

Senator BRUNT: I would like to ask Mr. Lemmon what is meant in the brief by the last sentence on page 5 which reads, "Beginning with 1954 these additional risks were partially met by the insurance feature of the act of that year." I would like to know exactly what is meant by that.

Mr. LEMMON: I think Mr. Bates covered that reasonably well in his brief. There are three main areas of potential loss to lenders under the National Housing Act. In the first place, only 98 per cent of the principal claim is covered by the insurance policy. Secondly, there is a potential loss of interest since interest is allowed at the mortgage rate for only six months and then at a considerably reduced rate thereafter, and after 18 months there is no allowance. Thirdly, the allowance for foreclosure costs and other legal expenses is not realistic. On the average it would not cover half of the out-of-pocket legal expenses in the event of foreclosure. Therefore, an institution which forecloses the property and turns it over to C.M.H.C., has three potential areas of loss involved if it wishes to realize on a policy guarantee.

Senator BRUNT: Mr. Bates also told the committee they had only six or seven foreclosures, and that they made a profit on them all. Does no part of the profit go back to the lender to reimburse him for his losses?

Mr. LEMMON: None whatever. It becomes part of the reserve fund of Central Mortgage and Housing Corporation to cover future losses. We make no recovery of these amounts.

Senator LAMBERT: I thought Mr. Bates said there was something like 400 foreclosures in the history of Central Mortgage, up to date. I may be wrong but certainly it was more than six or seven.

Senator SMITH (*Queens-Shelburne*): I think Senator Brunt's figures related to insured loans only.

Senator BRUNT: Yes.

Mr. FORTIN: May I add that if it takes three years to obtain title with possession, the lender recovers from the insurance fund approximately 88 per cent of his claim, so that there is an 11 per cent plus loss to the lender. On the other hand, if title and possession can be obtained within six months and foreclosure is started the minute the borrower defaults then the loss is 2 per cent on the principal plus whatever is lost on legal costs. It depends on the length of time.

Senator CRERAR: Well, I would say this: You make quite a lot of loans through the Dominion Mortgage and Investments Association of one kind or another. I suppose you are making some direct loans from time to time without any insurance?

Mr. LEMMON: A good many, sir.

Senator CRERAR: And you make a good many insured loans?

Mr. LEMMON: Yes.

Senator CRERAR: And that has been going on for quite a number of years?

Mr. LEMMON: In the case of our company for over one hundred years.

Senator CRERAR: That is what I thought. How have your collections been on these loans over the last, say, two years?

Mr. LEMMON: Remarkably good, sir. The percentage of delinquencies and defaults throughout our member companies have been uniformly low. I do not know if Mr. Fortin can contribute anything to that or not?

Mr. FORTIN: I would say it is so small that you cannot express it into percentage.

Senator CRERAR: Five per cent?

Mr. FORTIN: No, less than one per cent.