(b) Other institutional and market recommendations

(i) Insurance company investments

To promote a freer flow of funds into Canadian equities, the Commission recommends that insurance companies be allowed to invest at least 25% of their funds in common stocks and that the present rigid valuation rules be relaxed. However, these changes are not expected to lead to a radical alteration in company investment policies (pp 247-50).

(ii) The mortgage market

The N.H.A. rate should be freed (subject to an upper limit) so that it does not inhibit private lending and discourage a secondary market in mortgages (p.285). This would overcome the disruptions resulting from the excessive rigidity in the rate: it would also enable C.M.H.C. to withdraw from the massive residual lending of recent years.

The Commission also recommends that institutional loan to value ratios on mortgage lending be raised from 66 2/3% (60% for the Quebec Savings Banks) to 75% and that banking institutions be free to grant second mortgage loans (pp 287-8).

These changes, together with entry of the banks into conventional mortgage lending, should improve the supply of mortgages, curb the need for borrowers to turn to high-rate second mortgage lenders and make it unnecessary to extend government guarantees to existing properties (pp 278-9, 287-8).

The government would still be free to vary down payments and other N.H.A. terms to stabilize the economy, but this should be a conscious act of policy rather than the by-product of its mortgage lending arrangements (pp 285-6).