

Mr. LEMMON: I don't think there is any doubt about it, that more attractive interest rates would attract more money.

Senator CRERAR: Apparently there is capital either in the United States or Europe that might be interested in investment in Canada.

Mr. LEMMON: That is quite possible.

Senator ISNOR: Mr. Lemmon, would you care to expand on your statement in regard to the holdings of your company:

In the reconstitution of their growing portfolio to recover the balanced diversification of assets which management and experience have indicated as desirable, holdings of Canada bonds by the companies have been reduced substantially and other kinds of assets have been increased, notably mortgage loans.

Would you care to enlarge on the reasoning back of that statement?

Mr. LEMMON: I think I have covered it to some extent, Mr. Chairman. During the Second World War the companies put all of their income into Dominion of Canada bonds until they had a very high percentage of their assets in those securities. That is not a normal state of affairs: They do not normally have that percentage of their assets in Dominion of Canada bonds. That is, the various life insurance companies, loan companies, and trust companies that accept deposits have different requirements, but almost uniformly they had more Dominion Bonds than they would normally hold, and it took them some years to correct the proportions, to decrease their holding of Dominion Bonds and increase municipals, corporate lands, and mortgages, and effect a more normal distribution.

Senator ISNOR: That was brought about by the entry of certain interests into the field of lending.

Mr. LEMMON: No sir. The Companies started to do this immediately after the Second World War; as soon as the war was over they started to re-arrange their portfolios.

Senator ISNOR: The war was not over until 1945 or 1946.

Mr. LEMMON: It was really 1946; the last Victory Loan was in that year.

Senator ISNOR: The Dominion Housing started its building in 1935, and later on its action was accelerated. It was then that you felt it was necessary to enter into the field of mortgage lending.

Mr. LEMMON: No, our companies have been in the mortgage business pretty nearly since they were incorporated; my own company has been in that over 100 years. The Companies have always held a substantial portion of their assets in mortgages. They got into a temporary situation during both wars, but whether C.M.H.C. was in the field or not, they still would have gone back into the mortgage business to a very substantial extent.

Senator ISNOR: Thank you.

Senator SMITH (*Queens-Shelburne*): Do you expect that within the next year, and following years, if we must have deficit financing in Government that there will be enough mortgage money available to continue building houses at the present rate, which I understand is about 140,000 to 150,000 houses per year? In other words, is Government financing going to dry up the source for mortgage funds.

Mr. LEMMON: To the extent of course that our institutions are required to, or desire to, support Government financing, and Government loans, it will divert funds from other sources of investment. If we expand further in one place, we do not have the funds for another place.

As to whether there will be enough money through the normal lending institutions channel for financing a volume of 140,000 to 150,000 starts, depends