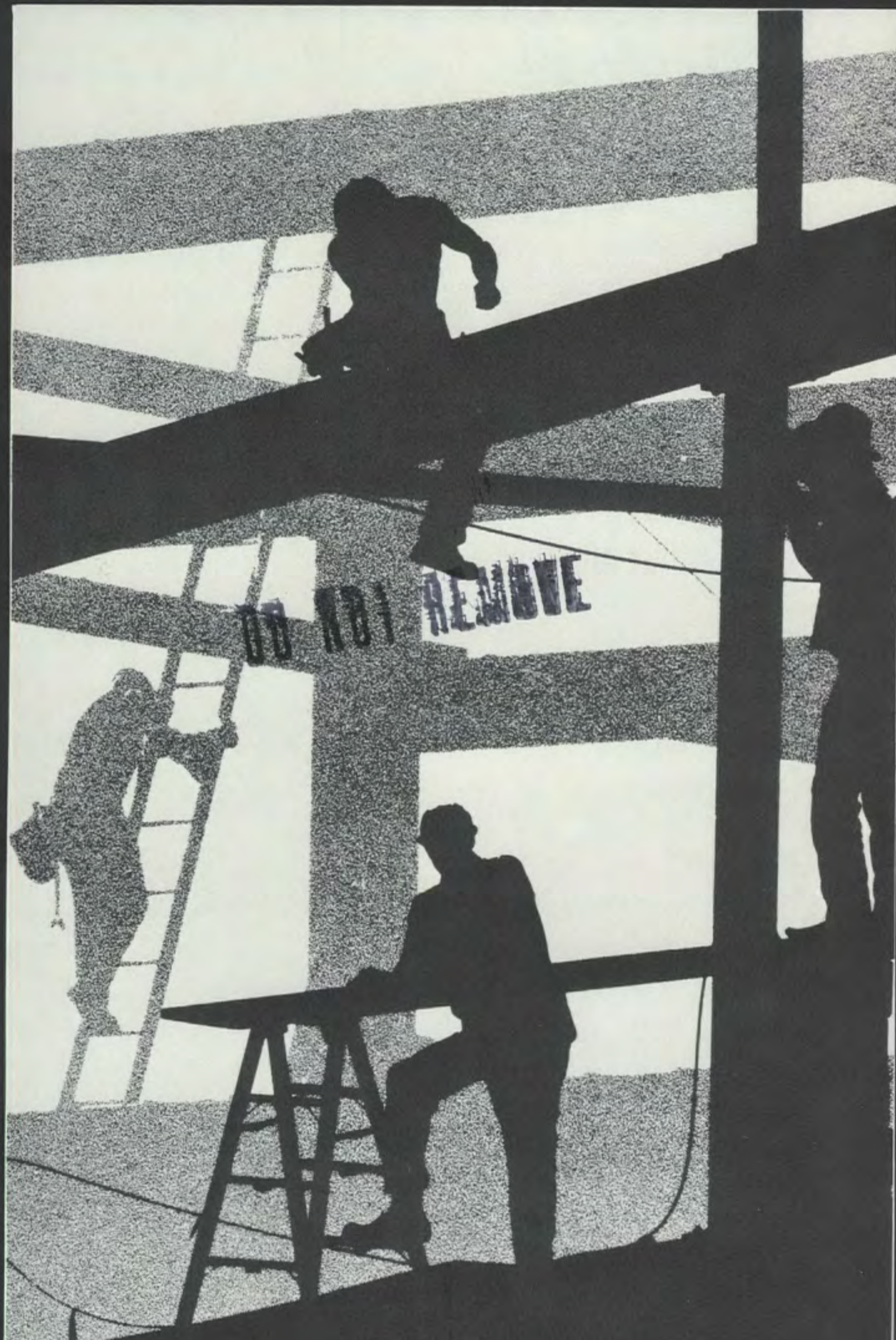
TITLE NEWS



Housing And The Future

June 1981

TITLE NEWS

Volume 60, Number 6

Features

Departments

Front Cover

The housing outlook remains very much a question moving into the summer months of 1981. Congressman Jerry Patterson (D-Calif.), member of the House Banking Committee, and Merrill Butler, immediate past president, National Association of Home Builders, present their views on the subject in this issue. Congressman Patterson also comments on the controlled business problems facing the land title industry.

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A Message From The President . . .

Once again, the season for state and regional title conventions is at hand. It's an excellent time to think about the type of people who make up our industry and the value of having them band together in associations at both the local and national level.

I have written before that title people are among the finest in the nation. Every convention I attend reinforces that opinion. I have written, too, that the people who make up the title industry are a diverse lot. One cannot add a new convention to his experience without the correctness of that evaluation being evident.

Title people have many of the same characteristics which we often note in those productively engaged in other pursuits—traits which we are inclined to think of as typically American. We want things done "right now." We are impatient when they are not. We want that which we believe to be right to be done. We become unhappy when it's not. And we often let our impatience and our frustration undermine our understanding of the difficulties faced by those in positions of responsibility who attempt to achieve the greatest possible good for a diverse constituency.

Different from one another though we may be, the characteristics, the problems, the interests and the values which we as title people share far outweigh the differences. As tempting as it is to let our impatience and our feelings of frustration cause us to criticize and to withdraw from participation, we know there is strength in numbers and that those things which we hold in common are ample reason for us to band together.

These are difficult times for the title industry as we share the economic hardships which beset most real estate-related undertakings. In recent years, our industry has been the subject of criticism and attack by government officials, by so-called consumer advocates and by some elements of the media. Our business has experienced increasing encroachment by some of the real estate professionals who stand between us and the ultimate consumer.

Difficult times like these breed the demand to "do something," and foster the impatience which occurs when that something can't be done immediately. This provides an opportunity to be disgruntled when the course chosen for the common good is not that which an individual—given the authority—would have chosen.

It's vital to the future of the American Land Title Association—and therefore to the future of every title man and woman—that all of us understand and appreciate what ALTA is doing in a variety of areas for the good of our total membership. It is equally important that we recognize how difficult and time consuming it becomes in determining a workable consensus among our members on these many subjects—and then developing and pursuing a course consistent with that direction. And it is essential that all of us be aware of the importance of expressing our opinions within the councils of the Association and working to help ALTA successfully travel the course that is charted.

The American Land Title Association has served our industry since 1907, and is the one body designed to benefit all title people. Through ALTA, we can accomplish much as a group. Individually, we can accomplish little.

Sincerely,

J. L. Boren, Jr.

J. L. Boren, Jr.

Mountain Splendor For Convention

Topics and issues of importance will be reviewed against a backdrop of Rocky Mountain splendor when the 1981 ALTA Annual Convention is held September 20-23 at The Broadmoor in Colorado Springs.

Recipient of the top-ranking Mobil Five Star Award every year since 1960, The Broadmoor combines modern convenience with Old World grace and offers one of two 54-hole golf facilities west of the Mississippi. Other offerings include tennis, swimming, boating and a host of Pikes Peak Region attractions.

Colorado Springs has an average of 300 days of sunshine annually, and the 6,000-foot altitude accelerates tanning and enhances the appreciation of sunglasses. Daytime summer temperatures typically average in the eighties.

Convention information is being mailed to ALTA members from the Washington office of the Association.

ByLaws Changes Are Proposed

In accordance with Article X, Amendment Or Revision, ALTA ByLaws, the following proposed amendments to the By-Laws will be submitted for approval at the General Session Limited to Active Members, Wednesday, September 23, during the 1981 ALTA Annual Convention at The Broadmoor, Colorado Springs, Colorado.

The proposed amendments are published here to provide an opportunity for ALTA members to study them before the upcoming Convention. Strike-throughs indicate material proposed for deletion and underlines designate proposed additions.

ARTICLE VI SECTIONS

Sec. 1 SECTIONS AND MEMBERSHIP THEREOF: The following Sections of this Association are hereby established:

~~(a) Title Insurance and Underwriters Section, which shall include all active members who or which shall be a title insurer or who or which shall be a bona fide agent of a title insurer and~~

<u>(a) Title Insurance and Underwriters Section, which shall include all Active members who or which shall be a title insurer.</u>

~~(b) Abstracters and Title Insurance Agents Section, which shall include all active members who or which shall provide an abstracting service to the public, whether or not an agent of a title insurer.~~

<u>(b) Abstracters and Title Insurance Agents Section, which shall include all Active members who or which are not title insurers, whether they be abstracters or title insurance agents.</u>

Currier Elected In New Mexico

The New Mexico Land Title Association met for its annual convention recently and listened to featured speakers Congressman Joe Skeen (R-N.M.); former State Senator Aubrey Dunn, who is New Mexico's Citizen of the Year; and ALTA Abstracters and Title Insurance Agents Section Chairman Thomas McDonald.

The New Mexico association elected as new president Mike Currier of Carlsbad. Charlene Ward of Alamogordo was elected president-elect. Warren Hill of Sante Fe was elected vice president and Roger Pierret of Albuquerque was elected secretary.

Fidelity Acquired By Commonwealth

Commonwealth Land Title Insurance Co., Philadelphia, Pa., acquired the title operations of Fidelity National Title Insurance Co., in the greater Denver and Colorado Springs areas. The Denver and Colorado Springs offices now function as Commonwealth branch offices as do the offices in Pueblo, Canon City, Arvada, Lakewood and Aurora.

Ben Kelly continues to manage the Denver office and M.R. Stephens continues to manage the Colorado Springs office.

Commonwealth also announced that it has acquired the stock of Capital Land Title Co. in Austin, Texas. Capital Land Title previously was an agent for Commonwealth and now functions as a subsidiary company. Georgia Duke manages the operation which has offices in Williamson and Travis counties.

