CANADA MORTGAGE AND HOUSING CORPORATION

SURVEY OF LENDERS: FINANCING OPTIONS FOR SELF-BUILDERS AND SELF-CONTRACTORS

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EXECUTIVE SUMMARY

PURPOSE OF STUDY

The purpose of this study is to investigate the financing options and obstacles associated with the self-builder and self-contractor housing segment across Canada.

METHOD OF STUDY

A national survey of private lenders was conducted entailing 80 personal interviews with representatives of banks, credit unions, and trust companies at head office, regional, and branch level. The sample was selected to include a cross section of representatives in terms of type of institution, type of branch and region served. The responses gathered from these eighty personal interviews were then tabulated and cross-tabulated by region, type of institution, city size, and branch level. Based upon this analysis, conclusions were developed regarding the self-builder and self-contractor housing segment.

SUMMARY OF MAJOR FINDINGS

The major findings of the study are as follows:

Profile of Self-Builders and Self-Contractors

1. There is no significant degree of difference between the self-builder and self-contractor groups in terms of annual income, age, market value of completed dwelling, average net worth, place of residence (within or outside of urban centres), or type of employment (seasonal or year-round).

   According to the institutions surveyed, the only difference identified is that self-builders are more likely to be experienced tradespersons than are self-contractors.

2. The average self-builder and self-contractor tends to be younger, has a higher net income, and is more likely to be seasonally employed than the average mortgage applicant.

Characteristics of the Self-Built or Self-Contracted House

3. The average self-built and self-contracted house tends to be of greater value, similar size, and better quality than the average industry built home and is more likely to be located outside of urban centres.

Level of Interest in Lending to Self-builders and Self-contractors

4. Most lending institutions are willing to lend to self-builders and self-contractors.

   Of the eighty institutions contacted, 91.3% were willing to lend to self-builders and 100.0% of the lenders were open to financing self-contract projects.

5. However, most lending institutions prefer to lend to industry builders rather than those building a dwelling for their own use.

   Most lenders surveyed felt the experience level of the industry builder, their knowledge of the housing industry and their usually superior financial situation made them better loan candidates than self-builders and self-contractors. In addition, there is an increased possibility of repeat business associated with lending to industry builders.

6. Almost all of the lenders sampled (95%), with the exception of some credit unions, remarked that obtaining the take-out mortgage was the only purpose for providing construction financing.

Incidence of Self-building and Self-contracting

7. Loans to self-builders and self-contractors are an important component of the total portfolio of construction loans.

On average, loans to self-builder projects and self-contractor projects represented 9.5% and 14.6%, respectively, of the residential home construction loan portfolios of the institutions surveyed.

Evaluation of Applications

8. The leading criteria, in order of importance, used in the evaluation of loan applications from self-builders and self-contractors are income, credit history, cash equity, and expected market value of the completed dwelling.

Factors such as source of income, labour value to be contributed, relevant construction or management experience, and characteristics of the dwelling were considered to be less important.

9. Applications for funding by potential self-contractors and self-builders meet with a higher rate of rejection than do applications from industry builders and regular mortgage applicants.

Furthermore, applications for funding from potential self-builders meet with a higher rate of rejection than do applications from self-contractors. The average refusal rate for self-builders and self-contractors was 30.9% and 22.3%, respectively. In comparison, the refusal rate for industry-build applicants was 10.1% and for mortgage applicants was 6.7%.

10. Self-contractors are generally not encouraged to hire general contractors.

Of the respondents surveyed, 62.5% did not feel the need to suggest the use of general contractors. However, 37.5% of those interviewed felt that the use of a general contractor was to be recommended.

These lenders frequently cited the problem that inexperienced self-contractors do not know in which order to schedule the use of the tradespeople. Furthermore, self-contractors may have trouble encouraging tradespeople to show up at all. Most tradespeople work on a number of jobs, the great percentage of which are under the direction of general contractors. Since the livelihood of these tradespeople depends on the recommendations made by general contractors, it is in the best interest of the tradespeople to be most loyal to the industry builders. Several of the lenders interviewed went further to add that in a tight housing market, in which there was a large demand for additional housing, the only tradespeople willing to work on self-builder housing projects may be those with questionable skill levels.

