins: Jobs, products, inventions—prosperity.

The depressing truth, my friends, is that we are all being led straight to the slaughterhouse by shepherds who claim to be protecting us from the wolf.

Housing: Improvement Ahead?

Arnold C. Schumacher

Vice President and Economist

Chicago Title Insurance Company

In the past two years the housing industry has suffered its most severe downward adjustment in thirty years. In the 1955-57 period new private housing starts declined by 30 per cent. The dip in 1959-60 was only 25 per cent. The 1966 interval of stringency was sharp but fairly short-lived with starts dropping 33 per cent. In 1969 the decline amounted to 35 per cent. However, at the beginning of 1973 housing starts were running at an annual rate of 2.5 million units and have dropped steadily for 24 months to a current level well under 1.0 million. This represents a decline of 65 per cent from the earlier peak.

Residential construction is the most highly credit-leveraged industry in the economy, and the story of its collapse is the story of massive shrinkages in savings flows to thrift institutions as the result of soaring interest rates and disintermediation, all stemming from inflation. As short-term interest rates moved well above the 8 per cent level in mid-1974 and special Treasury and private note issues were offered at even higher rates, savings and loan associations and mutual savings banks were powerless to prevent huge deposit withdrawals from their institutions. In 1972 all savings and loans enjoyed a deposit gain of $23.9 billion. The figure dropped to $10.5 billion in 1973 and was less than $3.0 billion in 1974 with virtually all of the gain concentrated in the first quarter of the year. During the second and third quarters savings and loans suffered an average monthly net drop in funds of $400 million per month.

The same factors of record, high mortgage interest rates in 1974 together with a lack of funds and large down payments, cut sharply into the secondary home market. Since mortgage interest rates are substantially higher than at any time in the last 40 years, home owners are reluctant to upgrade or move out of their present quarters. Potential buyers, particularly young people, find it difficult to obtain mortgage money and even if a loan can be arranged they have been unable to raise the large down payment which may run as high as 40 per cent or 50 per cent.

Needless to say this situation has created serious hardships within the industry. Some large builders and numerous smaller ones have found themselves either bankrupt or on the verge of bankruptcy. Unemployment within the building trades has increased substantially. Real estate brokers and salesmen have suffered losses in income. Even if the situation should improve quickly, which is hardly likely, a number of months would be required to restore a healthy atmosphere in residential markets.

What is the outlook for 1975? It seems probable the housing cycle is currently scraping bottom and some improvement will be evident in 1975. Short-term interest rates have declined from levels which prevailed in mid-1974. This should serve to restore a flow of funds to thrift institutions. In the past few months selected savings and loans have reported a modest recovery in deposit inflows. Recently announced government programs should also have a positive effect.

At the same time, there are factors which suggest any recovery may proceed slowly. The savings and loans need to strengthen their liquidity positions and reduce their obligations to the Federal Home Loan Bank. Also, the inventory of newly completed but unsold single-family homes now exceeds 430,000 units (annual rate) which is nearly 70 per cent of one year's production at currently depressed levels. While we would anticipate an improvement in both the new and used markets in the first half of 1975, the gains may be less than desired by the housing industry.

Total housing starts in 1974 amounted to about 1.38 million units and the figure for 1975 is estimated at 1.35 million. This means some gains from current levels, most of which will take place in the latter half of the year. In recent years there has been a shift in the market mix away from the single-family detached home to condominiums and this trend seems likely to continue.

Looking at housing over the next two or three years several thoughts occur to us. While a recovery in the housing cycle should get under way in the next few months, we are inclined to doubt that the improvement will match the

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Thomas R. Bomar, Chairman
Federal Home Loan Bank Board

FHLBB Legislative Outlook

(Editor's note: The following is adapted from an address delivered February 3 at a United States League of Savings Associations legislative conference in Washington, D.C.)

* * *

There is a great deal we need to accomplish this year. The newly organized ninety-fourth Congress is young, energetic and ready to go to work. The majority of the S&L industry, I believe, recognizes that there is need for significant improvement in the industry's capacity and the Administration is committed to the pursuit of changes in the financial structure of our country. In combination these factors offer us a tremendous opportunity for real legislative accomplishments.