Title Insurance Forms Committee

Robert Browning once said of one of his poems that, when he wrote it, only Robert Browning and God knew what it meant and now its meaning was known only to the Almighty. It is only fair to say that forms promulgated by the Title Insurance Forms Committee of the ALTA have more than frequently been accused of having the same problem. In its defense it might be said that the Committee has been saddled with the difficult responsibility of drafting forms which will not only protect title insurance company members against undue loss but that will satisfy the ever-changing requirements of investors in real estate—all of which must be in definitive language and not subject to burdensome interpretation.

In "plain language" the By-Laws of the Association require the Forms Committee to review from time to time title insurance forms approved by the ALTA, recommend for use new forms or revisions of existing forms to keep title insurance coverage responsible to the justifiable needs of insureds and the title insurance industry, to confer with counsel or other representatives of customers who use title insurance and to study changing conditions affecting real property so that it might recommend language for use in title insurance forms.

All of this requires a group of title insurance lawyers who must be up on the latest ramifications of new financing arrangements, be well-advised on real estate and insurance laws of all of the 50 states, understand what is "title insurance" and what is "casualty insurance" and understand what customers need in their business in order that they will find title insurance desirable. Generally speaking, the Committee must be able to walk that fine line between protection against undue title insurance loss and the furnishing of proper protection to the insured.

This makes it necessary for the Title Insurance Forms Committee to have a close relationship with its constituents, which consist not only of members of the title insurance industry, but representatives of customer groups, such as life insurance counsel, mortgage lender counsel and representatives of government-related agencies, such as FNMA, FHMLC and HUD. Therefore, although a form might be perceived as needed by a member of the industry, before the Committee recommends its adoption by the ALTA, it is its practice to consult with customer groups and, conversely, if a form is requested by a customer, to request comment by members of the industry.

The scenario works like this: a member of the Committee, a customer or a member of the industry will suggest that a certain new form is needed or an old form needs revision. This may be because a new method of investing in real estate has arisen and it is felt that title insurance coverage would be helpful in assuring its success. Or, an existing form might be outdated or need to be liberalized in keeping with current practice.

A recommendation that such a form be drafted or amended is considered by the Committee and then referred, with a recommendation, to the Executive Committee of the ALTA. The Executive Committee then determines whether such a form should be developed and gives its answer to the Forms Committee.

It then becomes necessary for the Forms Committee to go over the current form which is to be amended or draft language for a new form. This sometimes requires many hours of careful analysis of legal and title insurance principles, not to mention the problem of getting 12 attorneys to come to a conclusion as to how a certain legal-insurance term should be phrased.

Assuming that consensus can be reached and the preliminary draft is prepared, it is then sent to all members and associate members of the Association and to a wide range of customers and their associations. Comments are received and the form is reworked in light of those comments. It then becomes necessary for the Executive Committee and the Title Insurance Underwriters Section to approve the form before it is finally adopted by the Association in a general meeting. Upon adoption, the Association will publish the form to all of its members and to interested customers.

In spite of the fact that the form has been worked on by a group of so-called experts in real estate law and title insurance and has been approved by a wide range of industry and customer groups, the form may or may not come into widespread use. One of the oft-repeated rules of the adoption of forms by the American Land Title Association is set forth very clearly in the By-Laws which spell out the duties of the Forms Committee. This is that "all reports of the Committee shall be advisory in nature and no member shall be required to follow their recommendations nor to use recommended forms nor to follow recommended procedures."

The Committee has recently completed a plain language residential policy and endorsements to loan policies to insure variable rate mortgages. It is currently engaged in amending the ALTA Facultative Reinsurance Agreement and will convert the ALTA Commitment into plain language.

Since the title insurance industry sells contracts of title insurance as its main product, it can be seen that forms recommended by the ALTA through its Title Insurance Forms Committee play an important part in the industry's life. For this reason, the Title Insurance Forms Committee should enjoy the full support of the Association.

Marvin C. Bowling Jr., Chairman
Executive Vice President—Law and Corporate Affairs
Lawyers Title Insurance Corp.
Richmond, Virginia

Liaison Committee With The Mortgage Bankers Association of America

The Liaison Committee with the Mortgage Bankers Association of America has as its responsibility preserving and maintaining good relations with the mortgage

bankers and attempting to resolve any problems affecting the lending and land title industries. The Committee meets jointly once or twice each year, depending upon the importance of matters that might develop that need the attention of the Committee. Title members of the Committee meet at the ALTA Mid-Winter Conference and Convention. Representatives from each organization who serve on the committee are appointed on a geographic basis and on the basis of his or her overall knowledge of the land title and lending industry, respectively. Staff members of the ALTA and MBA also attend all meetings.

The meetings are coordinated between the chairman on the land title industry side and the mortgage banking side and items are thoroughly discussed and reviewed in the best interest of the public and each member organization. Great contributions are made to the Committee by senior officers of the Federal National Mortgage Association who regularly attend all Committee meetings. In addition to regular functions, the land title association, through the Committee, is called upon annually to submit articles for publication in the *Mortgage Banker* magazine, the monthly MBA publication.

Many subjects have been covered by the Committee and communication of problems and industry trends has enabled each to instruct its members in offering better service to the public, the land title industry and the mortgage banking industry. Each trade group has benefited substantially over the years from the opportunity provided by the Committee to maintain good relationships and achieve practical solutions to problems that affect title escrow/closings, abstracting, title insurance, policy coverage, marketing of loans and the need for forms to furnish such coverage. In the case of forms, the Committee transmits to the ALTA Forms Committee any information that might be of use.

While active involvement in national legislation is not a direct responsibility of the Committee, each representative group keeps the other informed on pending legislation or the need for legislation that will benefit lenders, borrowers and the land title industry.

Billy F. Vaughn, Chairman
Executive Vice President—Operations
Lawyers Title Insurance Corp.
Richmond, Virginia

Research Committee

The American Land Title Association Research Committee was formed in 1968. Its mission is to gather, analyze and distribute information concerning the land title industry which can be of use to industry members, state and federal regulators and legislatures, and the media.

The Committee relies heavily on the efforts of ALTA Director of Research Richard McCarthy, and works closely with Dr. Irving Plotkin of Arthur D. Little, Inc., and Dr. Nelson Lipshutz of Regulatory Research Corp.

On a continuing basis, the Committee collects, arrays and attempts to interpret both the quarterly and annual statutory reports of title underwriters. These analyses provide insight to the activity and profitability of our industry. Using the information contained in the annual NAIC report, we also calculate the aggregate underwriter return on investment. The results of our studies are published in a special edition of *Title News* once a year and have proven to be so valuable that a number of insurance departments now routinely request copies.

Although this specific project has been underway for a number of years, we continue finding new uses for the information. Beginning this year, for example, we have begun preparing individual analyses, by state, by company, of the data. These analyses are being distributed to participating companies enabling them to eliminate the expense of making their own studies.

The Research Committee participated in the development of the ALTA description of losses by type of claim and have collected data on this subject since 1969. Although the information has not proven to be as useful as that gathered through the statutory report studies, it does provide clues concerning changing underwriting practices in the industry as well as an indication of the impact on title losses of changes in the economy. In addition, the basic ALTA claims categories are one of the key elements in the future analysis of reserve methodologies (including incurred but not reported loss provisions) now facing title insurance underwriters.

Your Committee frequently has been called upon to prepare special studies to meet an existing industry need. In the early 1970s, an analysis of closing costs was conducted and data from this and other special research studies were used with HUD and with Congress during the hearings covering the Real Estate Settlement Procedures Act. Testimony based on these studies seems to have had a significant impact on the final direction of RESPA, including the design of the HUD Form 1.

Your Committee also worked very closely with the ALTA Accounting Committee on both the original and final design of the ALTA Statistical Plan and ALTA Income and Expense plan. The use of these plans has saved member companies a significant amount of money. Without them, custom-made plans would have to be designed for each jurisdiction requiring data. The plans are multi-purpose and have proven to be useful to industry members in dealing with insurance departments covering matters such as rate or rate increase justification.

