the basic costs of operating a mortgage lending business—it is an accepted fact that such costs are likely to be disproportionate until a substantial volume of loans has been built up. It was, of course, not until 1955 that the mortgage lending operations could be expected to be in full and efficient swing in the banks as a whole, although the performance in 1954 was indicative of active response to the challenge. The decline in the years after 1955 can perhaps be regarded as settlement to a normal level, if one may use the term after only four years of experience. What the banks will be able to do normally over the course of years in their special position is difficult to forecast.

Mortgage Principal Repayments:

N.H.A. mortgages drawn for 25 years and payable in equal monthly instalments over the term have only a small part of the principal repaid during the first five years of the term. The percentage of the principal of a loan (paid in the manner stipulated in the mortgage) that is repaid each year of the first five, is as follows:—

During the first year	1.8%
During the second year	1.9%
During the third year	2.0%
During the period of the fourth and fifth years	4.5%

so that after five years only 10.2% of the principal loaned has been repaid. After ten years 24.8% will be repaid and 42.2% after fifteen years. It requires payments to be made regularly for between 16 and 17 years to obtain repayment of 50% of the capital loaned. As already stated, the above figures are on the basis of repayment in accordance with the mortgage.

This illustrates that it will be some years before sufficient capital will be repaid to the banks, annually, to provide an amount that can be re-loaned equalling the average annual N.H.A. loans made by the banks since entering the mortage lending field.

The banks are not in the position of the mortgage lenders who have been operating for many years and are now in the fortunate position of having a substantial flow of repaid capital coming in which is available for reinvestment in new loans—sufficient to maintain, if desired, a steady programme of new loan approvals from year to year without drawing on new funds.

Market for Mortgage Loans:

One aid to continued participation in new mortgage loan approvals is sales out of portfolio to other investors, or perhaps the making of new loan commitments specifically on behalf of other investors, which has the same result. To the end of 1957 the banks had recorded with C.M.H.C. the sale of mortgages totalling $89 million. This total has now possibly reached $100 million. Most of these sales have been made to corporate pension funds, and slow but steady progress is being made in developing that market, which is a most logical one. It is possible that this source of funds will grow as pension fund trustees become accustomed to mortgage loans as an investment medium.

Other methods of marketing have been under study but not yet has a plan been developed that does not present some serious difficulties. Large foreign investors, while interested in the interest rate, are deterred by the exchange risk and the reduction in actual yield resulting from the non-resident withholding tax of 15% of the interest.

Agency Loan Programme:

A few words should be said about the banks' participation in the "Agency Loan" programme. As the Committee knows, this was an arrangement whereby the approved lenders were called upon to assist C.M.H.C. in bolstering the