The major legislative item this year will, of course, be the Financial Institutions Act. The Treasury announced last week that it would reintroduce the bill with two major changes.

The Board has supported the Financial Institutions Act in the past and will continue to do so in the future. It is a key ingredient in gaining for you the capacity you must have to continue to perform the vital functions and services for which you were created.

Some in the industry have expressed concern that a broadening of their powers will detract from their traditional purpose of thrift and home ownership and turn them into second banks.

The Board believes this is not the case. The Board's Office of Economic Research has just completed a study which uses a well-respected econometric model to test the impact on S&L's, banks and housing of allowing S&L's to offer just two additional services, consumer loans and checking accounts. OER did not try to plug in all the additional elements we feel are important as this would have produced too great a complexity. Consumer loans and checking accounts are the most significant variables. We will be sending all of you a copy of the study in the near future. The punchline is that the model shows that S&L's, banks and housing all gain.

S&L's gain due to the fact that consumer loans and checking accounts are valuable in themselves. Equally important, at least, is the synergistic effect. By offering these new services, an S&L is a far more attractive and convenient provider of financial services, therefore additional savings accounts are produced. I think most would agree that makes sound basic sense. Some who have not accepted this have felt that consumer loans and checking accounts would be money losers. That need not be the case at all, though more skill and effort is required to run more diverse and competitive business lines.

Banks will have more competition with S&L's expanding into areas where they have had prior claim, but the study concludes banks don't lose volume but gain also. The reason for this gain is increased economic activity produced by letting our free markets work, and *that* is the key—*letting our free markets work.*

Home building is shown to benefit also as S&L's, which would be more competitive and have more stable deposits, would not be subjected to the surging of funds which has been so disastrous to home building.

We are hopeful that this study will be useful to you and to Congress in your deliberations and decisions on the changes which must be made.

An area which requires no new legislation, but does require additional discussion and cooperation with Congress, is the area of variable rate mortgages (VRM's).

If there is a consensus on any one item of need in the industry, it is on the need to try VRM's. The subject is so well understood and supported in this group, no additional discussion here is needed on its merits.

What is needed is a concerted effort on your part to convey your concern about VRM's to your representatives in Congress and solicit their support for the introduction of regulations by the Board in order to move forward with VRM's.

The Board's regulations would cover only federal S&L's. State-chartered institutions in various states are already using VRM's, causing federals to be even further disadvantaged. Our proceeding with responsible consumer protecting VRM regulations is past due.

One of the most exciting and innovative new activities that offers great potential for S&L's is something we refer to as electronic funds transfer. Due to the rapid pace of development of EFT services, there has been pressure for a bill, introduced recently, to put a moratorium on EFT activities.

A moratorium on the development of services which offer the public greater convenience and attraction would appear to be anti-consumer and thus unwarranted on that basis alone. If that were not enough, the Board is distressed at this notion as it would be disadvantageous to S&L's who have spent time and money developing these new activities and are leaders in the field. A moratorium would penalize their initiative which is contrary to the principles of our free enterprise system.

Most of you have not yet become active in the EFT field, but I urge you to join your associates who are, in speaking out against this type of injustice and bridle on your opportunities.

I would like to briefly discuss some pieces of legislation which you may not be familiar with. These are technical matters and thus not the type of thing that attracts notoriety.

Last year the Commodities Futures Trading Commission Act was enacted into law, making reference to mortgages. This is a big step in moving forward toward a futures market in mortgages. We are working with some of the commission's organizers now.

A bill not yet introduced is a tax bill which would provide that an instrument supported by mortgages would qualify as a mortgage for tax purposes. This would mean that such instruments could be held by S&L's and savings banks and qualify as mortgages for tax purposes which now is not the case. When the law is changed and the tax credit is hooked to the mortgage interest income, all investors would secure a tax credit holding those instruments at a percentage based upon their mortgage holding in total. For instance, as presently proposed, anyone holding 70 per cent in instruments qualifying as mortgage would get a 3½ per cent credit. I don't need to tell you what that might do to the attractiveness of a mortgage-backed bond.