I have discussed just a few of the past

continued on page 20

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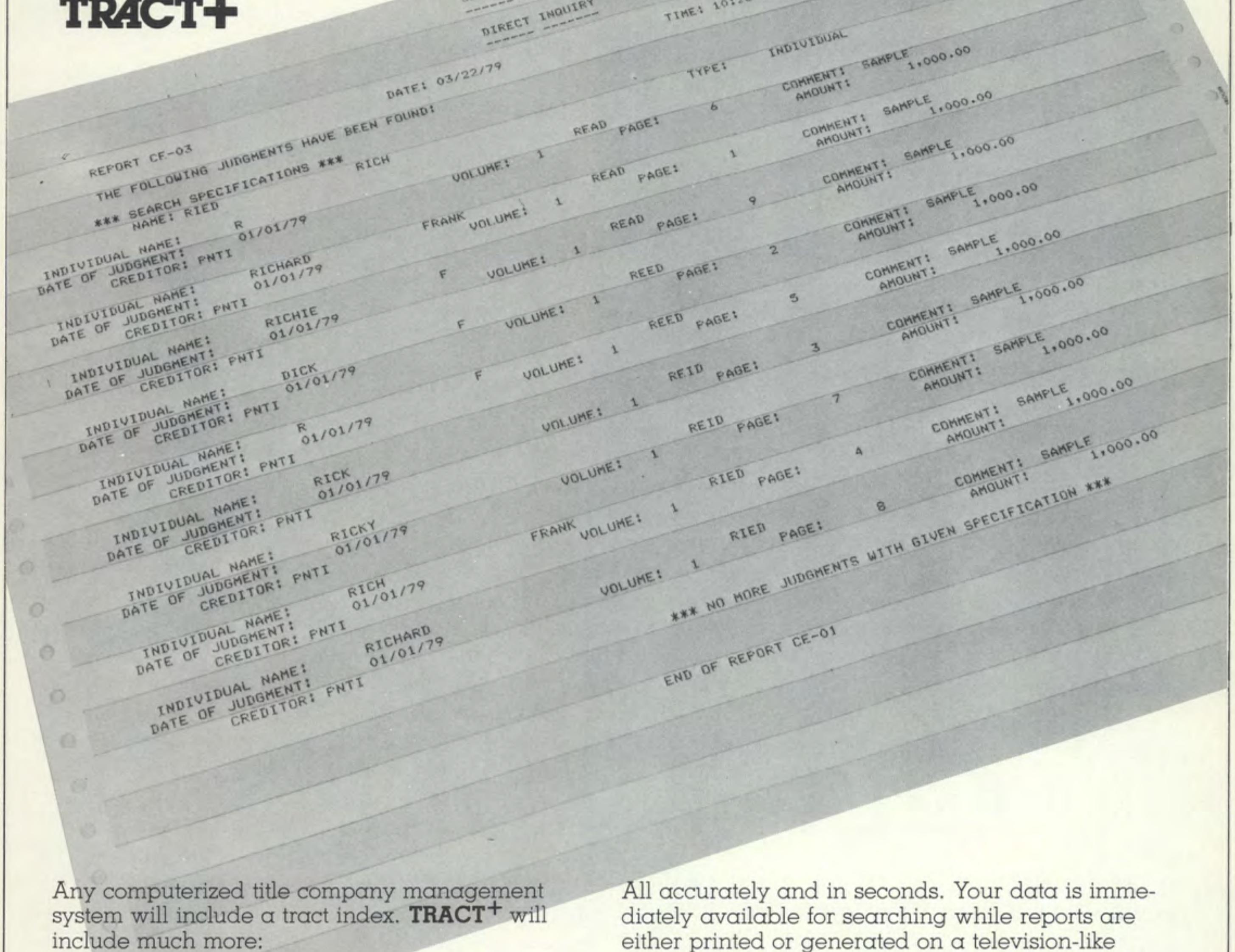

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Congressman Jerry Patterson

Issues Before The House Banking Committee

Your industry certainly suffered much in 1980 and, although things don't look a whole lot better in 1981, I'm an eternal optimist. I think things will get better. I think 1982 is going to be a much better year and I am holding some hopes for 1981.

What I'd like to do is share a little bit of the President's economic recovery program. Part of any economic recovery program, it seems to me, has to take into consideration getting the economy moving in the private sector and making it work so that we can stimulate the economy in the right fashion. Not stimulate spending but stimulate the supply and availability of goods so that we can fight inflation at the same time we're undergoing economic growth.

I truly believe that the President is attempting to do this and I believe that the outline of the economic recovery program is a good one. I think that it is still receiving substantial support. When you read from time to time, and you certainly will, this or that aspect is coming under attack or clashes are taking place, that's really the fine tuning mechanism, that is, Congress at work trying to resolve problems as they become special or particular issues.

A general problem like inflation, or unemployment, or cutting taxes, or reducing federal spending—are all general problems that we must work on. But the specifics and fine tuning are what we will see Congress addressing over the next six months and what we hope they will have accomplished by July, or certainly by August or September.

The President's program calls for four things. You know that. Reduce federal spending, cut taxes, eliminate government regulations (which are burdensome) and slow monetary growth. I'm sure you agree with three of those, maybe all four.

The latter one, slowing monetary growth, certainly you must agree with in the large sense. However, it raises a problem of high interest rates which is one of the very things that is hurting housing. And so, while we agree with the program, we must not extract high interest rates which will hurt those who lend long—i.e. housing—the most.

The elimination of regulations we all say is great. Get rid of all those terrible government regulations, they're really awful. Yet the controlled business is one where this group, and I share your concern, wants and needs a regulation issued. In cutting taxes, we all say great—let's cut taxes. The question is where and how. And, of course, I think probably the most agreement would be on reducing federal spending. Let's take each one of these rather briefly.

Cutting spending, where and how. What's Congress going to do? I think we're going to achieve the goal of cutting the federal budget somewhere between $40 and $50 billion. I intend to support it.

However, one quarter of our federal budget is now, today, being spent on national defense. Under the program that the President has outlined which includes increasing national defense, we call for in this year a 24 per cent increase in the national defense budget. So one quarter of the budget will be given a 24 per cent increase; a quarter of the budget's going to increase 25 per cent. In fact, if we do this, the national defense budget will be about 32 per cent of the budget, close to one third of the budget. We are moving in that direction.

One fourth of the budget today, more than one fourth—almost a third, goes into the safety net area that the President has also indicated he wishes to retain. Most of us who are elected every two years certainly don't see any great interest in reducing the social safety net.

Allowing for an inflation level of 12 per cent, the social safety net aspects of the budget in my judgment will go up at least 8 per cent. So we're talking about one fourth of the budget that's going to go up 24 per cent in terms of actual dollars and we're talking about an additional third of the budget that's going to go up 8 per cent. What does that mean?

Finally, we've got the interest on the national debt. The national debt interest is horrendous! It must be paid to keep the full faith and credit of the United States and that's another tenth of the budget. You can't cut that out and, even if it doesn't go up, it remains a tenth of the budget.

What you wind up with is a budget where 71 per cent is not going to be cut. Not going to be cut! Now some people call it the "uncontrollables" but I don't like that word. Some say the "uncuttables" or the "untouchables." You can call it anything you want but we have about 71 per cent that will not be cut and that, in fact, will go up.

That means 29 per cent of the budget

Congressman Patterson (D-Calif.) is a member of the House Banking, Finance and Urban Affairs Committee and is chairman of its Subcommittee on International Development, Institutions and Finance. This commentary was presented during the 1981 ALTA Mid-Winter Conference.

"Section 8 of RESPA calls for taking action against consumer abuses and I've written requesting that HUD enforce that section, make it applicable to controlled business . . ."

has to sustain a $40 or $50 billion cut. I'm telling you the job is not going to be all that easy. It's complex. It's difficult. I think we'll do it. I support it, but it's going to be painstaking and everyone is going to get hurt somewhat. It certainly means hurting business and industry, as well as the poor and the working class.

I envision a lot of haggling and hassling over it. The Senate obviously is moving faster than the House. I say "obviously" because the Senate is controlled by the Republican Party and they're trying to show support and total loyalty to the President, and they'll move more quickly. The House is still controlled by the Democrats. But many Democrats are concerned about spending as well and I think we will react responsively to that and will in fact have those cuts.

Tax Cut Struggle

Once we have the cuts, and the cuts in spending have to come first, then the next issue is the cuts in taxes. Where is it going to go? There's going to be, I think, a rather large struggle there. I think it could become partisan. I hope it does not. I hope we can have a bipartisan tax cut.

But we find ourselves in the strange position where the conservative Republican President is recommending a more "Kennedy" type of tax cut, and 10 per cent across the board personal income tax cut.

That's great and I, as a Democrat, would probably support it if it weren't for the fact that the money has already been spent. The deficit is there and the cutting that we're going to have to do will, in fact, be so great that if we cut the taxes by almost any measure, if we give that 10 per cent tax cut we'll be increasing the deficit. It could go to $100 billion! No one wants to see that happen.

So what do we do with taxes? Nothing? No. I think we do something. I think we do something this year. I think we cut the taxes and I think we need most of the President's recommendations on tax cuts for business. On the personal side, I don't think so.

On the personal side of income tax cutting, I think we're going to look at things like the marriage tax penalty, which everyone who is married and has two incomes pays. I think were going to try and eliminate that. I think we're going to address social security taxes, but I don't think we're going to give 10 per cent across the board.

I think that we're also going to pass things like the capital cost recovery program, the 10-5-3 10-year depreciation on buildings, five years on equipment and three years depreciation on rolling stock. I think we're going to cut the capital gains tax; hopefully, we'll bring it more in line with personal taxes.

I think that unearned income, tax savings, anything that will increase capital formation, investment and savings will receive a tax cut. Some people have said to me, "Are you serious?" A Democratically-controlled House is going to work in that area when the Republican-controlled Senate is going on the other side, the "Kennedyesque approach?"

Well, I think that's what's happening. I can't tell you why, totally. I think there are lots of changes going on in Congress. I believe there is a strong feeling that just a tax cut, putting money back in people's pockets, is not the answer. An average of $200 per taxpayer is simply going to be spent. If it's spent you're increasing demand, and if you're increasing demand you're compounding the problem. We already have too much on the demand side. All the people in the Reagan Cabinet are supply siders saying we need to increase the supply, and increasing supply means increasing capital investment. It doesn't mean increasing demand.

I agree with their theory. By their theory though, a tax cut is on the demand side. People will be spending it and it will be counter to the controlled spending cuts.

Controlled Business Regulation

The third part of the President's program (believe me, I'm not chewing it up; I think we're going to see 70 per cent passed and hopefully in better form) is the elimination of regulations. Ever since I first came to Congress, people have been talking about cutting federal regulations. We can all identify 10 or 15 or 20 or 100 that ought to be cut. But there are some that shouldn't be cut. The controlled business regulation is one of them. The controlled business issue was almost solved and then it stopped, suspended in January when the freeze on all regulations came into effect.

This is one regulation that ought to be promoted and ought to be pushed. There are others like it that should be promoted. We must sort those out as quickly as we can.

