

Title Insurance Company



- *The Ultimate Development in Real Estate Security, and Invaluable Aids to Those with Land to Sell or Money to Loan.*

This is an argument for modernization of the system of marketing real estate which has grown up here around our system of registration of land titles under the Land Registration Act (No. 496), commonly known as the Torrens Act. A discussion of the subject requires a sketchy review of the various systems in effect in certain countries for handling a transfer of title to real property from owner to buyer, either for cash or credit secured by mortgage.

England probably has the simplest method extant. There, when property is sold, the buyer simply takes delivery of his deed. Or, when money is loaned upon real estate, the lender accepts his mortgage. That is all. The instruments then go into the safe of the recipient or behind the kitchen clock, there to stay. If you own a piece of land, you can produce a deed to it. Most old English land owners can show deeds dating back many generations ago. There is no registration of instruments or other similar formality.

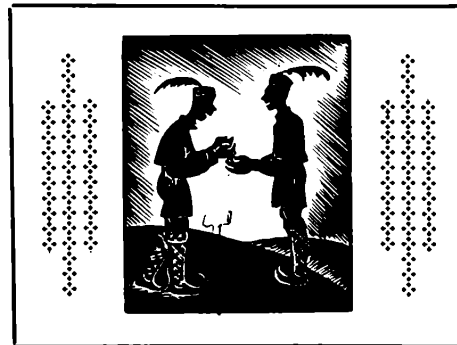
Indeed, before the English became literate, and even long after that, they did not use the formality of executing and delivering a conveyance, when property changed hands. The new owner was taken physically to the land, and it was delivered to him, at first by putting him in possession of it, and, later, by symbolical delivery, such as giving him a handful of dirt from the place. This was known as "livery of seizin," or ownership, and it had its origin in the feudal system of dividing up the Kingdom introduced by the Norman conquerors. The feudal system, and the customs surrounding it which gradually grew into law, have had a profound influence on all property law everywhere, and the meaning and implications of this word "seizin" would fill many ponderous books.

Gradually, in England, delivery of a deed took the place of actual or symbolical delivery of the land itself, but right there the English drew the line. There exists an old law in England requiring that all transfers or mortgages of real property must

be recorded (copied) in public books provided for that purpose, and available for public inspection, but this law the English have blithely ignored. A man's business is a man's business, they argue, and what he owns, or how he got it, is of no concern to others.

They keep their deeds. And if those deeds are lost or destroyed—that is a risk they are willing to take for the sake of privacy.

In the United States, the system of recording, or copying instruments which might affect the title to real property is in general use. The theory is that titles are of public concern; that information as to the ownership of property should be available to all; and that duplicate evidence of ownership of land should be available in the



event of the loss or destruction of the original. Practically all States have officers in each county known as County Recorders, whose job it is to copy into public books all properly executed instruments presented to them. These books are open to inspection by the public. Most State laws also require that these documents be acknowledged as to signature, and that the Recorders keep indexes to facilitate the location of instruments which have been copied.

In order to ensure that instruments conveying or mortgaging, or otherwise af-

fecting land will be presented for recording, the laws provide that no unrecorded instrument shall be valid, except as between the immediate parties (i.e., the seller and buyer, or mortgagor and mortgagee) and their successors in interest unless recorded.

At first, that was all there was. The system worked perfectly in the early days of the Republic, when land transfers were few, and consisted mainly of large tracts of land. But, as the country grew and the volume of transfers increased, the Recorders' tomes grew likewise. They became ponderous volumes recording thousands of documents, and tracing a title through them required the skill of a Philadelphia lawyer, the talents of a civil engineer, and the patience of Job.

It became the custom to engage the services of an attorney when dealing in land. Not many years ago, an important source of attorneys' incomes was examining titles to real property in the Recorders' offices, and rendering opinions thereon. The volume of business was so great, in certain areas of the country particularly, that some attorneys devoted themselves to it almost exclusively, and became specialists in tracing the titles to real estate, and discovering flaws in them.

From there it was just a step to the formation of what are known as "abstract companies." These companies employ clerks in the offices of the county Recorders, whose job it is to make abstracts of all instruments recorded, affecting given pieces of property, when ordered to do so by attorneys or laymen contemplating transactions in that property. The abstracts are then examined by attorneys, instead of the recorded instruments themselves.

These abstract companies still exist in many parts of the country, but they have lost their former importance because the public soon began to demand some sort of a guarantee of their titles, aside from that afforded by a lawyer's opinion. To meet this demand, "certificate companies" grew up. They would examine titles, and "certify" as to their condition.

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This was a great step forward, but it was not enough, because the certificate companies, while they guaranteed titles with their reputations (and therefore with their future profits), they gave no financial guarantee that their opinions were correct. This was a serious defect, and held back the volume of sales of real property, and of loans on real property security, considerably. A bank, for example, or a great life insurance company contemplating a mammoth loan on a property site for a skyscraper demanded greater measure of security than a mere certificate, carrying with it no financial responsibility.

Thus it has happened that, within the last fifty years, corporations have been formed for the purpose of examining land titles, reporting upon their condition, and

guaranteeing their reports through the issuance of title insurance policies. These companies began cautiously at first—early title insurance policies had so many excepted risks stated on them that they practically insured nothing—but, as they perfected their facilities, and as their resources grew, the excepted risks became fewer and fewer in number and in importance, until now a title insurance policy will absolutely guarantee a title to be as stated in it, with practically no reservations, and the guarantee is backed up by a large reserve in cash and bonds on deposit with the State Insurance Commissioner, as well as by the assets of the company issuing it.

In many cities in the United States, these title insurance companies have grown to be financial giants. One large company in Los Angeles has gone into the banking

business on the side, and is one of the largest lenders of money on real estate security in that part of California. The Title Guarantee and Trust Company in New York City is a huge organization, which has contributed no little to the growth of the city, through guaranteeing titles to building sites, terminal areas, bridge approaches, pier locations, etc., and has built many of these structures with its own funds.

In its next issue, the JOURNAL will explain how these title insurance companies work, and the manifold services which they render to real estate brokers, banks, mortgage companies, and the general public. The operation of the Torrens system, both here and in the United States will also be discussed.

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Manila Businessmen Organize Company to Invest in Real Estate

The JOURNAL last month carried the announcement of *Realty Investments Incorporated* of ₱700,000.00 in shares of its common stock for sale. This company has been organized for the purpose of procuring a large amount of capital through the sale of its shares, and investing this capital in real estate and other investments whose underlying security is real estate. It will provide investors with expert management together with the ability to engage in major transactions through its large capital.

Everyone has heard the frequent statement that no investment is as sure as an investment in land. Everyone knows that more fortunes have been made through investment in real estate than in any other way. Yet, people hesitate to acquire real estate because of the personal attention required. An individual owner must look for tenants, take care of repairs, see that taxes and insurance are paid, be at the constant call of tenants. The average layman is unfamiliar with values and future prospects, so does not know how much rent to charge. The new company will take care of these and the other myriad details attendant upon property ownership.

The management of Realty Investments believes that its stockholders will also secure the advantage of diversification of their risks over a great many properties, thus reducing the ever-present danger of income stoppage which exists when an investor limits his holdings to one property. Provisions for repairs and property deterioration and obsolescence are also better taken care

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