which sets the statutory limit of mortgage loans which the companies are authorized to make at a maximum of 60 per cent of appraised value. The companies were authorized to make higher ratio loans, originally jointly with the Government and, subsequently with Central Mortgage and Housing Corporation, and the additional risks were met by the partial guarantee provisions of the Dominion Housing Act and those of the National Housing Act, 1944. Beginning with 1954, these additional risks were partially met by the insurance feature of the Act of that year. To the extent of the funds available to them and in keeping with the principles already set out previously herein, the companies have cooperated fully in meeting the demand for housing mortgage credit.

Apart from loans under the National Housing Acts, the companies make mortgage loans on residential property to the maximum extent of 60 per cent of the value at which such property is appraised by the companies, such appraised value being generally less than sale price, at rates presently ranging from 6.75 per cent to 7.25 per cent with termination dates as short as 5 years. There is strong demand for such loans and they are granted by the companies in the ordinary course of business, and, having regard to risk and costs of administration, they fit in with the pattern of interest rates current in Canada.

Member companies have co-operated fully in the operations of the Dominion and National Housing Acts. They have done so notwithstanding that successive liberalization of the amount of loan has added to the risk. Member companies have no mandate to accept a rate of interest lower than the going rate from time to time, having regard to safety, liquidity and administrative costs. It will be appreciated that it costs much more to acquire and administer a portfolio of mortgage investments than it does a similar amount invested in securities. The attractiveness of insured mortgage loans under the present National Housing Act is closely dependant upon the adequacy of the insurance factor related to the risk and upon the adequacy of the net interest return in competition with the rates of return on alternative avenues of investment. For most of the year 1957 the return on N.H.A. mortgages was not competitive and the companies placed more of the funds they had available in alternative types of investment. So far this year and for the time being, the present 6 per cent gross return on N.H.A. loans, while not fully competitive, is more in keeping with rates of return obtainable in the money markets for comparable alternative types of security and N.H.A. loans by the companies have risen substantially.

To the end of May this year, housing starts have been considerably higher than for the same period of 1957, being some 60 per cent higher and at the end of May there were some 76,271 units under construction in Canada compared with some 60,594 units at the same time in 1957. In the experience of member companies, housing units under construction have been generally readily absorbed as they came to market so far this year. The large volume coming to market in the next two months or so gives rise to doubts that all units can be absorbed all at once in some localities and the companies are following a cautious approach in granting loan approvals where these doubts arise.

We are at your disposal to answer any questions within our ability.

The Acting CHAIRMAN: This is a very fine brief. I should like to say to you gentlemen who have appeared to give evidence this morning that it is unfortunate there are two other important committees of the Senate sitting this morning, the Standing Committee on Transport and Communications and the Special Committee on Land Use in Canada. I am sure that a great many of the senators serving on those committees would like to be here to take part in our deliberations. What is your wish, honourable senators? Do you wish to ask some questions now of Mr. Lemmon?