

The CHAIRMAN: Has anyone else any remarks he would like to make before we proceed with the bill?

On section 1, shall section 1 carry?

Carried.

On section 2? Shall the section carry?

Carried.

Section 3? Shall the section carry?

Carried.

Section 4? Shall the section carry?

Carried.

Section 5? Shall the section carry?

Carried.

Section 6? Shall the section carry?

Carried.

Section 7? Shall the section carry?

Carried.

Section 8?

Mr. FRASER: Could we have an explanation of this section?

The CHAIRMAN: Mr. MacGregor, would you please supply the answer.

Mr. K. R. MACGREGOR (Associate Superintendent of Insurance): Clause 8 has four clauses. Subclauses 3 and 4 relate to the lending powers of trust companies; subclause 3, relates to unguaranteed trust funds and subclause 4 to guaranteed trust funds. The change made in those subclauses is to make it clear that where a prior lien exists, the loan being made together with the prior lien, shall not exceed 60 per cent of the value of the property. As the subclauses now read the first charge might be ignored.

Looking then at subclause 1, that subclause relates to the investing powers of trust companies with respect to unguaranteed trust funds. The investment powers of trust companies with respect to guaranteed trust funds is dealt with by cross reference. That is why only one clause appears here. The change being made is to bring the investing powers into line with the lending powers expressed in subclauses 3 and 4. Not many mortgages are acquired by purchase or investment. Ordinarily, as you know, they are made by trust companies or financial institutions in the first instance as direct mortgagees. Subclause 1 relates only to the case of the purchase of an existing mortgage. At present that subclause is restricted to first mortgages and is inconsistent with the main lending powers in subclauses 3 and 4.

Subclause 2 relates to so-called "income producing" real estate. It authorizes the investment of guaranteed trust funds to the extent of 5 per cent of the total guaranteed trust funds and follows, in general, the rules for insurance companies prescribed in the Insurance Bill.

Any property being purchased must be leased back to a corporation of "substance", as the explanatory note says, being a corporation with a dividend record good enough to qualify that corporation's debentures or shares as an investment. The revenue under the lease must be sufficient, as in the Insurance Bill, to yield a fair return during the term of the lease and to amortize at least 85 per cent of the investment price during the term of the lease, not however, exceeding thirty years.

Mr. MACDONNELL: I take it that real estate which might come into the company's hands—foreclosures—would not be included?