Will the program work? Well, if you were to adopt absolutely everything the President is asking for without any amendments (any amendment whatsoever, which is not going to happen, but if it did), there are four rather rosy assumptions which must become reality to make the program work.

First, inflation and unemployment must both go down from this moment on for the next three years. In other words, if inflation or unemployment go up, the assumptions that make economic recovery happen just don't work out.

Here's just one quick example to illustrate this. If the unemployment rate goes up 1 per cent, it's a draw down on the federal treasury of $25 billion. So if it goes up 1 per cent, it's a $25 billion loss that the President didn't want, that I didn't want, that you didn't want. It's going to cost the federal taxpayer $25 billion, $18 billion in lost taxes, unpaid taxes. People who don't work don't pay taxes. The other $7 billion will be paid out in tax benefits, i.e. unemployment insurance.

The third assumption is that a tax cut, if given to the people, will be two-thirds invested in things that produce capital formation. For the average person who has a savings account, that means they're going to put it in that savings account and hold it there. If the average return is $153 or $157 for a family of four with $15,000 income, I don't think they're going to put it in savings. But the Reagan proposal requires that two thirds of the cut go into savings.

Finally, the GNP, the Gross National Product, the real growth rate, has to sustain a 4 to 5 per cent increase, somewhere around 4½ per cent increase, each year for the next three years. Well, we haven't done that since the '50s, not for three years in a row.

We want to do it. It's idealistic. It's optimistic. I am idealistic and optimistic but those are the assumptions that have to take place to get the full recovery going. The only thing that really makes it happen is public confidence and people working to make it happen. Government is not going to make it happen for you.

There's got to be a confidence among the people. There's got to be a confidence that allows people to buy homes and cars—that simply has to happen. If it doesn't happen, all of these indicators just are out the window.

I'm not one with a crystal ball who can tell you all these things will happen. However, if we make some adjustments in the tax area, we may reach those four rosy assumptions. But if we allow the 10 per cent across the board, we will not reach those four rosy assumptions.

". . . when the real estate professional has a financial interest in a particular title company, he will invariably recommend that one to the consumer regardless of the merits or the prices or the services offered by other companies."

Housing Survival

Let me address housing for a moment. Where's the money going to come from? In the first place, we're seeing HUD and all the federally subsidized programs cut way back. For example, Section 8, 235, 202 and a lot of other programs may survive but they're going to be whittled down dramatically. O. K. Fine. We can bite that bullet. We can take it. Right? Right.

What about things like mortgage insurance? Can it all be done by the PMIs? I really question whether it can. The rather large cuts proposed on the federal credit side of the budget will trim back FHA, VA, Farmers Home and Ginnie Mae lending guarantees, most of which have never cost the taxpayer any money.

If you're not dealing with those programs, I suppose it's fine. But the housing industry needs those measures to survive. I'm concerned. Although we don't know precisely where all those cuts are, we have some figures which show rather substantial cuts.

I think we need to persuade the President and persuade my colleagues on a bipartisan basis that it's essential to retain a strong FHA, VA, Ginnie Mae and Farmers Home program or we're going to face a credit crunch. In the past, we have provided New York City aid, we provided a bailout for the Chrysler Corporation, we provided a bailout for the Lockheed Corporation. None of those have cost the taxpayer any money yet. I hope they don't. What we've been doing is increasing the federal credit obligation everywhere but in housing. We have in fact been decreasing it in housing. We must get a balance and perspective. We must be fair. We must encourage home buying. Same thing with VA and FHA. We need to pursue these in a more aggressive manner rather than backing off.

In the totally private sector, we're going to see a number of changes. I'm sponsoring a tax exempt savings certificate where people can put money in a special housing account. In other words, you're saving to buy a house and you pay no interest, no tax on the interest income there.

We have to have more flexibility in terms of the kinds of savings certificates; larger savings certificates to compete with money market funds. Money market funds are pulling off so much money from S&Ls—$110 billion this week when a few years ago it was only $18 billion. It's just pulling it all off the money market and very little of that ever comes back into housing.

We need to pursue and use mortgage revenue bonds as a method of financing. We need to pursue and use pension funds. We need to eliminate some of the regs in ERISA, the Employee Retirement Income Security Act, so that pension funds can be used for real estate lending. And we need to make better use of the secondary mortgage market, use of the mortgage backed securities as a system with Fannie Mae and Freddie Mac. And, finally, the alternative mortgage instruments. They're here to stay. They create more problems and headaches for you and others in many ways. They are here to stay and we must continue to use them. We must make them flexible and allow them to be used so more people have access to a means of financing their home that they can afford.

On the House side, my particular subcommittee, International Finance, is one where we have every member supporting the President in the international finance area. We worked hard. We held a lot of meetings. We didn't start out at the same place. But we did end up at the same place.

I'd like to see that happen in more and more areas. I think that if that happens, we're going to see things move a lot more quickly. I'm not asking the President to compromise on the amount of the cut but the location; not to compromise on the overall objective but to make sure that certain industries or sectors aren't overly hurt.

Consumer Alternatives

In closing, the topic I suppose I just have to address here, since I promised I would, is the problem of controlled business. I'm of course aware that this is a big problem for you. I've been involved with it for a least two years myself. The arguments made by those who are opposed to controlled business and those who are in favor of it are very complicated and they've been difficult for Congress to address. We had hoped that HUD would resolve this issue.

As a public official, I think that what I have to be concerned about, what you want me to be concerned about and what I want my colleagues to be concerned about is not the industries involved so much as it is the prices and services available to consumers in the real estate settlement process being fair, reasonable, and equitable.

Fair and reasonable to both the consumer and to the companies involved require certain things. I'm not prepared to tell you exactly what's fair and reasonable. No attorney in his right mind, and I have a legal background, is going to tell you generally what it is. But we're going to start with the premise that it ought to be fair and reasonable and we'll argue about the specifics later.

The availability of consumer alter-

continued on page 19

Congressman Patterson, center, and Alan Schneeberg, left, his legislative aide, discuss federal legislative activity with, from left, ALTA Vice President—Government Relations Mark E. Winter; ALTA Title Insurance and Underwriters Section Chairman Donald P. Kennedy, who is president of First American Title Insurance Company, Santa Ana, Calif.; and ALTA Finance Committee and Government Affairs Committee Chairman John E. FLood, Jr., who is chairman of the board and chief executive officer of Ticor Title Insurers, Los Angeles.

Merrill Butler

Housing And The Future

What is the future of housing under the Reagan Administration? I think it's probably answered by two categories of people. The first category of people who could answer that question are those who don't know. And the second category are those who don't know they don't know.

It's too early to tell and I will examine some of the matters as I see them that are going to severely impact upon housing as a result of the Reagan leadership in Washington. I can say to you that while the subject of housing and its future is unknown, there is one entity that is known in Washington in my book and that is the President.

I think he's a very definite article. He is easily discernible. He doesn't fluctuate from day to day and hour to hour like his predecessor. He sets out a course and will stay with it unless he finds reasons—and they've got to be very good reasons—to deviate. So I think we have a very steady leader in the President of the United States.

He's one who is not afraid to speak up when he has to and when he speaks I think he does so with a great deal of accuracy. It may be simply stated but it represents how he feels today and it also represents how he intends to feel tomorrow. And I think that's the beginning point for those of us in the real estate industry who have to have some steadfast, known course of economic policy in Washington if we're going to exist in these highly inflationary times.

Mr. Butler is immediate past president, National Association of Home Builders, and is president of Butler Housing Corporation, Irvine, Calif. This commentary was presented during the 1981 ALTA Mid-Winter Conference.

Before beginning my detailed comments on Reagan and the housing industry, and what his Administration's effect might be on it, let me begin by giving you a few other comments in the way of a background.

First of all, the last 18 months have seen our industry severely battered economically, ever since the massacre of October 6, 1979, when the Fed suddenly without warning changed its policy regarding the management of the monetary growth of this structure and launched into a high interest rate monetary program.

Our industry therefore has been on a steady decline since that time except for the "false" recovery in the summer of 1980 which simply worsened our economic plight rather than aided it. Because today, as a result of that fake indication and the drop of interest rates that occurred during the months of May and August of 1980, we now have a whole new group of completed housing coming onto the market and, according to the government statistics—which you shouldn't put any faith in but nevertheless this is what they say—the inventory of housing has increased from about a 4 month to a 4½ month level in December to a 7.8 month level in the month of February.

So you can see that during the last 60 to 90 days we've had a substantial increase in the inventory of housing in the United States. So what we're now seeing is that the construction lenders, by and large the savings and loans and commercial banks, recognizing that this build-up of inventory has been taking place. They have seen fit in many parts of the country to offer below market rate mortgages that will enable the builder to sell his product and get out of the burden of carrying the house for unlimited periods of time, particularly when there's no really good source of acceptable or affordable rates of interest throughout much of the country.

Housing, Automotive Burdened

Another interesting aspect of the effects of the October 6 massacre was that it converted the housing industry and the automobile industry into the main two industries of America that bore the burden of fighting the battle of inflation that was raging all over America.

We, as usual, were the kamikazes of any government attack to try to fight inflation and we suffered substantially. We believe that over 30 per cent of our builders actually went out of business in the period between October 6, 1979, and the summer of 1980 and yet there are no statistics that we can really go to.

I think you're more aware than I am of the rate of business failures among small contractors and building contractors particularly. But I'd also like to make another point and examine the history of just the last 18 months. While the housing industry was suffering widely from high rates of interest, we also saw the automobile dealers suffering along with us. We also saw a manufacturer suffer and that was Chrysler.