Another bill, S-203, Mortgage Securities Act, introduced in the Congress by Senator Sparkman, deals with requirements in securities law for dealing in mortgages. At this time, a mortgage is a security, and, as such, is subject to the securities laws. It seems clear that the securities laws never contemplated mortgages as a widely traded instrument at the time it was enacted.

Working with the help and active support of the SEC, we have produced a bill which would establish for mortgages and mortgage-supported instruments requirements tailored to the characteristics of mortgages.

With AMMINET operational and gaining volume, we have the ability to communicate prices on mortgage products around the country at low cost in an instant.

These diverse bits of legislation all fit together. Combining legal requirements for mortgages tailored to the instrument, tax benefits, provisions for legal capacity for a futures market and the cash market attractions of AMMINET, we have the wherewithal for some additional giant steps toward an effective secondary mortgage market functioning in the private sector.

It would be very helpful if you find it possible to include a provision in your legislative program favoring reintroduction of legislation allowing mortgage-supported instruments to qualify as mortgage for tax purposes and as well, support for S-203 which is important to AMMINET's long-term future and improved capacity in the secondary market.

Not part of your legislative planning here, but very important, is legislation being enacted by the states. We are concerned that things being done in the name of consumers, although with the best of intentions, are going to drive money right out of the housing market.

To establish provisions which disallow due-on-sale provisions and to try to stack the deck unjustly on behalf of a borrower, and thus against savers who provide the funds, is going to cost home buyers money and/or deny them the opportunity for a mortgage. As individuals who stand in the middle between the borrowing and the lending and savings public, you see this happen. There are areas in which improvement on behalf of borrowers is needed in mortgage transactions—closing costs are an example. Creating laws that dictate loan terms are likely to make a mortgage the best deal no one ever got. The attention you are giving this matter and the help provided your state legislatures in understanding the consequences of certain actions will truly be in the best interest of savers and home buyers alike.

As you finalize your legislative plans, we hope you will select the most important and basic from among the many things the business needs. Congress was very responsive to our needs last year and there is a great desire to move further ahead this year.

The most important and basic matters are by definition those opportunities which provide greater competitive capacity. This industry must have, and we trust will have, competitive protections for an additional period. However, over time the only real solutions are those based on your performing a valuable service in a free and competitive market. There is no other satisfactory answer. □

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the only action that takes place. Actually, I think that is moot at the present time because, as you might know, we have new federal legislation on the books that was wholly supported by our industry and by the American bar that will, I think, effectively eliminate the practice of paying a referral fee. I might go on beyond that and say this, that in my opinion, that particular practice within our industry was confined to a very limited area of the country. It was not a widespread practice of the industry. And I think, again in my opinion, that it's been blown up out of all proportion and overemphasized.

Edwards: *And, Mr. Lobel says that people connected with title searches and titles are not interested in the upkeep of title records, which he says are in abysmal shape, because you have a vested interest in keeping them in abysmal shape.*

Dawson: *Well Bob, of all the statements Mr. Lobel has made, that one is purely irresponsible. For example, as I just mentioned, our industry and the organized bar were very instrumental in supporting the new federal legislation which is on the books and which contains one provision that requires, for example, the federal government to take the lead in an effort to standardize and to improve land recordation systems throughout the country, which in turn, hopefully, will reduce the cost to the consumer and also the necessary time for the search.* Now, in addition to all of that, our industry through the American Land Title Association, has consistently—and repeatedly, financially supported a great number of endeavors on the part of various commissions and committees that are working in various areas of the real property law. All for the purpose of attempting to standardize the laws and the procedures incident to those laws and, hopefully, eventually, to make the cost of the consumer less and to simplify the process of searching and examining titles to real property. So, I think that the statement is totally irresponsible. Our industry has and will continue to fully support all efforts in this regard. □

Major Decline In Multi-Family Units Noted by Realtor Association

Fewer new multi-family housing units will enter the housing inventory in 1975 than at any time in the last three years, reports the National Association of Realtors research department. This, coupled with an expected increase in household formations, points to a tightening in the rental market and keener competition for existing units. Predictably, the report says, this will give rise to further pressures for rent increases.

