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TITLE NEWS

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TITLE NEWS

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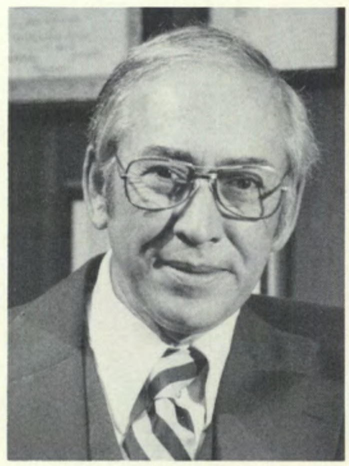

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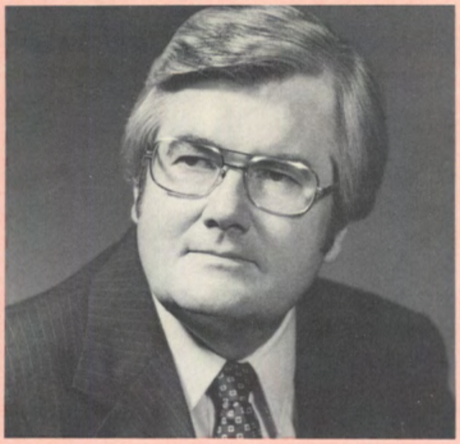


A Message From The President-Elect

The other day I read a very interesting ad in *The Wall Street Journal* contrasting daily business newspapers with weekly business magazines. The ad pictured two cups of coffee with *Business Week* labeling one and *The Wall Street Journal* labeling the other. The ad bore the caption, "Perked vs. Instant." "Instant news . . . it's what the daily press does so well; but in their rush to beat the clock, the instant media have little time to spare for demanding business analysis." So they sometimes fail to report to you the relationship between a late news item and a bigger, more important story.

The ad said that the weekly magazine editors and reporters concentrate on making this connection. The magazine editors view business as a continuum, not simply as a series of sudden events.

Too often we react to sudden events. The interest rates go up, and we think the economy is further eroding. The prime comes down, and we begin to think recovery. We are now in a period of adjustments. The business climate will run hot for a while and then go cold. Interest rates will rise and fall.

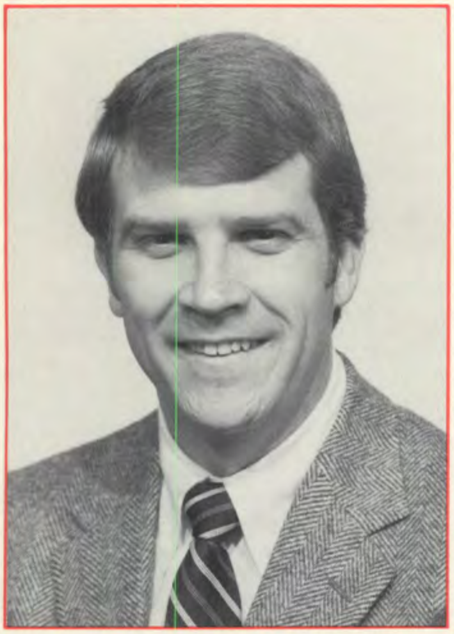
My crystal ball says that 1983 will be a great year for the title industry. Now is the time to educate your people by attending ALTA meetings and by using the Land Title Institute. It is also a good time to plan for the better business climate to come. Read *Title News* and *Capital Comment*—they tell you what's really brewing.

Tom McDonald

Thomas S. McDonald

Restructuring the Thrift Industry:

James Jay Jackson was recently appointed to the Federal Home Loan Bank Board, Washington, D.C. Jackson has an extensive background in savings and loan operation and management. He was an executive vice president of Fidelity Savings and Loan Association in Port Arthur, Texas, and president of First Mortgage Investors Inc., Fidelity's real estate development subsidiary. This article was prepared from Jackson's remarks delivered at the March 12 General Session of the 1982 ALTA Mid-Winter Conference in Las Vegas, Nevada.



As the primary federal regulator of the savings and loan industry, which has financed most housing in this country during the past half century, the Federal Home Loan Bank Board has significant interests in common with title insurers, agents, and abstracters. As a savings and loan man for the last 10 years, I have had close and strong professional and personal relationships with members of your industry and am keenly aware of and quite sensitive to the connection between the functioning and well-being of the thrift industry and the fortunes of the other elements of our nation's economy that are tied to housing.

I would like to discuss the present status of the savings and loan industry, give a brief explanation of how the industry reached its present position, and then turn to those actions that the FHLBB feels are necessary to put the industry on a healthier course for the future. I know the title industry is interested in the FHLBB's proposals for alleviating the problems of the S&L industry and is particularly concerned with the proposed service-corporation raise.

Turning to the present health of the savings and loan industry, I can begin by saying simply and bluntly that it is not good. One gauge of an industry's health is its profitability. In the case of the savings and loan industry, this is typically measured by looking at an association's return on assets, or ROA. In 1978, interest rates were still relatively low compared to their present levels, housing activity was strong, and industry ROA reached an all-time high of 83 basis points, or 83/100ths of one percent, or a profit of about $4 billion on assets, or roughly $500 billion.