Loan Instruments and Terms

11. The progressive mortgage is the preferred instrument for lending to self-builders and self-contractors, comprising 74.4% of loans to self-builders and self-contractors.

12. A similar interest rate and disbursement process is used for most self-builder, self-contractor, and industry builder projects paid on a progressive basis.

    However, industry tend to apply for a higher proportion of the project costs than do self-builders and self-contractors.

13. Lines of credit and consumer loans are used primarily to provide interim financing as a means of getting a client up to the stage at which the progressive mortgage draws would begin or to provide additional financing in the event of shortfalls later on in the project.

Savings from Self-building and Self-contracting

14. According to the survey results, the average loan for a self-built project totalled $88,978, the average loan for a self-contractor project was $91,193, and the average loan for a industry-builder project was $109,300.

While the differences in loan values may indicate the existence of some cost savings, it should be noted that industry builders tend to finance a larger proportion of the total project costs than do either self-builders or self-contractors.

15. The majority of lenders surveyed were either uncertain or did not believe that self-builders and self-contractors achieved cost savings.

Only 22.5% of the representatives surveyed indicated that self-builders and self-contractors usually achieved cost savings. Approximately one-half (48.7%) of lenders surveyed did not know whether cost savings were achieved and 28.8% believed that costs actually increased under self-building and self-contracting. Areas identified where potential cost savings can be lost included:

- Cost overruns caused by improvements in the specifications;
- Cost overruns and time delays caused by inexperience;
- Inflation boosting the cost of materials;
- Higher interest charges;
- Inability of the self-builders and self-contractors to get the volume discounts on materials that are possible for industry builders.

Obstacles to Self-building and Self-contracting

16. There was no consensus regarding whether there are institutional barriers which impede self-contractors and self-builders in obtaining adequate construction funding.

Of those surveyed, 51.2% felt that there were institutional barriers to financing projects of this type. A similar figure, 47.5% of respondents, indicated that there were no additional barriers.

17. A wide variety of factors were identified by lenders as serving to constrain the number and effectiveness of self-builder and self-contractor projects,

a. The limited experience of many prospective self-builders and self-contractors, which can result in cost overruns and delayed completion dates. These tend to occur more frequently in self-builder and self-contractor projects than in industry builder projects.

b. A shortage of information on self-building and self-contracting. Many representatives surveyed indicated there was a need to increase information available to self-builders and self-contractors in the form of how-to books, videos and seminars.

c. During peak periods in the housing market, the availability of sub-contractors is often very limited.

d. Potential self-builders and self-contractors may not be able to meet the equity requirements. For example, the availability of high-ratio mortgages for self-building and self-contracting is more restricted than when purchasing an existing home. In addition, most lenders will not allow the applicant's labour to be calculated as part of the required equity as it is a unrealized and unmarketable asset.

e. Some lenders are more conservative when considering lending funds for self-build projects and often require, for example, lower GDS and TDS ratios.

f. The progressive mortgage was not designed with the self-builder and self-contractor specifically in mind. The major problem with the progressive mortgage is that self-builders and self-contractors often fully expended their own funds and exhausted their lines of credit with local suppliers before the first disbursement of funds by the financial institution.

g. Although most financial institutions lend to self-builders and self-contractors, the majority do not actively pursue this line of business.

h. Some institutions are reluctant to lend into areas, outside urban centres, with which they are not familiar.

18. The availability of MICC insurance and CMHC insurance helps to improve the access of self-builders and self-contractors to financing, particularly under the following conditions:

a. Where self-builders and self-contractors choose to build in areas outside urban centres, especially beyond the municipal jurisdictions with which the lenders were familiar.

b. When high ratio financing is necessary.

GOVERNMENT ROLE IN OVERCOMING OBSTACLES

19. A significant proportion of the lenders interviewed, 52.5%, were against increased involvement of the government in this sector.

The four major reasons identified by the lenders as to why further support should not be given were:

a. Current assistance under the CMHC and MICC insurance programs is adequate (16.3% of respondents).

b. Increasing assistance would encourage individuals who are not financially secure to become involved in self-building and self-contracting. In turn, this would place a burden on taxpayers and increase the hesitancy lenders have for financing these types of projects (10.0% of respondents).

c. Increasing assistance would only increase the red tape and levels of bureaucracy and would decrease the flexibility of the system (8.8% of respondents).

d. There are no significant obstacles to obtaining financing for self-builder and self-contractor projects (6.3% of respondents).

e. Increasing support for self-builders and self-contractors would be detrimental to the interests of industry builders (1.3% of respondents).