Throughout 1974, new multi-family housing starts declined much faster than completions. As a result, the housing "pipeline" has been emptying. For example, Realtor Association data indicate that in November multi-family completions ran ahead of starts by a ratio of 3 to 1. The low level of multi-family starts and the diminishing number of multi-family units under construction make it certain that completions will remain low through all of 1975 and at least the first quarter of 1976. This declining rate of completions should cause the rental vacancy rate to stabilize and perhaps decline after edging upward since 1970.

The outlook for substantially fewer multi-family completions in 1975 is supported by government data. The number of multi-family units under construction at the end of November was 723,000, down 31 per cent from a year earlier, making it the fifteenth consecutive month of decline. In addition, preliminary data for December show privately-owned, multi-unit housing starts at a seasonally adjusted annual rate of 190,000 units, a decrease of 70 per cent from the same month last year.

That this paucity of construction will continue is seen in the fact that the issuance of building permits for multi-family units has declined throughout 1974. In December, permits for multi-family units in the 14,000 jurisdictions that require permits were issued at a seasonally adjusted annual rate of 320,000 units. This is 50 per cent below the rate of 645,000 units a year earlier.

Even if there should be a steady improvement in multi-unit construction, the report concludes, the impact in 1975 will be mitigated because of the long construction time required before multi-family starts become part of the market supply. The average construction time for residential buildings has been increasing since the mid-1960s. Due in part to shortages of materials, the average for buildings with five or more units in 1973 was just over 10 months, with some larger structures containing 300 or more units taking more than two years to complete. □

New NAHB President Norman Outlines Housing Program

Newly-elected J. S. "Mickey" Norman, Jr., 1975-76 president of the National Association of Home Builders, has outlined a program aimed at revitalizing the depressed housing industry and restoring consumer confidence in the national economy. Norman is a Houston builder.

"This industry has hit bottom," Norman said at NAHB's recent annual convention/exposition in Dallas. "From here on we're going to be moving up."

Other NAHB national officers elected at the NAHB Convention are: First Vice President John C. Hart of Indianapolis; Vice President and Treasurer Robert Arquilla of Glenwood, Ill.; and Vice President and Secretary Ernest A. Becker of Las Vegas.

In a press conference after the election, Norman listed his five objectives in the year ahead as: (1) playing a decisive role in the nation's battle against recession and inflation by restoring consumer confidence and selling homes; (2) searching for new solutions to help ease the boom-and-bust cycles in the mortgage market; (3) promoting sensible growth policies instead of no-growth policies which have hampered housing production in many communities; (4) identifying the inflationary pressures in the housing market which have driven 60 per cent of American families out of the housing market; and (5) developing a strong consumer relations approach, with emphasis on the already established Home Owners Warranty (HOW) program.

The election of the NAHB national officers and 15 area vice presidents climaxed five days of deliberations.

In a 15-page policy statement, the NAHB Board of Directors said there is an urgent need "for firm and bold national leadership to restore consumer confidence, put the jobless back to productive work, and return the nation to a new level of stability.

"In past economic downturns the housing industry has been looked to as the bellwether to lead the economy toward new high grounds of activity. The housing industry could help again, but not without bold federal action.

"The President, the Congress, and the Federal Reserve Board must assist that recovery by bringing mortgage interest rates within the reach of middle Americans. More flexible and adaptive use must be made of current mortgage assistance programs. Authorized and funded assisted programs for low and moderate income families must be set in operation.

"Production means employment. Jobs mean housing and sales and rentals of apartments. An upturn in housing will swell throughout other industries, into other occupations, and move the economy forward.

"The NAHB, with its more than 77,000 member firms, is poised and ready to do its part in moving the nation out of recession and toward achievement of neglected economic and social objectives."