In 1981, the industry lost money every month. For the first half of 1981, the return on assets was a negative 49 basis points, as the industry recorded a net loss of $1.5 billion. The final figures for the second half of 1981 are not yet in, but the FHLBB staff presently estimates that losses during the second half ran at a rate more than twice that of the first half, totaling about $3.4 billion. This would result in a negative return on assets for the second half of approximately 110 to 120 basis points and a total loss for the year of nearly $5 billion for an annual ROA of negative 80 basis points.

Other indicators are just as bleak. Net deposit flows have been negative each month since last April, with the exception of October when the All-Saver certificates were introduced. Net outflows of deposits have continued so far in 1982. Mortgage commitments made throughout 1981, particularly in the second half, were drastically lower than those a year earlier—and 1980 was certainly not a great year. The new-homes-sales index is at a 20-year low, the housing-sales market is severely depressed, and rapid recovery in the area of mortgage commitments is unlikely.

And the FHLBB can add one final grim statistic of its own: During 1981, the FSLIC provided financial assistance in mergers involving the disappearance of a record 27 associations and liquidated an insolvent association for the first time in more than 10 years. Clearly, the present circumstances are the worst the S&L industry has experienced since the creation of the FSLIC.

How did our system of housing finance—in many respects the envy of the world—get into this condition? What has

A Matter of Survival

by The Honorable James Jay Jackson

happened to the thrift industry, which for a century and a half has had a proud history of encouraging individuals to save money so that S&Ls could lend that money for mortgages to finance home ownership for the average citizen?

The answer is that times have changed dramatically, while the thrift industry has been unable to change simultaneously. The industry has been built and operated over the years on the premises that interest rates would remain relatively stable and that short-term rates would remain permanently lower than long-term ones. It is only under such circumstances that borrowing short—historically in the form of passbook savings—and lending long—traditionally in the form of a long-term, fixed-rate mortgage—can produce an economically sound financial system.

These circumstances no longer exist. Two quick comparisons—the six-month Treasury bill rate, to which a large portion of S&L deposit costs are now tied, was, for the 15 years just previous to the last 6 years, fixed at the 3 percent level. During the past 6 years, however, the rate has ranged from less than 5 to nearly 16 percent. A financial system that depends on stable interest rates simply cannot operate under these conditions.

The general level of rates, as well as their volatility, has played a substantial part in shaking the very foundation of the savings and loan industry. As the underlying rate of inflation increased throughout the late 1970s, savers began to demand fair-market rates of interest to protect the purchasing power of their savings dollars. The marketplace demanded substantial deregulation of the financial system. Money-market funds began to flourish—going from being almost unknown a few years ago to having assets of nearly $190 billion now. The instant liquidity and high yields that these funds provide have put substantial pressure on both banking and thrift institutions. New types of savings accounts with flexible interest rates evolved. In 1978, the money-market certificate was introduced at federally insured depository institutions, resulting in the largest single segment of retail deposits at these institutions being tied directly to the cost of short-term borrowings by the federal government.

At the same time, while thrift institutions' costs were rising dramatically, the return on their investments in portfolio remained fixed at rates well below market. To make matters worse, the high, long-term interest rates greatly reduced the demand for new mortgages, further damaging thrifts in two ways. First, since the S&Ls weren't making new mortgages, their fee income was reduced, and they were unable to bring the average yield on mortgage portfolio closer to market levels. Second, high mortgage rates drastically lengthened the prepayment on average existing mortgages. Actions by various state courts and legislatures to restrict the exercise of due-on-sale clauses in mortgage contracts have only made this problem worse.

Obviously, the source of the present problem of thrift institutions is a fundamental one, directly related to their basic structure, which has worked for many years but will not work in today's competitive markets. As the federal government's primary overseer of these institutions, and as operating head of the FSLIC, which insures them, what prospects does the FHLBB see for changes that would provide a solution to this fundamental problem?

The FHLBB has itself taken some significant actions to begin to alleviate the problems faced by savings and loan associations it regulates.

- In 1981, it authorized the first fully adjustable mortgage loans, providing federally chartered S&Ls with a truly rate-sensitive asset.
- It expanded thrifts' authority to hedge their interest-rate risk through use of the financial futures market. No longer will the S&L industry depend totally on when the six-month market matures; rather, S&Ls will be able to go into the futures market and purchase money on a five-year or a two-year basis and match assets and liabilities.
- It has taken innovative approaches with respect to resolving problems requiring FSLIC financial assistance.

Although these steps will be helpful, the FHLBB realizes that the long-term resolution of thrift problems will require an even more fundamental restructuring of the way the industry does business. This is why the FHLBB, under the direction of Chairman Pratt, has developed and is working for the passage of the "Thrift Institutions Restructuring Act," which was introduced in Congress in October 1981 as S.1703, the basic provisions of which are incorporated in the so-called Garn Bill, S.1720.

This act would greatly expand the purpose and mandate of federal thrift institutions by authorizing broad new asset powers in the areas of commercial, corporate, agricultural, and business lending, and equipment leasing, and real estate investment lending. It would also permit federal associations to accept corporate as well as personal demand deposits or checking accounts. If passed in its present form, the act would also prohibit states from restricting the exercise of due-on-sale clauses in existing contracts by federal associations, recognizing a position that has been almost unanimously adopted by the federal and state courts considering this question.