The point is this. Chrysler suffered because they put the wrong product in the wrong place at the wrong time. And they made some marketing and engineering mistakes. And yet we had a home building industry that did not put the wrong product at the wrong place at the wrong time. Quite the contrary. As soon as interest rates at all became affordable or acceptable to the American home buyers, we found that our product was highly acceptable. It was the right product, generally speaking, in the right place and at the right time.

And so here we had on one hand an industry going down because of its own mistake and government rushing to help it, save it, to pump a billion and a half dollars into a sinking automobile industry. On the other hand we had a privately-owned entrepreneurship industry going down to its knees, not because what it did was wrong but because of the gross mismanagement of the fiscal and monetary policies of the United States.

We were being shot down by our own federal government. And I can't believe that this can continue to go on in the future, to have the second largest industry in the United States, the housing industry, actually being brought to its knees by its own federal government. It is an inconceivable act to have happened in the United States of America and yet that's what did happen and that's what's happening today and we all have ourselves to thank for it. Because we sent, for 21 years, these Congressmen up to Capitol Hill who have been spenders of the American purse and who have brought this country to its economic knees through the mismanagement of our fiscal and monetary policies.

Profits Mean Freedom

Somehow we have in this country the idea that those who don't work should live as well as those who do work, and I think Mr. Reagan's going to stop that. We have gotten into a policy here in this nation where it apparently is improper or indecent to make a profit. I submit to you, if we can't make a profit, we won't have a capitalistic system and if we don't have a capitalistic system, we're certainly not going to have freedom.

And so I think America has finally turned in toward the long road back. It's going to be a long road back for the housing industry. There's no question about it. We're the point men in these economic twists and turns. We always have been and probably always will be. But we, I think, are going to benefit greatly from the policies of the Reagan Administration if we can live through the turnaround period and that's the great "if" that stares us in the face today.

I don't know whether we all will live through it or not. I'm pretty well convinced that many will not. I think that in large cities you're going to see a growth in the bigger builders and probably a diminution in the smaller builders. I think in the outlying areas of America, you'll probably see the private home builder return once again but in the meantime he could be busily engaged in doing some other things until he has mortgage interest rates.

"Eventually, this industry of ours will rise and fall on how much intervention into the money markets and the capital markets there is by the federal government in attempting to refinance its staggering debt."

So that brings us, this industry, up to the current point. We have, if I may oversimplify it, really two crucial questions staring our industry in the face, and these are the questions among the builders. They're either asking today or are about to ask if their inventory lessens, number one, where will we obtain acceptable, affordable rates of interest for our permanent buyers' financing when the house is completed. Number two, if I cannot get a forward commitment at the time I'm ready to start, should I begin anyway in the hope that acceptable, affordable rates will be available when I finish the house or houses or should I stop and wait?

Well, those are the real $64 questions raging in the offices of the building industry today and I think we'll try and answer those questions in the next few minutes as I proceed on the overall subject of what's in store for housing under the Reagan administration.

First, let me note that I'm going to bring you good news and bad news. I heard a story the other day that reminded me very much of the plight that I think we are facing and, in an attempt to answer this question, it's a good news/bad news joke.

The story is that Moses went up on high and after a considerable period of time he came down to Mount Sinai and beneath him were all the leaders of Judea. And he said, I have good news and I have bad news. And they said, let's hear the good news first. He said, well I was successful in reducing the conditions from 25 to 10. Everybody applauded and they said, well, what was the bad news. Well, he said, unfortunately, he would not agree to the elimination of the clause regarding adultery.

Now what we have today, I think, is good news that we're going to have a lot of conditions taken off the back of the American home buyer and the American home builders. But we're not going to get rid of high rates of interest very soon, in my opinion.

That's the bad news. So what are some of the newsworthy words going around in Washington today? Well, they're America's new beginning; inflation's the No. 1 enemy; the fed tax cut; budget cut; spending cuts; programs for economic recovery, etc., etc. The answers to these titles and phrases will determine the future of housing and home building. I'd like to make a distinction between the two.

Changes Will Continue

What's in store for housing really depends on many factors for, believe me, I think the industry is going to continue to go through some very metamorphic changes over the next 12 to 18 months. So I submit to you that, in order to answer this question, we've got to further divide it into two parts.

Part one is the political-economic aspect of the question and the other is the social-economic aspects of it. Part one. I will read to you what I wrote on the airplane when I finally left Washington early in February after the inauguration. I tried to put down in just a few words what I thought was in store for housing and the sequence we were going to have to go through in order to get the industry back on its feet.

Just what is in store for housing depends on what is in store for availability of and interests for mortgage money which, in turn, is directly dependent on what's in store for inflation which, in turn, will be vitally affected by the monetary policies of the Federal Reserve Board which, in turn, will base its policies on the fiscal policies to be adopted by the Congress of the United States and which, in turn, will be greatly influenced and shaped by the leadership decisions of the Reagan Administration.

And now we'll track the particulars of that statement in the next few minutes. First, the availability of and interest rates for mortgage money is the very gut issue that makes our housing industry either go or stop. We're to the point in this country where the demographics are so clear that we can well tailor our product to demand cycles. Make no mistake about it, the demand for housing throughout the United States in most areas far exceeds the supply. The problem lies in that the buyer either will psychologically not accept the interest rate or, if he does agree to accept it, he many times can't afford it.

So we begin our thesis on the subject of the proposition of what's in store for housing first depends on the availability of and

interest rates for mortgage money. Availability. Our prime lenders, of course, for our industry are the savings and loans. You all read the *Wall Street Journal* and your local papers; the liquidity problems in the savings and loan industry are rising rapidly.

The high interest rate has simply destroyed their ability to retain a liquidity and have available amounts of cash to loan at affordable rates. The industry right now, let's say, is taking the money in on CDs at about 12 and a quarter. They're permitted to add another quarter to it, that's 12½. They have to add almost two points to it to provide for their overhead operations and profits. So, if you look six months down the line, you can say to yourself, number one, that mortgage rates are going to be a minimum of about 14½ because that's what they're borrowing the money at today.

Secondly, the other rule of thumb you can obviously use is the fact that mortgage rates range anywhere from two and a half to three, three and a half above inflationary rates and what do you think the inflationary rate will be in the fall of this year? Well, I would submit therefore that a reasonably conservative individual would think that mortgage rates or money that can be made available by savings and loans in the fall of this year will be 14½ to 15 percent at the least and I have not yet seen any rush on the part of the American home buyer to buy homes at that rate of interest.

Tight Money Remains

And so the availability of money is going to be very difficult for us because the savings and loans simply are not able to attract enough money to increase the supply, which in turn will allow them to loan at lesser rates. Now to be sure, these new mortgage rates—RRMs and GPMs and the APMs and SAMS and all the rest of it—have great potential but there's a lot of work to be done on them. Freddie Mac is not out yet with his secondary marketing operations. They're Band-Aids at the best in the fight against inflation.

They indexed the cost of money, where they transfer the risk from the lender to the borrower and, in today's volatile situation where the mortgage market looks like the stock market, we really don't have much other choice. But, on the other hand, we've got to realize that these schemes that we are devising in attempts to provide this kind of mortgage have got to be sold to the American home buyer. As of today, he has not rushed in great numbers to accept these new methods of financing.

He is still psychologically wed to the 30-year, fixed rate mortgage and it's going to take a tremendous amount of work in the months to come before the American home buyer is willing to really step up to bat and say, yes, I will sign up for the three-year mortgage or the four-year mortgage or whatever one he wants.

NAHB Immediate Past President Butler, center, visits with ALTA Executive Vice President William J. McAuliffe, Jr., left, and ALTA Title Insurance and Underwriters Section Chairman Donald P. Kennedy, who is president of First American Title Insurance Company, Santa Ana, Calif.

It does have some great prospects and I can't help but agree wholeheartedly with the previous speaker when he said the great future for increasing the availability of mortgage money lies in the pension funds. We have great hopes that we'll tap those pension funds to the secondary market operations of Freddie Mac, Fannie Mae and to the mortgage-backed securities to be issued by banks. As you know, the Bank of America has come out with a series of issues very successfully; Wells Fargo has been out with mortgage backed securities. We now have the Penny Mac by PMI. We've got the Ginnie Mac by MAGIC and so forth.

So there's work being done but on the short term a tremendous amount more has to be done if we're going to make more capital available to the housing industry.

"If inflation does start down, we've got a very bright future. We've probably got the greatest decade that housing has ever seen in the 80s . . ."

Now the other aspect of this thing was the interest rate. Obviously, the interest rate first of all is dependent upon the subject we just talked about, the availability. The other aspect of it is inflation. There is just no question that as you look over history, mortgage rates have very carefully tracked the underlying rates of inflation on a reasonably steady basis.

And so as you attempt to answer the question, what's going to happen to the availability and the interest rates of mortgages, I think that you have to very carefully look at what's happening to the "T Bill" account because they affect the savings and loans. Secondly you have to look at the progress being made in the secondary market and, thirdly you have to make your judgment as to what you think is going to happen to inflation. I submit to you, on coming to the subject of inflation, that availability of and more interest rates for mortgages are directly dependent on what's in store for inflation. The historic definition of it, as you all know, is too many dollars chasing too few goods. The Fed has opted for high interest rates. I've argued monthly with Mr. Volcker since October of 1979 with absolutely no results—I've run 1,000 plays at him and I think I've made one yard—but he has absolutely rejected our contention that the

"Rather than rewarding those who are indolent, reward those who take the risk, those who work hard, those who produce — and put the real reward in the subject of savings, not in the rewards for spending."

worst thing that you can do for this nation, particularly the housing and automobile industries, is to fight inflation simply with high rates of interest.