20. A variety of suggestions were received as to how obstacles to self-builder and self-contractor financing could be reduced from those lenders (47.5%) who felt there was a need for further intervention from the government. These suggestions included:

a. Increasing the flow of information.

The most popular suggestion (mentioned by 33.8% of respondents) involved increasing the dissemination of information to self-builders and self-contractors. Of the respondents surveyed who suggested some sort of assistance program, over half felt there was a need for increased information in the form of how-to books, videos and seminars. In addition, some form of on-the-job advisory and supervisory system for individuals interested in this approach to home construction was recommended.

b. Easing the equity requirement.

An obstacle identified by 17.5% of lenders was that some potential self-builders and self-contractors were unable to secure financing because they were unable to raise the necessary equity. A number of programs and actions to ease the equity requirement were suggested including:

- Introduction of an RHOSP style program for the first time home buyer or home builder (10% of respondents).
- A grant program to augment the equity contribution of low-income people (10% of respondents).
- A guarantee program under which contributed labour could be used as equity (5% of respondents).
- Providing for greater flexibility with respect to GDS and TDS ratios (2.5% of respondents).
- Providing a subsidy on interest charges (5% of respondents)
- Raising the upper limit for insurance of high ratio mortgages to 95% (2.5% of respondents).

c. Reducing the need for interim financing.

A number of lenders (2.5% of those surveyed) commented that some self-builders and self-contractors had trouble coming up with enough funds to cover costs incurred up to the first draw on the progressive mortgage. Suggestions for easing the problems associated with interim financing included a program specifically designed to provide bridge financing to self-builders and self-contractors and encouraging municipal bodies to defer property taxes and development charges until the project is completed.

d. Reducing the level of risk for the financial institution and the self-builder or self-contractor by introducing or expanding programs to: (1) ensure that the dwelling will be completed even if the project proponent is injured or becomes ill (3% of respondents); and to guarantee interest rates over the course of the project (3.0% of respondents).

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I. INTRODUCTION

A. BACKGROUND AND PURPOSE

The appeal of the self-help approach to home construction lies with what many have argued is its relative success as a feasible, effective, innovative and economically sensible housing option. However, there may be significant obstacles which must be faced by potential self-helpers. Securing financing, which for any residential construction project is subject to stringent requirements may be even more difficult for self-builders and self-contractors to obtain. For example, financial institutions may be reluctant to lend to individuals without previous house construction experience because of a higher perceived risk that the project will not be completed in a satisfactory manner, or that serious cost overruns and time delays will be incurred. In light of this, the purpose of this study is to investigate the financing options and obstacles faced by self-builders and self-contractors in Canada. More specifically, the objectives of the study are to:

1. Gather information on the nature and characteristics of the supply of funding available from the lending community for financing self-build and self-contracting activities (both pre- and post-construction phases); specifically the instruments offered by institutional lenders, their terms and conditions, preferences of borrowers, qualification and approval practices of lenders, difference among lending institutions, and regional variations.

2. Identify financial obstacles faced by self-builders and user-contractors.

3. Investigate lenders' views concerning the government's role in facilitating self-builders' and self-contractors' access to financing.

For the purposes of this study self-builders and self-contractors are defined as follows:

1. Self-builders are individuals who physically build a large portion of a dwelling themselves which, upon completion, they will occupy.

2. Self-contractors are individuals who act as their own general contractors and arrange for sub-trades to construct a dwelling which, upon completion, they will occupy.

B. METHOD OF STUDY

This study consisted of a national survey of 80 private lenders including representatives of banks, credit unions, and trust companies at the head office, regional and branch level.

Ms. Sharon Matthews, the project coordinator, initially met with representatives of Don Ference & Associates Ltd. to clarify the scope and purpose of the study. A draft survey instrument was provided by CMHC. In order to develop an appropriate sampling methodology and pre-test the draft questionnaire, meetings were held with a number of representatives from a range of financial institutions at both the regional and branch level. Based on these interviews, a set of sampling guidelines was developed to govern the collecting of information regarding the financing sources and options used by self-builders and self-contractors as well as the seriousness and nature of the financing constraints faced by these groups. The guidelines are summarized in the following points:

1. Face-to-face, personal interviews were determined by CMHC to be the most appropriate approach to collect accurate and detailed information on the self-builder and self-contractor housing segment. To facilitate interviews in the province of Quebec, a management consultant from Montreal was hired to accompany representatives of Don Ference & Associates and administer the questionnaires with lenders outside of the Montreal area. In addition, confidentiality

concerning the responses was assured in an attempt to obtain completely honest and unbiased answers.