The FHLBB is convinced that passage of this legislation package will be the single most important step toward reestablishment of thrift institutions as a healthy and profitable segment of the financial institutions network.

The FHLBB staff has performed a simulation of the economic impact of the entire legislative package. This analysis shows that the act can have an extremely significant impact on thrift profitability by 1984. As with so many things affecting the savings and loan industry, the legislation's exact effect depends on the future course of interest rates; however, regardless of the course rates follow, our staff estimates that industry-wide return on assets can be expected to improve by 17 to 29 basis points by virtue of the provisions in the proposed act. If looked at in another way, the bill could provide an additional $1.5 billion or so in earnings to an industry that lost approximately $5 billion last year. As a regulator and insurer of these institutions, I would be extremely pleased to see that kind of improvement.

Given the integral role that savings and loans have played in providing millions of Americans with the means to buy their homes, the title insurance industry should also be interested in anything that will strengthen these institutions.

In this connection, let me address a broad concern that I know that some people in real estate-related professions have about the proposed legislation. One major criticism of the legislation is that it does not directly address the question of housing—some persons will even charge that it abandons housing. The argument is sometimes made that if thrifts are granted the expanded powers found in the FHLBB's proposed legislation, they will cease to provide their social function as specialized housing lenders.

I know that such an argument is simply not valid. Although it is true that the proposed legislation does not directly address housing, the FHLBB believes that the provisions it contains will help revitalize the housing markets of this country. For thrifts to provide housing finance, they must be

"The expertise of savings and loans has always been, and will remain, in lending to finance home ownership. . . . thrifts will provide more—and more reliable—housing finance only if they are given the competitive tools to adapt. . . ."

profitable so that they can take mortgage-lending risks. I believe that it was realization of all these factors that led the President's Commission on Housing to endorse the changes proposed in the FHLBB's legislation.

It is true that the Thrift Institutions Restructuring Act would give the savings and loans many more options than their traditional specialty in housing finance. But it is not true that expanded powers will lead to the abandonment of housing finance by thrift institutions.

I recently came to the FHLBB from Fidelity Savings, a stock association in Texas, and have operated under most of the powers now being considered by Congress for federal associations. I have two important messages for you. First, Fidelity was profitable in 1981 and will be profitable in 1982, because of its use of these expanded powers. Second, Fidelity and other Texas stock associations did not deemphasize their commitment to housing.

In 1981, Fidelity, a $140-million association, made almost $31 million worth of mortgages—not a banner year, but quite good considering the reduced demand for loans. At the end of 1981, Fidelity had $107 million outstanding in long-term loans and $10 million in short-term construction loans, for a total of $117 million, or 83 percent, of its assets in real estate.

Fidelity's record demonstrates a clear commitment to housing, not an abandonment of the housing industry.

Because of the powers they can exercise, Texas stock associations have been able to expand their commitment to housing by offering more services to those customers in the housing industry—builders, realtors, and title companies.

For example, the ability to offer corporate checking accounts has allowed associations like Fidelity to disburse funds directly into checking accounts at Fidelity, avoiding clearance delays between financial institutions. The title companies insuring the homes financed by Fidelity can have disbursed funds immediately available by maintaining their checking accounts with the institution. Expanded powers will provide savings and loans the opportunity to offer complete financial services to their housing customers.

The expertise of savings and loans has always been, and will remain, in lending to finance home ownership. It is clear that the demographic demand for housing over the next decade will be great, as the "baby boom" generation reaches home-buying age. The knowledge and capacity to finance this demand lies within—and only within—the thrift industry.

But in our changed, and ever-changing, economic environment, I believe that thrifts will provide more—and more reliable—housing finance only if they are given the competitive tools to adapt and the ability to channel funds into loans that are as rate-sensitive as their deposits. I think that critics of the legislation should ask themselves whether they honestly believe that housing and housing-related markets will be better off if S&Ls are locked into a continuation of their previous business patterns. Clearly, the answer is "No." To require the specialized providers of housing finance to continue to follow outmoded business practices will ensure the demise of specialized housing lenders.

Concern about the fading profitability of S&Ls prompted the FHLBB's recent proposal to expand the investment powers of service corporations of federally chartered associations. As most of you are aware, under the Home Owners' Loan Act, federal associations are permitted to invest up to 3 percent of their assets in service corporations. The FHLBB has preapproved certain activities for service corporations.

The FHLBB recently proposed to expand the number and type of preapproved activities. Specifically, the proposal would allow service corporations to

- Engage in securities brokerage activities, including organizing and managing money-market mutual funds.
- Underwrite, as well as sell, almost every kind of insurance, including title and private mortgage insurance.
- Act as real estate brokers for third parties.
- Engage in commercial lending.
- Expand their activities in the leasing area.

Many other authorities are also included.

Continued on page 10

PLI Issues Handbook

The Practicing Law Institute announced that *Mortgages and Alternate Mortgage Instruments*, Number 187 in its Real Estate Law and Practice Course Handbook Series, is available.

The handbook contains chapters by experts on topics such as variable-rate, renegotiable-rate, shared-appreciation, and reverse-annuity mortgages; title considerations in multistate mortgage transactions; usury; transfers of air and development rights; and due-on-sale clauses.

