

CENTRAL MORTGAGE AND HOUSING CORPORATION

OTTAWA, March 1, 1946.

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INTRODUCTION

Central Mortgage and Housing Corporation was incorporated by Act of the Nineteenth Parliament (December, 1945) with a capitalization of \$25,000,000.

President is D.B. Mansur; vice-president, Major-General Hugh A. Young, D.S.O., directors: Brig. Noel D. Lambert, C.V.E., Vancouver; Mrs. Monica McQueen, Winnipeg; W. W. McLaughlin, K.C., Toronto; J.J. Perrault, Montreal; George A. Smith, Halifax, the Governor of the Bank of Canada; the Deputy Minister of Finance; and the president of Wartime Housing Limited; secretary, Eric R. Gold.

Head office of the corporation is in Ottawa. Five regional offices are being established in British Columbia, the Prairie Provinces, Ontario, Quebec and the Maritime Provinces. Branch offices will be set up in these regions as required.

FUNCTIONS

Broadly speaking, the functions of Central Mortgage and Housing Corporation are three-fold:

- I To administer the National Housing Act, 1944.
- II To provide facilities for the rediscounting of mortgages by the lending institutions.
- III To administer the Emergency Shelter Regulations.

I NATIONAL HOUSING ACT

In its administration of the National Housing Act and of subsequent Orders-in-Council, the corporation has these responsibilities and functions:

I Loans for House Construction

Under the National Housing Act, the Government is in business - principally in the business of lending money

on long terms for the construction of houses. Loans are of three kinds - joint loans made through private lending institutions; direct advances to limited-dividend housing corporations up to 90% of the lending value of a low-rental project; and home extension loans.

(a) Joint Loans

Under part I of the Act (Housing for Home Owners), loans are made jointly by the corporation and approved lending institutions to prospective home-owners or to builders of houses for sale to occupants. Houses must be constructed according to sound, prescribed standards. Minimum loan is 50% of the lending value, which consists of the cost of the property or of its appraised value, whichever is the lesser. Maximum loan is 95% of the first \$2,000 of the lending value, plus 85% of the next \$2,000 plus 70% of any lending value in excess of \$4,000.

Twenty-five per cent of the money borrowed is furnished by the Government; interest payable by the borrower is $4\frac{1}{2}\%$ per annum, calculated semi-annually. Repayment must be secured by a first mortgage on the house and the land, and the term of the loan is usually 20 years. However, in an area adequately protected by community planning and appropriate zoning restrictions, a loan may be for a term of up to 30 years. Payment of principal, interest and taxes are made in monthly instalments.

Under Part II (Housing for Rental Purposes) joint loans may be made for rental housing projects on much the same terms as under Part I, except that the loan must not exceed 80% of the lending value and that, in properly planned and zoned areas, the maximum term of the loan is 25 years.

(b) Loans to Limited-Dividend Housing Corporations

Also under Part II (Section 9) of the Act, loans may be made directly by the corporation to a limited-dividend housing corporation for the purpose of assisting in the construction of a low-rental housing project or in the purchase of existing buildings with the land upon which they stand and their conversion into a low-rental housing project.

Such loans may be for 90% of the lending value of the project at an interest rate of 3% per annum. The term of the loan must not exceed the useful life of the project, or 50 years, whichever is the shorter term.

To be eligible, a corporation must establish the need for the project, provide sufficient equity, limit its dividends to 5%, set rents and operate the corporation in a manner acceptable to Central Mortgage and Housing Corporation.

Under Section II, life insurance companies under Dominion jurisdiction are authorized to invest up to 5% of their Canadian assets in a low or moderate rental housing project, and are guaranteed a net return of $2\frac{1}{2}\%$ per annum on such investments.

It is also possible for life insurance companies to spread the dollars which they are prepared to invest over several times as many houses by conducting their operations through the medium of subsidiary corporations and by confining themselves to the low-rental field in such a way that their subsidiary corporations would qualify as limited-dividend housing corporations thereby becoming eligible for the 90% advance under Section 9.

(c) Home Improvement and Home Extension Loans

Part IV of the Act, which provides for loans by banks or approved instalment credit agencies, for home improvement and home extension loans, has not yet been proclaimed. It is anti-

pated that this part will be made effective shortly but with reference only to home extension loans.