We don't disagree with him at all that you've got to control the monetary growth of this nation. But to do it simply and almost totally through the use of high rates of interest has brought us to our economic knees in the housing industry. We think there are many other ways of fighting this problem of inflation rather than simply raising the rates of interest on money so high that only the General Motors of America can use it.

We think the American home buyer deserves a better break than to be put in a one-on-one contest with General Motors when it comes time to borrow money. The other aspect of inflation is the supply side and today in Washington, as you all know, we have two distinct theories of how to cure inflation.

One, the one that's been practiced by the Fed, controls only the monetary supply. The other side is, produce more goods so that you have more goods in the market place. Of course, we in the entrepreneurial businesses say to the Fed and we've said to the Congress, do your fiscal policies stimulate the production side of America? Don't tax it into oblivion! Don't make the productive side of America pay the price strictly of fighting inflation. Allow it to grow. It's true, pull the monetary supply down. It's true this nation has to slow down. We have to cut spending as we've never done it before.

In 1978, we went to speak to President Carter and gave him a resolution from the National Association of Home Builders and said, Mr. President, please balance the budget. Please cut spending. We want the American government out of the private money markets of America because if you don't get out of the private money markets of America, the American housing industry, the American real estate industry, is going to play second fiddle to the industrial giants of America in due course and that day has come.

He smiled his nice smile and said he'd think about it and complimented us on our interest in the welfare of America and so forth and nothing happened as you know. We just continued on our merry way. We are an industry that is directly dependent on fighting inflation through cutting spending because that is what Mr. Volcker has been saying for a long time and that's what the Fed believes.

So in this progression of entities that affect the economic parts of America, I can assure you from my monthly meetings with Mr. Volcker, he and his board are going to do nothing, won't change their policies, until they perceive that the Congress of the United States is bent on trying to eventually balance that budget and the number one step in doing it in his book is cut the spending.

And he's not saying anything different today than he's been saying for a long time. While I've had some very strong arguments with the man, I have come to respect him enormously; he really hasn't deviated from his position. What he has said is that you can't continue to spend more than you make forever without going bankrupt but he couldn't sell that one to the Congress or to the President either.

So what happens? We have the Fed going in one direction—Mr. Volcker has said often, I'm the only one who really does something about fighting inflation in Washington. We've got a lot of people back here—and this was in 1980—saying they're against inflation but they won't do anything about it. And Mr. Volcker at least was willing to bite the bullet.

Confused Markets

Now with Congress going one way on the fiscal front and the Fed going off the other way on the monetary front, we obviously have produced a totally confused monetary situation in the Untied States. Our capital markets are in total disarray and all the basic relationships have drifted off into the atmosphere.

It reminds me of what President Truman said one time about economists. He said he came out of meeting with his advisers on economic affairs and the newsmen asked him, Mr. President, what do you have to say? He said, well, there's one thing I'd like to say. I'd like a one armed economist. And the news people said, Mr. President, what do you mean by that? Well, he said, I've just been in a meeting for two hours with these economists and all they said to me all day long was, well, Mr. President on one hand you can expect this and on the other hand you can expect that and he said what I need is a one-armed economist.

Well, I think that's what Mr. Reagan is trying to do: produce a one-armed economic program and I think that the Congress is now showing as of today a real bent to cut spending and it is absolutely essential in the eyes of the Federal Reserve Board.

It would appear that the House is going to drag its feet for political reasons, I guess. In April to May 15, both Houses are supposed, under the agreed formula, to consider the budget and have a first budget resolution for fiscal '82. Then presumably a revised second budget resolution would follow in short order after debate.

Then in June and July they should reconsider; take up what they call the Reconciliation Bill and before September 15 they should, according to law, provide a budget. And I think that as these months roll by, it would behoove you to see what the House and the Senate are going to do on the subject of cutting the spending.

Secondly, what are they doing to stimulate savings in America? What's the Congress going to do to stop penalizing those who work? Rather than rewarding those who are indolent, reward those who take the risk, those who work hard, those who produce—and put the real reward in the subject of savings, not in the rewards for spending.

And that will come to a large extent in the form of a tax cut whether it be precisely what Mr. Reagan is advocating or whether there's some adjustment. But the true test is what will the intent of the incentive be?

Spending Cut Critical

Now, whether or not the budget is going to be balanced, we're going to have to wait a good many years. But if we don't cut the spending you at least know that you're never going to balance the budget. Eventually, this industry of ours will rise and fall on how much intervention into the money markets and the capital markets there is by the federal government in attempting to refinance its staggering debt.

Some $80 billion went out of the private capital markets of America into funding governmental operations. Can you imagine what $80 billion would have done to build housing, help reindustrialize the United States? Instead we wasted it on the government bureaucracy in Washington.

So watch very carefully. We have a very key period of time that will probably impact on the United States economically and in our industry for a decade—what Congress does in the next 120 days.

The saver of America needs to be given

some form of reward rather than a penalty. We're the lowest saving nation in the western world. We save something now less than 5 per cent, around 4 per cent of our gross national income. Germany saves 18 per cent and Japan saves 23 per cent.

And it's this lack of savings, of course, and the lack of capital that has brought us to this position where mortgage rates are so high and our industrial might of America is sagging so badly—which brings us, therefore, to the act of Congress and the last postulate that I put out to you was the leadership of the Reagan administration.

Well, when I wrote that little thing that I read to you about the leadership of the Reagan administration it was about February 4. A lot of water has run under the bridge since that day. And I think Mr. Reagan has done a remarkably fine job of putting the feet of the American citizen to the fire of fighting inflation.

One of the things that we used to complain about so much in 1978, 1979 and 1980 in the White House and in the halls of Congress was that we were the only industry besides the automobile industry, primarily the automobile dealers, that really were being made to painfully pay the price of fighting inflation. Well, today at least we're passing the joy of fighting inflation around to everybody and nobody likes it any more than we did in 1979 and 1980.

But at least we have a lot of compatriots in this fight and I would hope that each and every one of us would add our verbal support, if you sincerely believe us. Our written support to the President and to the Congress say we believe in what you're doing. We may not believe in everything you're doing but we certainly agree with the thrust of it and we recognize the absolute necessity for the preservation of this republic to have a sound fiscal policy or we're going to become socialistic in the ways of Great Britain and so forth.

Incidentally, I don't know if you've ever heard the interesting comment that Winston Churchill said when they asked him about the demise of the British Empire economically. He said he really felt that it lay at the feet of the private enterprise system. And they said, well, what do you mean? And he said, well, too often the people of England have looked at private enterprise as the wolf to be killed or the cow to be milked but too seldom as the horse that draws the wagon and I think that's the position we find ourselves in today.

And I think we need to let the American people know who we are and what we stand for. I think they do know and I think this election has given Mr. Reagan the mandate he needs to provide the leadership to the Congress and provide the leadership to the American people to make them, ask them, beseech them. And I think they will willingly comply with the sacrifices that they're going to have to make in the 12 to 18 months ahead as we begin to fight inflation.

So I would conclude my remarks about the future of housing, it's too soon to tell. If we don't lick inflation, start inflation on the downhill side, we are going to be in an enormous amount of trouble in this industry. If inflation does start down, we've got a very bright future. We'll probably have in the 80s the greatest decade that housing has ever seen; 11 million more home buying units are coming into the market in the 80s than in the 70s.

So if inflation starts down, interest will start down. Couple that with the increasing demographics and we have a fabulous future in the housing industry. I'm betting on the American people. I think builders have to be terribly cautious in 1981. I think they have to be very careful. They may even have to stop for a while but, when those mortgage rates begin to drop and drop permanently and forward commitments again become the mode of the day, the American housing industry will move forward and it will be great for the title companies. It will be great for the Realtors. It will be great for the home builders but most of all it will be great for the American home buyer and this great republic of ours.

Congressman Patterson—
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natives is really the acid test of free and fair competition. Any practice or arrangement that has a practical effect of reducing or eliminating the alternatives available to buyers adversely affects competition and consequently adversely affects the range of prices and services that will be available to consumers.

The evidence is overwhelming that home buyers and sellers have little understanding of what's really involved in the real estate process. Even intelligent, well educated people who have been through it a time or two are not experts. They don't know where to go for these various services.

What happens is the person who gets them first—the real estate broker, the attorney, someone other than you—usually gets to them first and they tend to rely on that person for their expertise. It might be the builder, it could be the lender, but someone will guide them through the entire process of purchasing their home.

And they don't know whether or not that individual has a pecuniary interest or not in where they get their title insurance or other things. So I think that the advice and guidance that is given by these professionals should remain exactly that, professional, and it should address their clients or their customers in terms of their needs, getting the best for them.

If they have no financial interest in the selection, the professional can in fact, make a judgment that may not always agree with yours. It would actually enhance the alternatives available to the individual if he were supplied with the names of several professionals.

On the other hand, when the real estate professional has a financial interest in a particular title company, he will invariably recommend that one to the consumer regardless of the merits or the prices or the services offered by other companies. The practical result is that alternatives available to purchasers will be effectively reduced or even eliminated.

All of us are aware of the immense influence that the real estate broker, mortgage lender or other professional plays in the selection of the title company. You deal with it daily. Because of that position of influence over consumers, we must assure that any recommendation is an honest one, above board and fully disclosed.

The problems that are created by controlled business are not simply theoretical.

For example, in California, an insurance department proceeding found that one real estate broker, who shall remain nameless, was operating from a controlled business relationship with an escrow company to whom its clients were referred, and was charging in excess of 150 per cent of what other title insurance companies were charging for similar escrow services. I understand that similar evidence was presented before a hearing held by HUD last year in California.