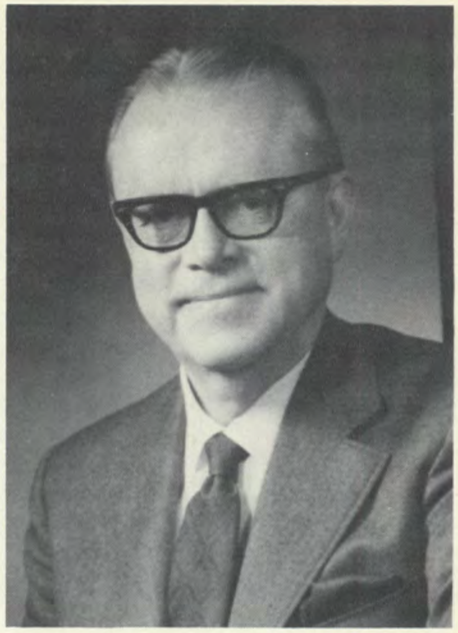
To obtain information on this and other handbooks, write the Practicing Law Institute, 810 Seventh Ave., New York, N.Y. 10019.

Kansas Titleman Dies

J. Robert Wilson, past president of Charlson & Wilson Bonded Abstracters, Inc., Manhattan, Kansas, died March 14. He was 65.

Born in Lakin, Kansas, Wilson moved to Manhattan after his discharge from the U.S. Army in 1947. At that time, he purchased a local abstract firm, which later became Charlson & Wilson. He served as the company's president until his retirement in 1981.

An active member of ALTA, Wilson was past president of the Kansas Land Title Association. In addition, he taught title business and real estate principles classes at the Kansas University Extension School and at Washburn Law School.



Restructuring Thrifts—
from page 8

I know that the FHLBB's proposal has attracted much attention and almost an equal amount of criticism. Much of the negative criticism may stem from a lack of understanding of the FHLBB's reasoning and intentions regarding the proposal.

First, the FHLBB's actions do not circumvent existing statutory law. The FHLBB's general counsel believes that it has the legal right to propose these powers through service corporations.

Second, the FHLBB did not intend to usurp or thwart the legislative process in issuing its proposal. Rather, the FHLBB's actions were fully consistent with and complementary to Hill considerations of ways to deal with the incredibly rapid rate of change in our country's financial markets.

Third and most important, interest-rate volatility and the intense pressure it has placed on the profitability—and indeed the viability—of the thrift institutions we regulate force the FHLBB to consider every available option in carrying out its responsibilities as primary charterer, insurer, and liquidity source for our nation's thrifts. To repeat, the present circumstances for thrifts are bleak; if left unchanged, they will guarantee the demise of the bulk of the thrift industry, at least as we have known it. Although there is no risk for insured depositors, there is risk of a general loss of confidence in our financial system and a substantial risk of the elimination of any social benefits that have flowed from the existence of a specialized group of housing lenders.

In this context, the FHLBB simply cannot overlook any means of dealing with the existing crisis. Service corporations have become increasingly important profit centers for associations, and we expect that expansion of permissible activities to include those proposed would directly improve association earnings. In addition, many of the proposed activities would provide associations a means of competing directly with their less-regulated or unregulated competitors in the financial markets, many of which already offer a similarly broad array of services under one roof.

Certainly, the FHLBB welcomes Congress's attention to the problems confronting thrifts and continues to hope and work for legislative action to deal with these problems in the form of enacting the Thrift Institutions Restructuring Act. But the legislative process is frequently very slow and always very uncertain. The act has been pending now for nearly a year, yet it is uncertain whether it will ever reach the floor in either house. Meanwhile, the condition of thrifts continues to deteriorate. Under these circumstances, the FHLBB's responsibilities require it to move forward in every area open to it under current law to minimize this deterioration. It was this realization that led the FHLBB to begin the regulatory process of expanding service-corporation investment authority.

Let me close this discussion of our service-corporation proposal by briefly addressing one specific aspect I know concerns your association and your industry. I am speaking of the so-called controlled business question. Interest in this question has been heightened by the possibility of withdrawal of the 1980 HUD interpretive ruling that raised questions about the permissibility under RESPA of service-corporation title insurance sales to borrowers of the parent savings and loan.

Clearly, the basic policy issues underlying the HUD ruling are not limited to title insurance. The fundamental issue is the advisability of aggregating various kinds of activities within the corporate structure of a financial institution and the possibility of a socially disadvantageous accumulation of power because of explicit or implicit relationships among the businesses of affiliates within such a structure.

I hope that you will continue to voice your opinions on this subject, which the FHLBB is continuously considering. The FHLBB does not know whether there will be a change in that ruling, but I believe that the savings and loan industry and the title industry should examine the question together.

I do not know if my remarks will have helped you in any way to understand the concerns that we as regulators have for the future of the thrift industry, but I hope so. I firmly believe that we have a common interest in seeing that affordable housing remains within reach of the average American during the coming years. But I think we all must realize that, as financial institutions, savings and loans are merely intermediaries and that they cannot subsidize home ownership from their own resources for very long and still be viable.