NAHB President Norman

Betty Lynde Honored By Realtor Board

Betty Lynde, president of Lawyers Title of Pueblo, Inc., agent for Lawyers Title Insurance Corporation in Pueblo, Colo., has been named winner of the Pueblo Board of Realtor's Thomas J. Downen Realtor of the Year Trophy for 1974. She is the first person not actively engaged in the sale of real estate to receive the award since its inception in 1955. Lynde is a former secretary of the ALTA Abstracters and Title Insurance Agents Section and a past president of the Land Title Association of Colorado.

HOUSING—Continued from page 7

strong upsurge of the 1970-72 period. While money will be more available, mortgage interest rates may remain high which will act as some deterrent on demand. High mortgage interest rates alone may not be especially depressive but a more important dampening influence may be the high prices of homes. During recession periods, home prices (generally speaking) do not decline very much and they seem unlikely to drop in 1975. At the same time, large cost increases, particularly in construction labor and land, during the past few years have pushed home prices to such heights that many buyers are out of the market. To be sure, with an economic recovery some prospective purchasers will return, but their numbers may be less than in previous cycles.

From early 1970 to 1972 housing starts rose from about 1.0 million units (annual rate) to 2.5 million, a gain of 150 per cent which made for the most spectacular housing boom in the nation's history. The new cycle may not exceed a 1.8-2.0 million unit rate, a level which could be reached in early 1976. ☐

names in the news

Inland Title Corporation, Racine, Wis., announces the following promotions: **James M. Feldmann,** chairman of the board and president; **Michael P. Staeck,** assistant vice president and branch manager, Racine office; and **Albert F. Quadracci,** assistant vice president and branch manager of the recently-opened Kenosha office.

* * *

Three vice presidential promotions were announced by the Los Angeles Division of the Title Insurance and Trust Company. They are: **Neil F. Barton,** manager, central district-Wilshire office; **Marvin M. Gergen,** manager, title processing operations; and **Alan D. Palmer,** manager, west district-Beverley Hills office.

* * *

Commonwealth Land Title Insurance Company announces the following promotions to the position of assistant vice president: **Sally S. O'Neel,** Rhode Island division; **Richard Stoll,** metropolitan Washington, D.C., division; and **Richard G. Powers,** Philadelphia.

Other promotions include **Thomas C. Hart,** Texas state manager; **Glen Chaffin,** assistant manager, Dallas office; **James J. Mooney,** assistant counsel, Philadelphia; **Thomas S. Jones,** assistand title officer, Norristown (Pa.) title plant; and **Ulla-Britt Eriksson,** assistant secretary, Paterson (N.J.) office.

* * *

Robert C. Bates and **Mary Petrie** have been elected members of Chicago Title and Trust Company's board of directors. **Petrie** is treasurer of the University of Chicago. **Bates** is a senior vice president of Chicago Title and Trust Company, and executive vice president of Chicago Title Insurance Company.

* * *

George M. (Mike) Ramsey has joined Lawyers Title Insurance Corporation in Dallas as Texas state manager.

In addition, Lawyers has announced the election of **Richard F. Cimpl** as branch manager of the Title Underwriters Division (Milwaukee), formerly a Lawyers Title subsidiary known as Title Underwriters, Inc. **Otto O. Marquardt** and **Roberta J. Marquardt,** both formerly with the subsidiary, have retired and will remain advisers to the new branch.


BATES


PETRIE


RAMSEY


CIMPL


MILES

* * *

Stewart Title Guaranty Company announces the appointment of **James J. Miles** to western division manager for Arizona, California, and Nevada.

* * *

The St. Paul Title Insurance Corporation has announced several management transfers in its Michigan division, Burton Abstract and Title Company. The moves include **Tony Wypa,** manager, Grand Rapids office; **Mary Rector,** manager, Muskegon office; and **Russ Thompson,** state special projects officer.

Free Inflation Rider For Commonwealth

Commonwealth Land Title Insurance Company has announced a free residential inflation endorsement on its owner's title insurance policies in New Jersey.