I've written several times to the Administration indicating my concern about controlled business. The response has not been overwhelming. Section 8 of RESPA calls for taking action against consumer abuses and I've written requesting that HUD enforce that section, make it applicable to controlled business and I am hopeful that HUD will devote more attention to this matter.

The move is, of course, in the opposite direction as you know. The mood is to deregulate, decontrol, get off the back of business. But they don't realize that there are some regulations and I can think of dozens—this is certainly one—that need to be resolved by an arbitrator.

But everybody would love to get rid of all the judges except we have to have somebody to decide cases. And so we have to agree on somebody to do it. In some cases the government has to be the arbitrator whether it be a court, which is the long way, or whether it be legislative, which is sometimes also the long way. It's hopefully a bit shorter if we can write clear and concise regulations.

That's been the difficulty of course. The recommendation for a neutral list of five real estate professionals as a regulation took some heat. They thought it would resolve differences and, if you gave a neutral list of five, you could throw in your own company or the company you had an interest in as well. The fact is there are abuses that could still prevail even under that system. A loan officer could suggest with a wink, "we usually deal with this one," or, "of course your loan will be approved a little bit faster if. . ."—those kinds of things and obviously the buyer moves toward the number one on that list of five. Right?

As a member of the Housing Subcommittee, I am continuing to press HUD to come up with an appropriate regulation. They can do it by regulation. But if they don't I'm prepared to move in the legislative arena and, while it's a longer road, it is one where I think we have to pick up the shield and fight the battle.

You won't be the only way saying you want a regulation. There will be others and I think we simply have to do it. In the meantime, I can only ask you to do your part, to keep track of cases to support our request, and to try to eliminate it through the means and contacts you have so you can discourage that kind of practice without the regulation and without the law.

There's nothing like peer pressure. There's nothing like feeling that your colleague in Congress is breathing down your neck—or your neighbor in your friendly competitive business. If you voice your concern, you may achieve voluntary controls and I would urge you to do that. I'm certain you have and will continue to do so.

As a member of the Interior and Insular Affairs Committee which has jurisdiction over Indian affairs, I'm pleased that Indian land claim settlements have been made. However, there's been a dear price paid by the federal government in some areas—taxpayers money—and that concerns me. We do need to be fair. We do need to treat them appropriately. But there has to be a statute of limitations. We need to take cognizance of the notice provision. The whole purpose of the chain of title, the notice for the bona fide purchasers, is to protect the innocent. Between two innocents, the one who recorded notice and went on notice should receive some benefit.

Now we're finding cases, as I understand it, where old claims are being refiled because there was a technical mistake. Fine, if it's just involving the federal government and being processed through the courts. But when they can start bringing private lawsuits against private companies, such as yours, I think we've gone a step too far.

I think that at some point you need to write it off. You may have a claim, if any, after 100 years against your government because the government has some responsibility but there's no claim against a private industry or against a private party, buyer or seller, who came into this and had no knowledge of the Indian claim. I suppose all of us being immigrants except those who might be of Indian heritage could in fact be an Indian by claim on any land. I think I'm about one sixty-fourth Cherokee so I'm looking for somewhere to put my claim down.

Committees—
from page 8

and present activities of your Research Committee. The one thing that is certain concerning the future is that our industry is going to change, probably at an accelerating rate. None of us knows what form this change will take. In order to determine where we are going and where we would like to go, however, it is absolutely essential that we know where we are. It is a primary role of the Research Committee to assist us in this task.

John E. Jensen, Chairman
Executive Vice President
Chicago Title and Trust Co.
Chicago, Illinois

Committee on Reinsurance

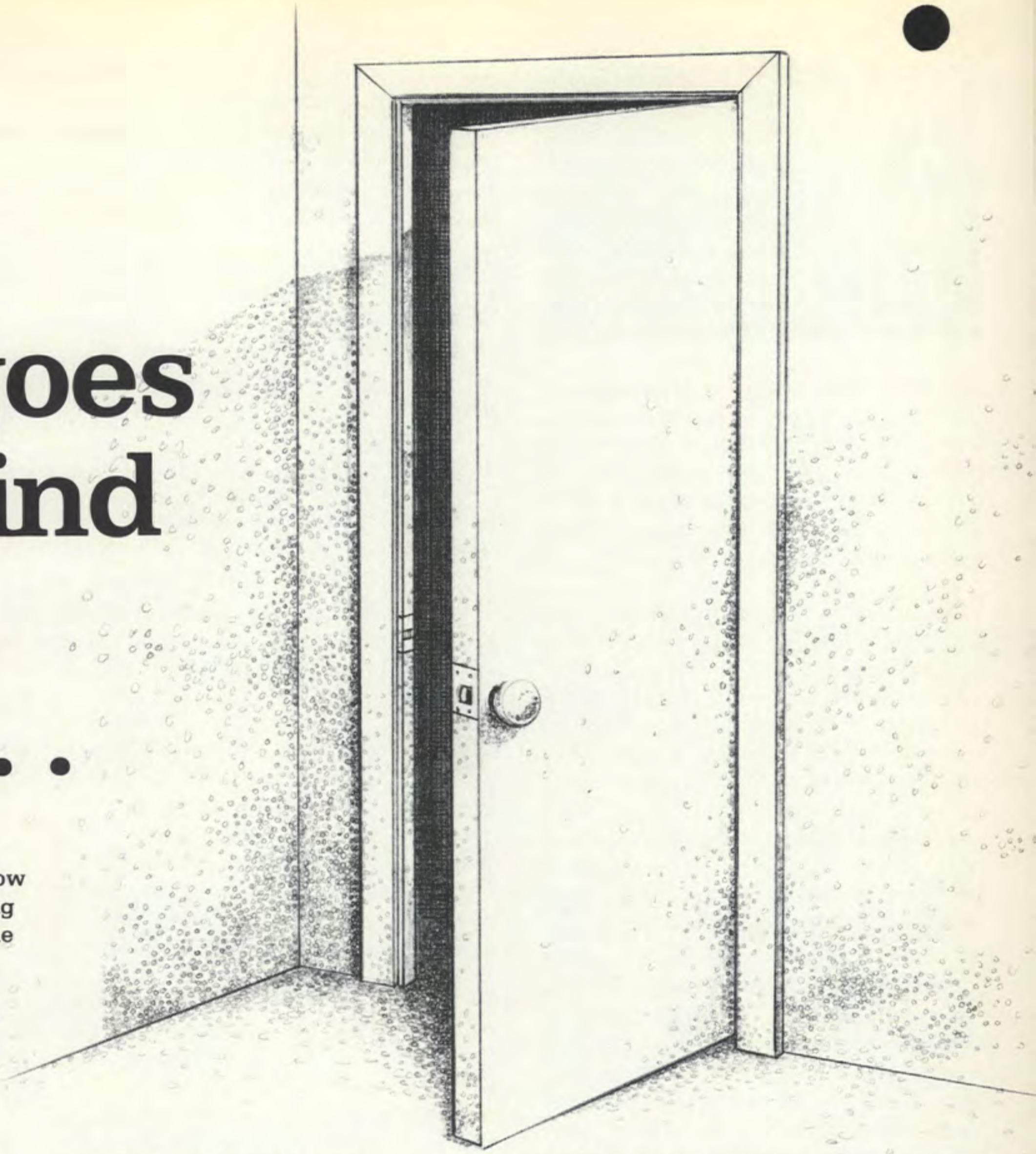
The ALTA Special Committee on Reinsurance was formed to address concerns of title insurance companies and their customers in the areas of title reinsurance and coinsurance. The Committee consists of representatives of members of the American Land Title Association who administer or supervise the reinsurance and coinsurance business of ALTA member title insurance companies.

The Committee normally meets annually with subcommittees meeting in the course of the year as necessary to be able to report on their activities at each annual meeting of the full committee. At its annual meeting the Committee reviews and updates statutory single risk limitations on a state-by-state basis and provides a survey of the applicable statutes to the ALTA title insurance company members. The Committee reviews legislative activities in the several states that have occurred in the past year that affect reinsurance and coinsurance transactions. It investigates and reviews the effect of new coverages offered in title insurance policies across the country upon the rights and responsibilities between ceders, reinsurers and insureds.

In addition to providing and disseminating valuable current information regarding practical and legal concerns regarding reinsurance and coinsurance, the Committee has developed for dissemination to the ALTA title insurance company members, the first part of the ALTA Reinsurance Manual which will be published and disseminated to the title insurance company members of the American Land Title Association soon. It is anticipated that the Manual will provide an important and useful guide for the title insurance companies to use internally in their training programs and to provide a more confident understanding between them in their reinsurance activities.

Robert Michael Clark, Chairman
Senior Vice President, Secretary
and General Counsel
USLIFE Title Insurance Company
of Dallas
Dallas, Texas

What goes on behind closed doors . . .



in the title industry? Do your customers really know? The brochures and visual aids listed below can be a tremendous help in advising the public and your customers on the important and valuable services provided by the title industry.

These materials may be obtained by writing the American Land Title Association.

Brochures and booklets

*(per hundred copies/shipping and/or postage additional)

House of Cards.

