

Senator CRERAR: Quite true but, Mr. Friesen, that is dodging the question. Has it had any practical effect on your ability to make commercial loans, this utilization of your funds in this way?

Mr. FRIESEN: We like to feel we have met all the legitimate calls of commercial requirements. A young country such as this can always make use of all its funds. There is no question in that regard. I do not wish to appear to be dodging the question but I think that is a fair statement to make, that a young country such as this can always use its funds. We hope our funds will be usefully employed in some way or another, if not under the N.H.A. in some other manner. In the last few years certainly commercial concerns felt they were not getting all the money they could use but on the whole I think Canada is showing progress.

Senator CRERAR: You mention that you have been able to sell more than \$100 million of these mortgages to investors, mainly to pension funds.

Mr. FRIESEN: They were the largest buyers.

Senator CRERAR: If interest rates should tend to rise wouldn't that avenue be closed to you somewhat?

Mr. FRIESEN: If interest rates tend to rise it might have a tendency towards that because obviously the attractiveness of mortgages to pension funds is in the higher yield in comparison with other investments available.

Senator CRERAR: What would happen is that you are tying funds up in long distance payments and if interest rates tend to rise then the existing mortgages would not be attractive to investors.

Mr. FRIESEN: They will be less attractive.

Senator CRERAR: So you would permanently over a period of years until these payments come in have your funds tied up in that way. Would that be a correct statement to make?

Mr. FRIESEN: Yes Mortgages are not a liquid asset as are some others.

Senator CRERAR: Would you care to pass an opinion on the question I asked the preceding witness about the likely trend of interest rates?

Mr. FRIESEN: I think perhaps I might just join in what Mr. Lemmon said, and besides any opinion that I might express would be my own.

Senator CRERAR: That would be good enough for me.

Mr. FRIESEN: No I do not think I would care to really give an opinion because I do not consider myself competent to do so.

Senator CRERAR: Then we will leave that.

Senator SMITH (*Queens-Shelburne*): Do you still stay with your formula of two and one quarter per cent over the rate for long term Canada bonds?

Mr. FRIESEN: That has been the yardstick right along.

Senator SMITH (*Queens-Shelburne*): And if bonds yield $4\frac{1}{2}$ per cent your rate would have to go up accordingly?

Mr. FRIESEN: That would be a reasonable assumption.

Senator SMITH (*Queens-Shelburne*): And if you did not you would perhaps not be capable of maintaining your rate of lending for housing?

Mr. FRIESEN: That would be a reasonable assumption. Presently as you know the banks are confined to 6 per cent as a maximum rate of interest.

Senator CRERAR: I may say to the witness that when the Bank Act was amended permitting banks to engage in this mortgage lending for building houses that I had very grave doubts about the outcome. I think the banks exist essentially for the purpose of carrying short-term commercial loans. If our export business is good in lumber, and pulp and paper, naturally there