The new endorsement will automatically increase coverage to keep pace with the increased value of the property caused by inflation. As property increases in value according to the U.S. Commerce Department Construction Cost Index, title insurance coverage of the home will automatically increase proportionately up to a maximum of 150 per cent of the original amount of the policy. There is no additional payment for the endorsement beyond the initial policy payment.

The new Commonwealth Land coverage went into effect in New Jersey on January 1, 1975, and has been issued automatically on all policies written by the company since that date.

Small-Volume Builders Make Special Effort To Help Purchaser Difficulties

Small volume builders are making a special effort to overcome the inability of many would-be buyers to purchase new housing, a recent survey shows. In the survey, conducted by *Journal-Scope,* the weekly publication of the National Association of Home Builders, small volume builders listed ways in which they are trying to overcome increased down payments, high interest rates and difficulties prospective buyers have in qualifying for loans.

The typical small volume builder constructs fewer than 25 units a year—mostly single family. He has few employees and does much of the actual construction work himself. Many of these men—and, there was one woman too—are custom builders. Here's what the survey found:

Small volume builders are cutting costs and profits in order to reduce prices to compensate for buyers' high financing costs. They are still building, but they have to build fewer units, build smaller units and generally slow down operations.

Some builders are trying to ease prospective buyers' burdens by temporarily leasing new homes. Some are subsidizing part of their interest for a time. Others are renting new homes for a period and crediting part of the rent toward an eventual down payment.

While some builders are being forced to close down, others are trying to hang on by working harder and by what one builder called, "an ability to roll with the punches." They are taking more care in planning, being more selective on projects and trying to merchandise better.

Builders are seeking new ways to finance single family building. Small builders are scrambling for dollars under the federal government's Tandem Plan, administered by the Government National Mortgage Association; they are obtaining 8 3/4 per cent government money; and building under Farmers Home Administration and Veterans Administration housing programs.

One builder surveyed is taking advantage of 1 per cent interest-credit mortgages available to buyers under FmHA; another has obtained Federal Land Bank loans; a third is able to secure construction money because he has a reserve of commitments for permanent take out. One builder has arranged a profit sharing joint venture with his lender in order to keep on building homes.

Finally, some builders are building different types of residential units. Some have switched to rental housing. Many are turning to lower priced units. Others are building presold and custom units only.

Seminar Held

An all day real estate seminar was recently held at the Philadelphia Marriott Motor Hotel for over 500 area real estate brokers and their salesmen. Participants in the seminar pictured above are, from left, Dave Stone, the seminar's principal speaker and an author of numerous books for real estate brokers, builders, and investors; Marvin H. New, executive vice president of Industrial Valley Title Insurance Co. and Richard F. Bennett, vice president of Industrial Valley Title Insurance Co. The meeting was co-sponsored by Philadelphia Title Insurance Co., a division of Industrial Valley Title Insurance Co., and West Jersey Title and Guaranty Co., also an affiliate.

Chicago Acquires

Chicago Title Insurance Company has acquired Continental Title Corporation, Orlando, Fla., and operates the concern as a wholly-owned subsidiary with present services and personnel to be continued, according to Frank R. DeNiro, Continental president.

Reliance Acquires Commonwealth

Reliance Financial Services Corporation has completed the acquisition of Commonwealth Land Title Insurance Company from Provident National Corporation. The acquisition agreement had been signed in September, 1974.

Reliance Financial is a subsidiary of Reliance Group, Incorporated, New York, and is the holding company for the Philadelphia-based Reliance Insurance Companies. Commonwealth was a wholly-owned subsidiary of Provident National, Philadelphia.

Four new directors were elected to the Commonwealth Land Title board of directors as a result of the acquisition, Fred B. Fromhold, president of Commonwealth Land, announced.

They are Saul P. Steinberg, chairman and president of Reliance Group, Inc.; John T. Leatham, executive vice president of Reliance Group, Inc.; A. Addison Roberts, chairman of the board of Reliance Insurance Company; and Robert B. Hodes, a director of Reliance Group, Inc. and Reliance Insurance Company.