This promotional folder emphasises the importance of owner's title insurance $17.00*

Protecting Your Home Ownership

A comprehensive booklet which traces the emergence of title evidencing and discusses home buyer need for owner's title insurance $24.00*

Land Title Insurance — Consumer Protection Since 1876

Tells the story of the origin in 1876 in Philadelphia. $15.00*

Closing Costs and Your Purchase of a Home

A guidebook for homebuyer use in learning about local closing costs. This booklet offers general pointers on purchasing a home and discusses typical settlement sheet items including land title services. $25.00*

Things You Should Know About Homebuying and Land Title Protection

This brochure includes a concise explanation of land title industry operational methods and why they are important to the public. $17.00*

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. . . $30.00*

Blueprint for Homebuying

This illustrated booklet contains consumer guidelines on important aspects of homebuying. It explains the roles of various professionals including the broker, attorney and titleperson. $35.00*

ALTA full-length 16mm color sound films

A Place Under The Sun (21 minutes)

Animated film tells the story of land title evidencing $140.00

1429 Maple Street (13½ minutes)

Live footage film tells the story of a house, the families owning it, and the title problems they encounter. $130.00

The American Way (13½ minutes)

Live footage film emphasizes that this country has an effective land transfer system including land recordation and title insurance. $130.00

The Land We Love (13½ minutes)

Live footage documentary shows the work of diversely located title professionals and emphasizes that excellence in title services is available from coast to coast. $105.00

Miscellaneous

ALTA decals . . . . $ 3.00
ALTA plaque $2.75

Names In The News . . .

John A. Mueller, Jr., a member of the board of directors of American Title Insurance Co., Miami, Fla., was appointed executive vice president and chief executive officer of American Title. He formerly was senior vice president and treasurer for the company.

Samuel R. Gillman, president of District-Realty Title Insurance Corp., Washington, D.C., was elected to the additional post of chairman of the board. Gillman is a 41-year veteran of the title insurance industry and currently serves as president of the Maryland State Title Insurance Association.

F. Robert Dieter was elected vice chairman of District-Realty Title. Dieter is president of the Industrial Valley Bank and Trust Company of Philadelphia.

USLIFE Title Insurance Company of New York has announced that **Robert L. Schoeber** was appointed USLIFE's senior vice president and New York State manager. A 25-year veteran of the title insurance industry, **Schoeber** formerly was area vice president and office manager of USLIFE's White Plains, N.Y., branch.

USLIFE of New York announced the promotions of **William K. Mitchell** to senior vice president-controller and **Joseph L. McGovern** to vice president—Director of personnel and purchasing.

Mitchell had served the company since 1973 in several accounting positions and became controller in 1978. **McGovern** joined the company in 1972 as assistant vice president-director of personnel.

Augustine A. Arena was appointed an area counsel for USLIFE of New York. **Arena** formerly was counsel for the White Plains, N.Y., branch office.

USLIFE of New York also announced the appointment of **Robert S. Findley Jr.** as vice president and manager of the Tampa, Fla., office.

William G. Hanschmidt was appointed vice president and Colorado state manager for Commonwealth Land Title Insurance Co. He is a 27-year veteran of the title insurance industry, and is a former president of the Land Title Association of Colorado and the Colorado Title Insurance Rating Bureau.

Commonwealth also announced the appointment of **T. L. Liedecke** as vice president in the company's Houston, Texas, national title service division.

Marsha Willard was appointed assistant branch manager and closing officer for Commonwealth's Harrisburg, Pa., office.

Inez Roberts, the approved attorney coordinator for Rattikin Title Co. in Fort Worth, Texas, recently retired from the company. Roberts held positions with Rattikin Title for 31 years. Prior to the coordinator position, she served as manager of the training department, manager of the Grapevine and Hurst, Texas, offices.

Joseph J. Beck was elected associate counsel—reinsurance for Lawyers Title Insurance Corp. and assigned to company headquarters in Richmond, Va.

Also new at Lawyers Title is the election of **Richard A. Stopszynski** as branch manager of the Milwaukee, Wis., office and **Philip M. Webb** as branch manager of the Roanoke, Va., branch office.

Chicago Title Insurance Co., Chicago, announced new appointments in offices nationwide.

Mark Moroney, resident vice president and manager of the DeKalb County, Ill., office, was transferred to manage the Will County, Ill., office.

Lawrence Wachter, branch manager of Carle Place, N.Y., office, was named resident vice president.

Barbara Blitz, branch manager in Richmond, Va., was named assistant vice president and area manager.

Leonard Golie in Los Angeles, **John Hayes** in Riverside, Calif., **William Kantosky** in Cleveland, Ohio, **William Radke** in the Dekalb County office in Sycamore, Ill., and **Gary Wilson** in Tampa, Fla., have been appointed assistant vice presidents. Radke and Wilson also have been transferred to manage the Dekalb County, Ill., and Tampa, Fla., offices respectively.

Newly appointed assistant vice presidents—sales are **Donald Kraatz** in Los Angeles, **John Motichka** in Hackensack, N.J., **Leonard Stevenson** in Carle Place, N.Y., and **Mark Waninger** in Peoria, Ill.

Arthur Fedder and **Charles Ferguson** were appointed office counsels for the DuPage County, Ill., and St. Louis, Mo., offices, respectively. Fedder was transferred from the Joliet, Ill., office.

Joan Hickman was appointed manager of the Kendall County, Ill., office. She was transferred from the Kane County, Ill. office.

John B. Warner was elected vice president of corporate communications for Ticor, Los Angeles, Calif. **Warner** formerly was with Crocker National Bank in California as vice president-federal and state government affairs.

Mitchell Elected By Oklahomans

The Oklahoma Land Title Association met for its 75th annual convention with ALTA President James L. Boren Jr. a principal speaker.

Oklahomans elected as new officers of their association are Kenneth Mitchell of Guthrie, president; Bill Humphrey of Enid, president-elect; Ron Horton of Buffalo, vice president; W.H. Langley, Jr. of Stilwell, treasurer; Bob Luttrull of Muskogee, secretary. Lou Smith of Oklahoma City was re-elected executive director.


Wm. Hanschmidt


Samuel Gillman


Joseph Beck


Joseph McGovern


William Mitchell


John Mueller

Here's An Opportunity To Hear From The Experts—*And Save Money*

Experts from the title industry and its market groups presented excellent commentary during four separate American Land Title Association title insurance seminars held to date. Here's your chance to order texts of their presentations in a money-saving offer.

ALTA is making the handbooks from these seminars available for a limited time at a special price of $15 each including postage. Originally priced at $25, these loose-leaf books contain the texts of seminar speakers on subjects as shown below.

Boston Seminar

History and Growth of Title Insurance
Title Insurance Coverage
Use of Title Insurance by the Lender
Use of Title Insurance by the Practicing Attorney
Title Claims

Atlanta, Wisconsin and Hawaii Seminars

Title Insurance Coverage
The Title Insurance Approach to Current Problems in Real Estate Lending and Investing.
Use of Title Insurance by the Lender
Use of Title Insurance by Practicing Attorneys
Title Claims

Use the accompanying coupon to order while this offer lasts. Address your order to SEMINAR HANDBOOKS, American Land Title Association, Suite 705, 1828 L Street, N.W., Washington, D.C. 20036.

Please send me ______ copies of the handbook(s) checked below at $15.00 each including postage. Enclosed is our check in the sum of ______, made payable to American Land Title Association.

☐ Boston Seminar Handbook
☐ Atlanta Seminar Handbook
☐ Wisconsin Seminar Handbook
☐ Hawaii Seminar Handbook

Name ______________________
Address ______________________
City ______________ State ______________
Zip __________

Calendar of Meetings

June 7-9
New Jersey Land Title Insurance Association
Seaview Country Club
Absecon, New Jersey

June 11-24
New England Land Title Association
The Sea Crest Hotel
North Falmouth, Massachusetts

June 12
South Dakota Land Title Association
Holiday Inn
Watertown, South Dakota

June 22-24
Oregon Land Title Association
Ashland Hills Inn
Ashland, Oregon

June 25-27
Land Title Association of Colorado
Sheraton Steamboat Resort
Steamboat Springs, Colorado

June 25-28
Illinois Land Title Association
Marriott's Lincolnshire
Lincolnshire, Illinois

June 28-30
Michigan Land Title Association
Grand Traverse Hilton
Traverse City, Michigan

July 16-18
Wyoming Land Title Association
Ramada Inn,
Casper, Wyoming

July 30-August 2
Idaho Land Title Association
Shore Lodge
McCall, Idaho

August 6-8
Montana Land Title Association
Sheraton Hotel
Billings, Montana

August 6-9
Utah Land Title Association
Elkhorn Village
Sun Valley, Idaho

August 13-15
Minnesota Land Title Association
Holiday Inn
Grand Rapids, Minnesota

August 14-15
Kansas Land Title Association
Holidome
Dodge City, Kansas

August 20-23
Alaska Land Title Association
Juneau, Alaska

August 30-September 1
Ohio Land Title Association
Hyatt Regency
Columbus, Ohio

September 1-4
New York State Land Title Association
The Otesga
Cooperstown, New York

September 9-12
Washington Land Title Association
Thunderbird Motor Inn
Wenatchee, Washington

September 11-13
Missouri Land Title Association
Lodge of the Four Seasons
Lake Ozark, Missouri

September 13-15
Indiana Land Title Association
Merrillville Holiday Inn
Merrillville, Indiana

September 16-19
Dixie Land Title Association
Broadwater Beach Hotel
Biloxi, Mississippi

September 17-19
North Dakota Land Title Association
Kirkwood Motor Inn
Bismark, North Dakota

September 20-23
American Land Title Association
The Broadmoor
Colorado Springs, Colorado

September 23-25
Nebraska Land Title Association
Holiday Inn
Kearney, Nebraska

October 2-4
South Carolina Land Title Association
Hilton Head Island, South Carolina

October 15-16
Wisconsin Land Title Association
Pioneer Inn of Lake Winnebago
Oshkosh, Wisconsin

November 11-14
Florida Land Title Association
Hotel Royal Plaza
Lake Buena Vista, Florida

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