2. The sample was selected to include representatives from banks, trust companies and credit unions. Based upon the preliminary interviews it was apparent that all three segments were involved in the financing of self-builder and self-contractor projects. In order to simulate the relative proportions of both the number and lending strength of these institutions, a stratified sample was used which included more banks than credit unions and trust companies. As indicated below, of the 80 interviews conducted, 41 were conducted with representatives of chartered banks:

RESPONDENTS BY TYPE OF INSTITUTION

Type of Institution	Number Responding
Bank	41
Credit Union	21
Trust Companies	18
Total	80

3. According to representatives of the various lender institutions contacted during the pre-testing of the survey instruments, the major financial institutions provide much of the financial assistance to the self-builder segment. Consequently, the sample was selected to include most large federally incorporated banks and trust companies registered with the Canada Deposit Insurance Corporation as well as community credit unions. A list of the 35 different lending institutions which were contacted is provided in Appendix I.

4. In order to determine the existence of regional variations in financing practises, a relatively even sample was drawn from five distinct regions in Canada: British Columbia; the Prairies; Ontario; Quebec; and the Maritimes, as indicated below:

RESPONDENTS BY GEOGRAPHIC AREA

Geographic Area	Number of Respondents
B.C.	13
Prairies	16
Ontario	17
Quebec	14
Martimes	20
Total	80

A slightly larger sample was selected from the Maritimes where the self-builder and self-contractor segments are believed to be most active.

5. According to the results of the pre-testing, the most appropriate position to target within each organization was the Mortgage Manager at the regional or head office level. As the primary vehicle for funding self-build and self-contract projects is the progressive mortgage, the mortgage managers are usually the individuals who establish the guidelines for evaluating applications for mortgages and review loan applications. Consequently, these individuals were considered best qualified to provide both qualitative and quantitative information on the self-build and self-contract segments in both an urban and non-urban setting.

6. However, as mortgage managers do not deal directly with loan applicants on a person to person basis, managers at a branch level were also targeted. Branch managers are responsible for personally dealing with individuals seeking financial assistance for housing projects and as a result of this interaction may be aware of issues of concern to the individual borrower which are not appreciated or understood at the regional or head office level.

7. In order to assess any differences resulting from variations in rural versus urban lending practises, a range of communities, in terms of size, were selected as indicated below:

RESPONDENTS BY CITY SIZE

Population	Number of Respondents
Less than 50,000	9
50,000 to 100,000	12
100,000 to 250,000	15
250,000 to 500,000	8
500,000 to 1,000,000	9
Over 1,000,000	27
Total	80

As 27 of the interviews were held with representatives at the regional or head office level, the sample was naturally biased in favour of larger centres. However, it should be noted that representatives at the regional and head office level are responsible for both urban and rural lending and therefore are sufficiently knowledgable to provide a rural perspective. Furthermore, most of the urban branch managers have experience lending to builders outside the urban area. A list of the 16 communities that were visited is provided in Appendix II.

The guidelines were then used to select a sample for the survey. Once the sample was selected, a national survey of private lenders entailing 80 personal interviews with representatives of various institutions was undertaken. A copy of the questionnaire is provided in Appendix III. The responses gathered from these eighty interviews were tabulated using the SYSTAT statistical package. The results were then analyzed through a series of frequency counts, cross tabulations and tests of significance. Appendix IV summarizes the responses by question while Appendix V presents a series of tables in which the responses to selected questions have been cross tabulated by region, type of institution, city size and office type. Based upon this analysis, conclusions and recommendations were developed regarding the self-builder and self-contractor housing segment.

The survey results provide valuable insights into the financing of self-builder and self-contractor projects. However, the statistical results of the survey should be used with some caution. This is particularly true of the data cross-tabulated by region and city size. The small size of the sample (particularly within each region) and the limited number of communities visited restricts the extent to which the results may be representative of the region as a whole.