Realtors Seek New Warranty Program

Development of a warranty program on existing homes was termed a "high priority concern" by Art S. Leitch, president of the National Association of Realtors, during his inaugural address delivered at the Association's annual Mid-Winter Meetings held during February in San Antonio, Tex.

Leitch noted that the Association, through its state associations and nearly 1,700 local boards nationally, would respond to consumer interest in this area and have a program this year.

He added that 26 proposals for warranty have been submitted to the Association and reviewed by its Warranty Study Committee. The committee now has reduced the number to four.

President Leitch emphasized that the Association intends to provide leadership in this area, rather than have federal regulatory agencies step into the picture.

New E&O Insurance Now Available

R. J. Cantrell Agency, Inc., of Tahlequah, Okla., has announced its new availability of errors and omissions insurance to members of the land title industry. Abstracters and title insurance agents may purchase both coverages in one policy including title opinion coverage.

According to the agency, coverage includes those damages the insured is legally obliged to pay because of an act, error or omission—instead of the more typical "negligent" act, error or omission. Policy limit is in addition to the deductible instead of including the deductible.

There is no exclusion for liability arising out of title defects not disclosed of public record. Coverage provides for 45 days notice of cancellation rather than the usual 30 days. Also, there is coverage for the legal representative of any insured in the event of bankruptcy, death or incapacity.

Claim expenses are pro-rated if loss exceeds policy limits and claim expenses are not subject to deductible. There is provision of $50 per day, loss of wages, paid because of attendance at trials.

The agent, R. Joe Cantrell, has more than 25 years experience in title plant management and in the general insurance business. He presently owns an abstract and title company and operates a general insurance agency. Cantrell is a past president of the Oklahoma Land Title Association and has served as co-chairman of what is now the ALTA Abstracters and Title Insurance Agents Section.

Additional information about the agency's coverage may be obtained by writing R. J. Cantrell Agency, Inc., Box 516, Tahlequah, Okla. 74464.

Pamphlet Describes NHP Operations

How housing for lower income families is provided by the largest joint effort with that goal is outlined in a new pamphlet available from The National Housing Partnership.

The pamphlet describes the operation of NHP including partnership with local builders, developers, or non-profit and community organizations. Currently, NHP has commitments to participate in 145 projects in 32 states containing 22,160 units and costing more than $443 million.

NHP is a private organization created by Congress to stimulate by private enterprise housing for low or moderate income families. Among the organization's methods of operation described in the pamphlet are joint ventures, equity purchases, and sponsorship with non-profit and community organizations.

A free single copy of the pamphlet may be obtained by writing Department of Corporate Affairs, The National Housing Partnership, 1133 Fifteenth Street, N.W., Washington, D.C. 20005, and enclosing a self-addressed stamped envelope 9 ½ by 4 inches in size.

Chicago Title Escrow Department Provides On-Site Service at Real Property Auction

The Chicago Title and Trust Company escrow department recently handled a real estate auction with a new twist—a transaction where the escrow agreement was executed on the spot.

This auction was devised and supervised by Sheldon F. Good & Company. Terms specified that the successful high bidder immediately deposit $250,000 in escrow in the form of a certified or cashier's check payable to Chicago Title. An officer of Chicago Title was present at the auction to receive the check and accept the escrow trust agreement on behalf of his company.

The on-site public auction was for the Flying Carpet Motor Inn located in Rosemont, Ill., near Chicago's O'Hare Airport. A successful bid was submitted by Joseph M. Rowland, David G. Stauffacher, and the Nicolet Real Estate Investment Corporation. Purchase price for the 176-room motor hotel was $2,125,000.

Executing the agreement on site of sale streamlined the related work regarding time, post-sale sessions, and papers. Only one meeting—the final closing—was required to complete the Flying Carpet sale and this took place at Chicago Title headquarters the Monday following the auction.

"We may see many more auction-plus-escrow arrangements," said Jack Levine, vice president and head of Chicago Title's escrow department. "It's an ideal way to instill buyer confidence."