I am convinced that if the FHLBB continues its commitment to examine every option available to it to revolutionize and restructure S&Ls in this critical period, and if the fundamental rebuilding envisioned in the FHLBB's proposed legislation can be achieved, housing finance can continue to be provided to the average homebuyer. But I am also certain that without such basic change, savings and loan associations will be unable to continue to fulfill their vital role as specialized housing lenders in the volatile economic environment that is becoming the norm in the 1980s.

* * *

QUESTION: In my region of the country, most banks are not involved in mortgage lending. If savings and loans are given powers similar to those of banks, is it possible that S&Ls will leave the housing industry as the banks are doing?

ANSWER: That is a valid concern shared by many people. We at the FHLBB believe that that situation will not occur because the S&Ls' expertise lies in housing and will continue to lie there. The FHLBB believes that the future of the financial industry in raising money and profitability is being able to be a family financial center and offer more than just housing-related services.

Why should an S&L go to all the trouble of approving someone for an $80,000 mortgage and not be able to lend that same person money to furnish the house or build a fence around it? Why should an S&L not carry the checking account of a builder who is making a living from borrowing money from the S&L?

The FHLBB believes that these powers will enhance S&Ls' ability to meet the demand for housing.

QUESTION: When you had your successful periods in Texas under the state law, did your state law also permit adjustable-rate mortgages at a time when federal law did not?

ANSWER: No, we were not able to offer adjustable-rate mortgages until the federal enactment in 1980; well, we were actually approved a month before.

QUESTION: California had adjustable-rate mortgages or variable-rate mortgages as early as about 1961, didn't it?

ANSWER: Yes, and you can look at what's happening in California today and see that most of its S&Ls are much more rate sensitive on their mortgages and able to make a better profit than the rest of the industry.

Recently, the FHLBB has conducted studies with S&L people and feels that given these new adjustable-rate mortgages and the power to enforce due-on-sale clauses, the S&L industry can turn around in three or four years.

Rethinking Management Practices

by E. H. Stanley Jr.

The challenge facing the title insurance industry is to develop management practices that can assure growth despite periods of economic fluctuation.

I recently attended a seminar that addressed the need for enlightened management during changing economic conditions. Although the seminar was not specifically designed for the title insurance industry, the observations and suggestions made can be applied to our field. Because I have worked with an underwriting company and have been an agent, I think my perspective on suggested changes in management practices can be objective and useful to *Title News* readers.

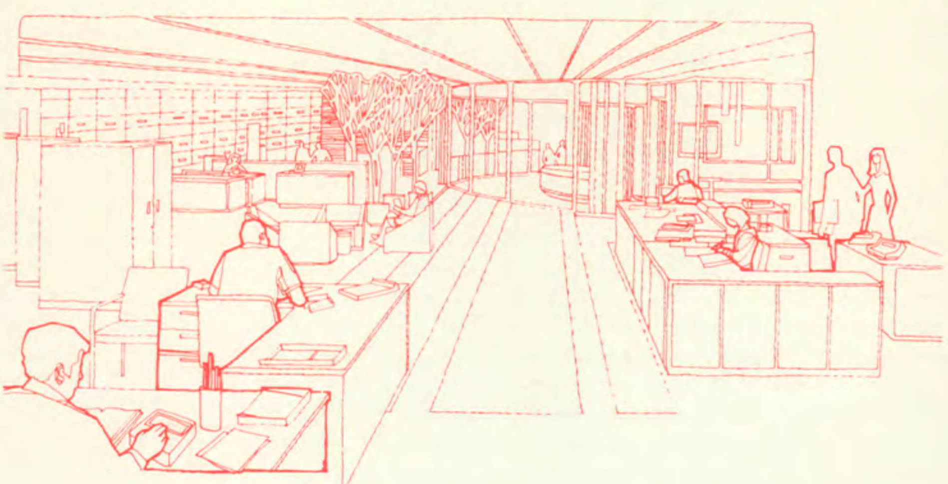
To present a cogent discussion, I shall review present management policy and procedure and their relationship to the economy.

The title industry is experiencing a depression, in part caused by fluctuations in the general economy. The title industry is not alone; most real estate-related industries are similarly affected. In the past, the title industry could rely on the predictable, cyclical nature of the real estate business and depend on an upturn within an almost determinable period. Related industries—especially builders—might have suffered some casualties, but those failures were written off as good for the overall health of the business. Because the troughs were so predictable and moderate and most businesses could withstand the temporary loss of earnings, company failures were avoided. The present situation is much different, however; the most evident example is the alarming number of thrift institutions on the edge of forced mergers or worse.

These are precarious times. Relief based on reliable, cyclical economic behavior has been interminably delayed. Swings in interest rates defy comparison, and the current outlook is not encouraging. Despite growing investor demand, mortgage credit is logjammed because of the high cost of funds and restrictive, lender-imposed qualifications. The rate of mortgage delinquencies has risen, construction spending is off, housing starts are low, retail sales have lagged, and, perhaps most important, consumer investment continues to avoid long-term savings plans. The decrease in investment in money-market funds results from institutional investors' seeking more attractive yields in other types of investments. Depository qualifications preclude the general consumer from following this lead, and he continues to seek the better yields offered by money-market funds. The Treasury Department has not yet begun to fund its huge deficit, and the resulting drain on capital markets could be enormous. A reliable source of affordable housing funds has not materialized, the lack of which continues to impede the growth of the housing market.