C. STRUCTURE OF THE REPORT

Chapter II profiles the self-builder and self-contractor in terms of personal attributes and the characteristics of their homes. A discussion of the criteria used by financial institutions to evaluate loan applications from self-builders and self-contractors is provided in Chapter III. Chapter IV presents a review of the various instruments used to finance self-builder and self-contractor projects and the changes in financial arrangements which occur post-construction. The obstacles to obtaining financing faced by self-builders and self-contractors are examined in Chapter V.

TABLE 1

COMPARISON OF SELF-BUILDERS/CONTRACTORS AND MORTGAGE APPLICANTS WITH RESPECT TO AVERAGE ANNUAL INCOME

Self-Builder Income Is Typically:	Number of Responses	Percentage
Lower	22	27.5%
Same	40	50.0
Higher	14	17.5
Don't know	4	5.0
TOTAL	80	100.0%

II. PROFILE OF PARTICIPANTS AND DWELLINGS

This chapter provides a profile of the average self-builder and self-contractor in terms of their personal characteristics and the characteristics of the homes that they construct.

A. PERSONAL CHARACTERISTICS

The major findings of the survey with respect to the personal characteristics of self-builders and self-contractors are presented below:

Self-builders versus Self-contractors

1. According to the institutions surveyed, there is no significant degree of difference between the self-builder and self-contractor groups in terms of annual income, age, market value of completed dwelling, average net worth, place of residence (small, medium or large communities), or type of employment (seasonal or year-round).

   Representatives of the eighty financial institutions contacted were asked to describe how the average self-builder differed from the average self-contractor with respect to these six different factors. None of the respondents felt there was any discernable difference between the self-builder and self-contractor groups with the exception that self-builders were more likely to be experienced tradespersons.

Average Annual Income

2. The average annual income of self-builders and self-contractors is comparable with the average income of the typical mortgage applicant.

   As can be seen in Table 1, 50.0% of respondents felt that individuals wanting to build their own homes tended to have the same annual income as individuals looking to purchase an existing home. A minority of

TABLE 2

COMPARISON OF THE SELF-BUILDERS/CONTRACTORS AND MORTGAGE APPLICANTS WITH RESPECT TO AGE

Self-Builder Is Typically:	Number of Responses	Percentage
Younger	33	41.3%
Same age	28	35.0
Older	14	17.5
Don't know	5	6.2
TOTAL	80	100.0%

respondents (17.5%) felt that the average annual income was higher for self-builders and self-contractors while a slightly higher number of respondents, accounting for 27.5% of the sample, suggested that mortgage applicants had a higher relative income.

Average Age

3. Self-builders and self-contractors tend to be younger than the average mortgage applicant.

As shown in Table 2, 41.3% of the respondents felt that self-builders and self-contractors were younger, on average, than mortgage applicants. A significant number of those questioned, comprising 35.0% of the sample felt that the average age was the same. Respondents typically placed the self-builders and self-contractors in the 25 to 35 years of age category whereas mortgage applicants were more likely to be within the 25 to 40 year bracket.

Average Market Value of the Completed Dwelling

4. Most self-builders and self-contractors construct homes that are of equal or greater value than the value of homes purchased by the average mortgage applicant.

A comparison of self-builders and self-contractors, and mortgage applicants on the basis of the value of the projects can be seen in Table 3 on the following page.

Of the eighty representatives surveyed, 41.3% felt that self-help and industry built homes were typically comparable in value, while 36.3% stated that self-built and self-contracted homes would be appraised at a higher level than existing homes or industry built homes in the same area.

TABLE 3

COMPARISON OF SELF-BUILDERS/CONTRACTORS AND MORTGAGE APPLICANTS WITH RESPECT TO THE AVERAGE VALUE OF COMPLETED DWELLING

Value of Self-Built Home is Typically:	Number of Responses	Percentage
Lower	14	17.4%
The same value	33	41.3
Higher	29	36.3
Don't know	4	5.0
TOTAL	80	100.0%

Average Net Worth of the Applicants

5. There was little consensus amongst the respondents concerning the average net worth of the self-builders and self-contractors as compared to mortgage applicants.

As demonstrated below, respondents were fairly evenly divided between those who felt self-builders had greater, similar and lower levels of wealth as compared to the average mortgage applicant.