Parties involved complete details of an escrow agreement handled by Chicago Title and Trust Company on the site of the Flying Carpet Motor Inn auction at Rosemont, Ill. Shown from left are David M. Kaufman, vice president, Sheldon F. Good & Company; Joseph M. Rowland; Robert F. King, King Industrial Real Estate Co.; and Hugh Schwartzberg (seated, right), attorney for the sellers.

meeting timetable

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 24-26, 1975
Texas Land Title Association
Fort Brown Motor Hotel
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 6-7, 1975
Dixie Land Title Association
Holiday Inn
Callaway Gardens, Georgia

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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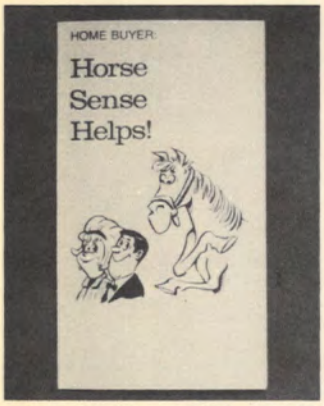
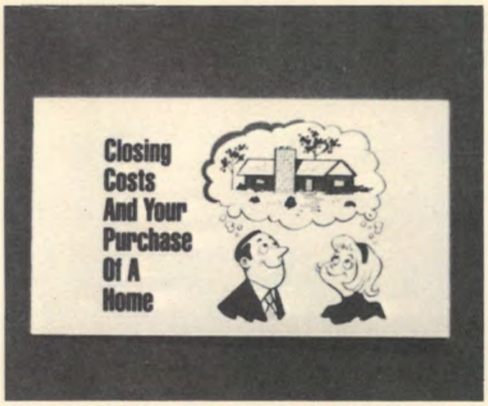


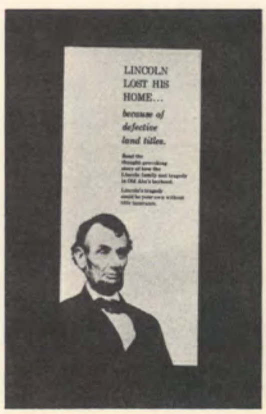
HOME BUYER: HORSE SENSE HELPS! A concisely-worded direct mail piece that quickly outlines title company services. 1-11 dozen, 65 cents per dozen; 12 or more dozen, 50 cents per dozen; designed to fit in a No. 10 envelope.



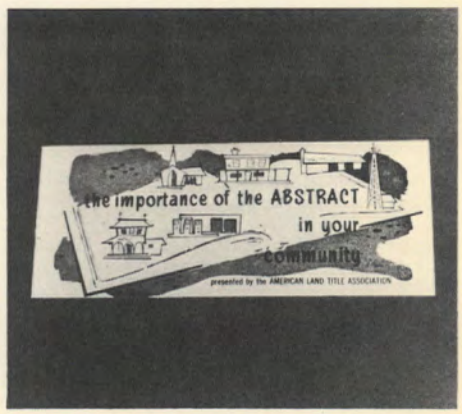
CLOSING COSTS AND YOUR PURCHASE OF A HOME. A guidebook for home buyer use in learning about local closing costs. Gives general pointers on purchasing a home and discusses typical settlement sheet items including land title services. 1-11 dozen, $2.25 per dozen; 12 or more dozen, $2.00 per dozen.

AMERICAN LAND TITLE ASSOCIATION ANSWERS SOME IMPORTANT QUESTIONS ABOUT THE TITLE TO YOUR HOME. Includes the story of the land title industry. $16.00 per 100 copies of the booklet.

THINGS YOU SHOULD KNOW ABOUT HOME BUYING AND LAND TITLE PROTECTION. Folder designed for No. 10 envelope includes a concise explanation of land title industry operational methods and why they are important to the public. Narration provides answers to misinformed criticism of the industry. $6.00 per 100 copies.



LINCOLN LOST HIS HOME . . . BECAUSE OF DEFECTIVE LAND TITLES . . . A memorable example of the need for land title protection is described in this folder. $6.00 per 100 copies.



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.

American Land Title Association