For years, our industry has been controlled by the sales divisions. Our "go-go" years were meteoric, but our empirical management concepts have proved inadequate. We are faced with problems so large that we must reexamine our very foundation because doing anything less may be terminal for some companies.

New ideas must be formulated and aggressive, assertive, and innovative management must meet the demands placed on the title industry. We should analyze our business to define profit areas; unprofitable areas should be retained only if



E. H. Stanley Jr. is vice president and state manager of Industrial Valley Title Insurance Company for South Carolina, North Carolina, and Georgia and president of E. H. Stanley Jr. and Company.

they can be catalytic and generate positive cash-flow possibilities. One obvious area of great expense and potential loss from claims is the title plant. In geographic areas where this department is not mandated by the state, a complete review of its operation and return on investment should be undertaken.

Management must become more aware of financial planning. Long-range planning and short-term positioning have to be structured, with more emphasis on financial analysis based on all available financial data. If we can better anticipate market fluctuations, we shall have more opportunities for profit.

Our sales-management approach to earnings has been controlled by elastic demand: The lower the price, the larger the quantity sold, and the higher the profit. Our industry has followed this formula for years. To my knowledge, in most geographic areas, our prices have been lowered during the past several years. Both premium and service charges have been cut. In some areas, the volume philosophy has resulted in no regard for profit margin. Disregarding profit margin has been justified as an expedient way to get new business, retain market share, or remain competitive; however, volume has decreased significantly and costs have spiraled upward far beyond our pricing structures. Stagnating profit pictures are proliferating, as exemplified by 1981 year-end reports. Our management approach has not been altered in the marketplace.

One of our solutions to the problem of stabilizing sales to encourage increasing returns has been to increase, in some cases dramatically, particularly in areas in which our respective companies are trying to establish business, the commissions paid to agents. We concomitantly further reduce our premium charges. Because we are highly leveraged, when volume decreases, we show greater losses.

We have problems with both agency and branch-office operations that continue to affect negatively our prospects of improved profitability.

I think most agents are sensible enough to realize that if the horse gets shot, you cannot ride in the race. Agency operations can be successful for both agent and underwriter, but if the underwriter becomes insolvent, the agent has no product. Commission splits are beyond acceptable levels of expected return, and, frankly, it surprises me to see the extent of bidding underwriters initiate to contract with agents. I have seen 80 percent splits on the so-called national rate to entice agency relationships. As long as we tolerate such practices, we will continue to see decreased earnings. The amount underwriters pay agents is much worse on a daily basis and has a greater effect on the operating income of those underwriters than the absurd pricing practices we see in some commercial transactions. (With regard to the bids made on some commercial transactions, the idea—which seems to be to lose money—while so prevalent, makes little sense.) Any time you cannot be competitive in a changing market, you need to reexamine your practices. Increases in agency commissions should be curtailed. At the same time, it is incumbent on us to be aware of our costs so we can price our product to reflect a targeted profit goal. When a transaction cannot turn a profit, its acceptance should be carefully examined and dimly viewed.

"Our managers have simply not been properly trained in management techniques and, in most cases, would probably relish the opportunity to improve their ability through courses, programs, and seminars."

On the branch-office level, although we do not pay a commission, we nevertheless have found a way to decrease our profitability in the presence of high fixed costs. We do not charge for our services, and that has become the accepted management policy in too many areas. This practice runs counter to the economic backbone of the industry. The backbone of residential sales has supported us in the past, but now it has not met our needs. To destroy its potential profit further by eliminating charges for services related to it is not sound.

The bottom-line philosophy based on sales has to be moderated to identify profit based on growth. Our industry is extremely competitive, and the demand for market share has created some of our more glaring problems. Had a better plan for growth acknowledging our long-term goals been used, perhaps our most frequently cited problem—controlled business—would be less conspicuous.

Controlled business has directed our management practices while draining our earnings. We have been trained to pursue the largest volume of orders available. The volume producers are attorneys, real estate brokers, service corporations, and the like. To entice them to represent us, we offer them larger commission participation. To the extent that we now experience controlled business, our industry has become disjointed in its approach to the problem. Within most corporations, different management guidelines are practiced in different geographic areas. There have been varying degrees of response to the problem of controlled business, but so far an industry solution has not been accepted by a majority of the underwriters. Because controlled business affects the whole title industry, it cannot be halted by just one company. To stop this drain on our management techniques, earnings, sales ability, and product development, and before we can effect an acceptable industry solution to the problem, we must adopt firm guidelines within our own houses to reduce reliance on controlled business.

We cannot blame anyone else for our problems. I suggest that our basic problem is larger than controlled business. We have to change our management philosophy.

We have an excellent product with a superb potential and a unique application. Our product has begun to reach its sales potential in a few states.

Concerning our problem of being a highly leveraged industry, we have achieved some success in reducing overhead in one area. In the past, we had become almost bureaucratic in our staffing levels. Realizing our plight, our companies have significantly reduced personnel. Staffing reduction and control is an important item in cost efficiency. When I worked for a large underwriter, one recommendation made was that staffing levels be reduced. Now that I have my own agency, proper staffing means a great deal to me because its cost is immediate and ongoing.