COMPARISON OF SELF-BUILDERS/CONTRACTORS AND MORTGAGE APPLICANTS WITH RESPECT TO AVERAGE NET WORTH

Response	Number of Responses	Share
Self-builder is higher	25	31.3%
Self-builder in the same	24	30.0
Self-builder is lower	27	33.7
Don't know	4	5.0
TOTAL	80	100.0%

Proportion that are Non-Urban Dwellers

6. Self-builders and self-contractors are more likely to locate in non-urban areas than is the typical mortgage applicant.

As indicated in Table 4, the majority of respondents (57.5%) indicated that self-builders and self-contractors tended to locate more in areas outside of urban centres than did the typical mortgage applicant. The primary reason given was the greater availability and hence lower price of land outside of the urban centres.

TABLE 4

COMPARISON OF THE SELF-BUILDERS/CONTRACTORS AND MORTGAGE APPLICANTS WITH RESPECT TO THE PROPORTION THAT ARE RURAL DWELLERS

Tendency of Self-Builders to live in Non-Urban Areas Is:	Number of Responses	Percentage
Lower	3	3.8%
Same	25	31.2
Higher	46	57.5
Much higher	2	2.5
Don't know	4	5.0
TOTAL	80	100.0%

Proportion of Applicants that have Seasonal Employment

7. Self-builders and self-contractors are more likely to be seasonally employed than are average mortgage applicants.

Representatives of the various lending institutions were asked to comment on the relative proportion of self-builders and self-contractors who were seasonally employed as compared to people seeking to buy an existing home. The responses are summarized in Table 5. Over half (51.3%) of the respondents said that there was no difference between the employment situation of the individuals in these two groups. However, over one-quarter (26.2%) of those sampled thought the self-builders had a higher incidence of being seasonally employed. The remainder either had no experience in lending to seasonally employed individuals or would not lend to someone unless they were employed on a stable, full-time basis. This latter group was in the minority. While full-time employment was looked upon more favourably, only seven of the eighty respondents refused to lend to seasonally employed individuals.

B. CHARACTERISTICS OF SELF-BUILT AND SELF-CONTRACTED HOMES

The major findings of our survey with respect to the characteristics of the homes constructed by self-builders and self-contractors are presented below:

Size of the Home

1. Homes constructed by self-builders and self-contractors tend to be the same size as homes constructed by industry builders.

As demonstrated below, in terms of the relative size of the dwellings, 43.8% of the respondents felt that self-builder homes were typically the same size as those constructed by industry builders.

TABLE 5

COMPARISON OF THE SELF-BUILDERS/CONTRACTORS AND MORTGAGE APPLICANTS WITH RESPECT TO SEASONAL EMPLOYMENT

Tendency of Self-Builders to be Seasonally Employed Is:	Number of Responses	Percentage
Lower	0	0.0%
Same	41	51.3
Greater	21	26.2
Don't know	18	22.5
TOTAL	80	100.0%

COMPARISON OF AVERAGE SELF-BUILT/CONTRACTED HOME TO INDUSTRY BUILT HOME IN TERMS OF SIZE

Self-Built Home is Typically	Number of Responses	Percentage
Smaller	17	21.2%
Same Size	35	43.8
Larger	21	26.2
Don't know	7	8.8
TOTAL	80	100.0%

The remaining respondents were fairly evenly divided between those who felt self-built and self-contracted homes were larger than industry built homes and those who thought self-help homes were typically smaller than the industry norm.

Location of the Home

2. Self-help homes are more likely to be constructed outside of urban centres.

As indicated below, only 2 respondents stated that self-builders and self-contractors were more likely to locate in urban areas.

COMPARISON OF AVERAGE SELF-BUILT/CONTRACTED HOME TO INDUSTRY BUILT HOME IN TERMS OF LOCATION

Self-Built Homes Have Greater Tendency to Locate In:	Number of Responses	Percentage
Urban Areas	2	2.5%
Same Area	27	33.8
Non-Urban Areas	45	56.2
Don't know	6	7.5
TOTAL	80	100.0%

Type of Home (Features)

3. Self-builder and self-contractor projects tend to contain more or superior features to those found in industry built homes.