Home improvement loans were made, however, under the Home Improvement Loan Guarantee Act, 1937. Some loans are still outstanding and become the responsibility of the corporation. Otherwise, the 1937 Act is inoperative.

Home extension loans bear interest at 5% per annum. They must not exceed \$3,000 for the first family housing unit created in the house and \$1,000 for each additional family unit. Loans are for a maximum term of three to five years. The Government's guarantee is 5% of the total amount of loans made by a bank or approved credit agency.

2. House Conversion Plan

The House Conversion Plan was established by a series of Orders-in-Council under which authority is given to the Minister of Finance, and now to the corporation, to lease buildings in certain cities and contiguous municipalities, to convert them into housing units and sublet them to suitable tenants for the relief of the housing shortage. The cities in which the plan is now operating are Vancouver, Victoria, and Nanaimo, Ferni, Edmon-
ton, Winnipeg, Toronto, Hamilton, Ottawa, Brantford and Galt, London and Windsor, Kingston, Montreal, Quebec.

3. Integrated Housing Plan

Also established by Order-in-Council, the Integrated Housing Plan is a specialized application of Part I of the National Housing Act. It was formulated in order to promote the building of low-cost houses for sale to veterans and their dependents. It is applicable to small and large centres alike. The contract with the builder contains a provision which holds the price of the house within the means of the lower-income group.

As a means of safeguarding the builder's investment, Central Mortgage and Housing Corporation agrees to buy from the builder within one year from the date of completion any houses in the development which he has been unable to sell, at the price fixed or agreed upon prior to construction.

4. Production of New Types of Building Materials

Under Part V of the Act, the corporation is authorized to enter into contracts for the production or development and testing of materials, equipment or component parts for houses through the pilot-plant stage of production or development.

5. Slum clearance

The corporation takes over the administration of the National Housing Act in full, except for grants for slum clearance. In this instance, the corporation advises the Minister of Finance but the grant itself is made by the Minister.

However, slum clearance at the present time is considered to be inopportune. The requirement for shelter is so great that the Government cannot afford to destroy liveable shelter of any kind. Slum clearance will come later when the pressing need for housing is lessened. Slum clearance was also a subject of discussion at the recent Dominion-Provincial Conference.

6. Research

(a) Investigation of housing conditions and the adequacy of existing accommodation in Canada and measures which may be taken for improving them.

(b) Study of similar investigations and measures taken elsewhere than in Canada.

(c) Investigation of factors affecting the cost of construction of housing accommodation and measures which may be taken to secure economies and increased efficiency.

(d) Preparation of plans and designs for low-cost houses.

(e) Preparation and distribution of information designed to promote an understanding of the principles of land, community and regional planning.

(f) Arranging competitions to secure plans, designs and specifications suitable for low-cost housing.

II REDISCOUNTING FACILITIES

Another function of the corporation is to provide facilities for the rediscounting of mortgages by the lending institutions. The corporation is empowered to buy mortgages from and sell them to all lending institutions and to make loans against mortgages or debentures in the case of trust and loan companies only.

Because the trust and loan companies are for the most part in a highly liquid position, these facilities may not be extensively used in the immediate future, but the knowledge that they are available will give private institutions confidence and thus enable them to meet more effectively with the borrowing needs of the public.

In establishing these mortgage discounting facilities now, the Government has in mind particularly the desirability of maintaining an adequate flow of mortgage loans in all parts of the country and of working steadily in the direction of lower rates and more suitable terms of all kinds of mortgage lending, both rural and urban.

From this, it is apparent that the corporation will revive some of the functions of the Central Mortgage Bank which, because of the war, remained dormant and has now been dissolved.

The clauses in the bill providing for financial research are to enable the corporation to ascertain what it costs to make mortgage loans in any part of the country, and, in turn, to find out how interest rates can be brought down.

III EMERGENCY SHELTER

To assist municipalities in meeting their shelter problems by making the most effective use of available unoccupied houses and other suitable buildings, Emergency Shelter Regulations were established by Order-in-Council which vested certain powers in the Wartime Prices and Trade Board. These powers have now been taken over in whole by Central Mortgage and Housing Corporation. The Emergency Shelter administrators and officers are authorized to assist local bodies, when possible, to find accommodation for families suffering acute hardship and distress from lack of shelter. Central Mortgage and Housing Corporation may also put buildings which are surplus to war requirements at the disposal of municipalities and provinces, either at a fraction of their original cost or on a lease basis.