We should also, however, examine the compensation packages in our industry. We have lost many good employees because of the way we have handled this matter. One employee properly motivated and compensated is of inestimable value to a company. A staff of such employees has exponential value. If highly motivated and well-compensated employees are the norm in a company, staffing levels will reach their proper place and product quality will improve. I think it is also fair to assume that losses will also decrease. Incentive or profit-sharing plans should be developed to include as many employees as possible. Sales departments should be compensated, to a larger part, by commission. We need to nurture good employees and weed out those who cannot or will not perform.

Management potential needs to be developed and encouraged at all staff levels. We should compete for highly trained and motivated employees to lead us in the future. We are no longer a cottage industry. Many underwriters are now part of larger, corporate holding companies. The holding companies in many cases have forced management personnel changes in some companies. Perhaps this trend implies that our industry has been old-fashioned in its approach to management, that reliance on past techniques has impeded growth, that it has not allowed inspired leadership, and that our management philosophy needs review. Our management has reacted rather than led. I do not mean that as a pejorative statement. Our managers have simply not been properly trained in management techniques and, in most cases, would probably relish the opportunity to improve their ability through courses, programs, and seminars.

Because the economy is beyond our control, perhaps we should consider adding other products and services as potential profit vehicles. Compatible services are most easily identified and could be more available from our offices. One area of potential profit is property and casualty insurance. By acting as an agent (even as a company-owned shop), we would become more profitable. These policies are underwritten annually. Marketing other products and services would allow us to stabilize sales to increase growth even during hard economic times for the housing industry.

I also think that our products should be realistically priced in all geographic areas. I mentioned earlier that we have based our sales on elastic demand. The pricing structures have not produced profit. Perhaps we should reevaluate our approach. Without seeking to incur the wrath of the Justice Department, our product is a unique one that can be priced accordingly. I suggest that we adopt an inelastic demand pricing structure. By raising our prices, our quantity is not affected. Our product can stand on its own and should be priced that way.

We should try to reduce our sales volatility by diversifying both our products and services while simultaneously increasing our prices to reflect the value and uniqueness of our product. We should also continue to seek situations that allow us to lower our operating leverage. Such practices as subcontracting some services, joint-venturing other services, leasing certain services, and taking other cost-cutting measures would help stabilize our profits.

Because we are competitive and want to increase our market share, we have approved of abuses to our industry. That should not have occurred. 1981 earnings were low, and 1982 does not currently promise any relief. In the throes of an economic crisis that is beyond recession, we have to rethink our management practices.

Although some of these observations may seem gloomy, it is encouraging to note that some of the problems addressed can be consciously controlled and expediently corrected. Management needs to lead the way, however. It needs to set clear examples and consistently advise staff and agents of its position. There must be positive interaction among underwriters. We must set our house in order. Many of the abuses and conflicts have been created by us, and it is time that we correct them.

Names In The News . . .

Jones

Gabler

Lawyers Title Insurance Corporation acquired Lawyers Title of Pueblo, Inc., Pueblo, Colorado. An agent of Lawyers Title since 1958, Lawyers Title of Pueblo now operates as the corporation's subsidiary.

Betty Lynde continues as president of Lawyers Title of Pueblo. Lynde is a past president of the Land Title Association of Colorado and was named Title Person of the Year in 1981.

Robert G. Wagner was appointed branch manager of Lawyers Title's Ft. Pierce, Florida, office. Wagner joined Lawyers Title in Indianapolis as a sales representative in 1975. He transferred to the company's Improved Methods Program as a methods analyst in 1978. In 1980, he was elected assistant branch manager of the Orlando office and transferred in 1981 to the Ft. Pierce office.

Jeffrey D. Windon was appointed branch counsel of Lawyers Title's Akron, Ohio, office. Windon joined Lawyers Title's Akron operations in 1979 and was named assistant branch counsel in 1980. Before joining the company, he practiced law with a firm in Mogadore, Ohio.

Fred A. Gabler Jr. was appointed senior title attorney for Lawyers Title's Rocky Mountain States office in Englewood, Colorado. Gabler joined the company as a title attorney in 1981.

Chicago Title Insurance Company announced a series of promotions in the company's Chicago area offices.

Edward J. Niemietz was named assistant vice president and area sales manager for five counties in the metropolitan area.

Ann Zimmerman was named assistant vice president and area sales manager with responsibility for downtown Chicago sales.

Norbert C. Dudek was named assistant vice president and sales manager for the company's Cook County satellite offices.

Alan D. Summerville was appointed assistant vice president of American Title Insurance Company. He develops improved business programs and operations in Santa Clara County, California. Summerville joined American Title two years ago as Chief Title Officer.

Gordon M. Burlingame Jr. was appointed vice president and eastern regional controller of American Title in Philadelphia and vice president and treasurer of Columbia Real Estate Title Insurance Company in Washington, D.C. These assignments are in addition to his position as senior vice president and treasurer of The Title Insurance Corporation of Pennsylvania, a post he has held since January 1981. Burlingame consolidates activities and uniformity in accounting procedures and reporting methods for the three companies.

Ken Jones was appointed Arkansas state sales manager for American Title. Jones's responsibilities include developing and servicing all American Title policy-writing agents and approved attorneys throughout the state. Jones is a 33-year veteran of the title insurance business and has worked in and owned several abstract companies in Arkansas.

Patricia M. Hutton was appointed branch manager of American Title's Mineola, New York, office. She supervises personnel, underwriting, claims, and marketing. Hutton joined the company in 1961 and has held a variety of positions since then.

Zimmerman

Dudek

Transamerica Title Insurance Company announced that **Kevin Bippen** was named manager of the company's operations in Maricopa, Gila, and Pinal counties, Arizona. Bippen oversees 32 district offices. Since joining Transamerica, Bippen has worked as branch manager in Phoenix, as special projects officer in Phoenix, as manager of Cochise/Graham counties, as Pima County assistant manager, and, most recently, as assistant manager of the three counties he now manages.

Sally S. O'Neel was appointed assistant vice president at Commonwealth Land Title Insurance Company. A 13-year veteran of the land title industry, O'Neel continues as agency representative for Rhode Island and title plant manager for the company's Providence office.

Joel Houston was appointed vice president and Texas state manager of First American Title Insurance Company. A title insurance businessman since 1964, Houston was director of title insurance at the Texas State Board of Insurance from 1968 to 1970. For the last 10 years, he has served as president of a large title insurance agency in Houston and is president of Southern Title Company, an agent of First American.

Niemietz

Summerville

Charles E. Odom was named vice president and Texas state counsel for First American. Odom entered the title business in 1972 as representative of First American's predecessor company in Houston. He later organized Citizens Title Company of Houston, now known as Southern Title Company. Odom is chairman of the board and legal counsel for Southern Title.

Charles L. Coffman was elected senior vice president/administration for Ticor. Coffman controls and supervises administrative policies, systems, and procedures for Ticor and its subsidiaries. In addition, his office is the focal point for financial and strategic planning throughout the company.

Before his election, Coffman was executive vice president and chief financial officer for Ticor Title Insurers. A title insurance veteran, he joined the industry in 1947 with Union Title Insurance and Trust Company.

Calendar of Meetings

April 30–May 2
New Mexico Land Title Association
Four Seasons Hotel
Albuquerque, New Mexico

May 2–4
Iowa Land Title Association
Des Moines Hilton Inn
Des Moines, Iowa

May 6–9
Oklahoma Land Title Association
Williams Center
Tulsa, Oklahoma

May 13–15
Texas Land Title Association
Hilton and Marriott Hotels
Austin, Texas

May 20–21
California Land Title Association
Del Monte Hyatt House
Monterey, California

May 23–25
Pennsylvania Land Title Association
Pocono Manor Inn and Golf Club
Pocono Manor, Pennsylvania

June 4
South Dakota Land Title Association
Ramada Inn
Sioux Falls, South Dakota

June 6–8
New Jersey Land Title Insurance Association
Seaview Country Club
Absecon, New Jersey

June 11–13
Illinois Land Title Association
Sheraton-West Port Inn
St. Louis, Missouri

June 17–19
Oregon Land Title Association
Marriott Hotel
Portland, Oregon

June 17–19
Tennessee Land Title Association
Chattanooga, Tennessee

June 17–19
Utah Land Title Association
Little America Hotel
Salt Lake City, Utah

June 17–20
New England Land Title Association
Tamiment Resort and Country Club
Tamiment, Pennsylvania

June 27–30
Michigan Land Title Association
Hidden Valley
Gaylord, Michigan

July 8–10
Land Title Association of Colorado
Tamarron Resort
Durango, Colorado

August 5–7
Idaho Land Title Association
Coeur d'Alene, Idaho

August 6–7
Kansas Land Title Association
Holidome
Lawrence, Kansas

August 12–14
Minnesota Land Title Association
Sheraton-Ritz
Minneapolis, Minnesota

August 12–14
Montana Land Title Association
Copper King Inn
Butte, Montana

August 26–28
Wyoming Land Title Association
Shoshone Lodge
Cody, Wyoming

September 10–12
Missouri Land Title Association
Sheraton Hotel
Springfield, Missouri

September 12–14
New York State Land Title Association
Concord Hotel
Kiamesha Lake, New York

September 13–15
Ohio Land Title Association
Sawmill Lodge
Huron, Ohio

September 15–17
Dixie Land Title Association
Callaway Gardens
Pine Mountain, Georgia

September 16–17
Wisconsin Land Title Association
Civic Center Inn
Eau Claire, Wisconsin

September 17–19
North Dakota Land Title Association
Holidome
Minot, North Dakota

September 19–21
Indiana Land Title Association
Marriott Hotel
Clarksville, Indiana

September 22–25
Washington Land Title Association
Seattle Marriott—SeaTac
Seattle, Washington

October 3–6
ALTA Annual Convention
Sheraton-Boston Hotel
Boston, Massachusetts

October 15–17
Palmetto Land Title Association
Litchfield Inn
Litchfield Beach, South Carolina

October 20–22
Nebraska Land Title Association
Lincoln Hilton
Lincoln, Nebraska

November 10–14
Florida Land Title Association
Hyatt House
Sarasota, Florida

December 1
Louisiana Land Title Association
Royal Orleans
New Orleans, Louisiana

American
Land Title
Association

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