Most respondents remarked that both groups tend to select a single family bungalow-style dwelling. However, only 30.0% felt that the homes were comparable on the basis of features and 37.5% thought that self-help homes were superior, on average, to industry-built homes in terms of the quality and number of features as indicated below:

COMPARISON OF THE AVERAGE SELF-BUILT/CONTRACTED HOME TO THE AVERAGE INDUSTRY BUILT HOME IN TERMS OF THE TYPE OF DWELLING

Self-Built Homes Tend to be:	Number of Responses	Percentage
More plain	20	25.0%
The same	24	30.0
More customized	30	37.5
Don't know	6	7.5
TOTAL	80	100.0%

TABLE 6

COMPARISON OF THE AVERAGE SELF-BUILT/CONTRACTED HOME TO INDUSTRY BUILT HOMES IN TERMS OF QUALITY OF CONSTRUCTION

Self-Built Homes are more Likely to be of:	Number of Responses	Percentage
Lower quality	12	15.0%
Same quality	25	31.3
Higher quality	34	42.5
Don't know	9	11.2
TOTAL	80	100.0%

A smaller proportion, comprising 25.0% of those sampled, felt that self-build and self-contracted homes were, on average, plainer than industry built homes.

Quality of Construction

4. Self-builder and self-contractor projects tend to, an average, meet or surpass the quality of construction of industry built homes.

As illustrated in Table 6, in terms of the quality of construction, respondents consistently ranked self-builder and self-contractor homes higher than homes built by contractor or on a speculative basis. In general, the respondents felt that even though the self-helpers were often inexperienced in residential home construction, they tended to put more care and effort into the construction of the home because they were building it for their own use. Only 15.0% of the respondents felt that self-built and self-contracted homes were of lower quality than the industry average, whereas 42.0% believed the homes were of superior quality.

C. COST SAVINGS

The major findings of the survey regarding whether costs savings are achieved by self-builders and self-contractors are summarized below:

1. Almost one-half (48.7%) of the respondents were unsure whether self-builders and self-contractors achieved cost savings as indicated in Table 7.

   These respondents felt that variation between clients was too great, they had too few clients of this type to accurately judge, or were too unfamiliar with the relative costs of either self-build or industry-build projects to venture an opinion.

TABLE 7

ACHIEVEMENT OF COST SAVINGS BY SELF-BUILDERS AND SELF-CONTRACTORS

Response	Number of Responses	Percentage
Costs are reduced	18	22.5%
Costs are increased	23	28.8
Don't know	39	48.7
TOTAL	80	100.0%

2. Of those who felt they could accurately judge, there appears to be no general consensus.

   Those who felt there usually was a cost saving achieved made up 22.5% of the sample, while those who stated that costs tended to increase for the remaining 28.8% of the sample. Reasons given for not achieving cost-savings included:

   - Cost overruns caused by improvements in the specifications;
   - Inflation boosting the cost of materials;
   - Higher interest charges;
   - Inability of the self-builders and self-contractors to get the volume discounts on materials that are possible for industry builders.

   Some lenders, however, felt that the extra care put into the construction process and the additional features that were made possible through the use of the self-builder's own labour or the self-contractor's management of the project made these homes better value for the money than an industry built dwelling.

D. LEVEL OF SPECULATION

As outlined below, the level of speculation associated with self-builder and self-contractor projects is limited.

1. Two-thirds (66.3%) of the respondents stated that, in their experience, self-builders never build with the intention to sell the home within a short period of time.

   One-quarter of the respondents felt that this did occasionally occur, but remarked that it was usually done in an attempt to trade up to a more valuable home or to use the profits on the sale to try to purchase a mortgage-free home.

2. The incidence of speculation amongst self-contractors was considered to be marginally higher than amongst self-builders.

   Over thirty percent of respondents indicated that they had financed self-contractors who intended to sell the dwelling within a relatively short period after completion.

TABLE 8

RELATIVE IMPORTANCE OF CRITERIA USED IN QUALIFYING A SELF-BUILDER OR A SELF-CONTRACTOR FOR A LOAN

	Very Important (1)	(2)	Of Average Importance (3)	(4)	Not Very Important (5)	Total
Income level	73.7%	10.0%	15.0%	1.3%	0.0%	100.0%
Source of income	62.5	15.0	18.7	1.3	2.5	100.0
Cash equity on the project	85.0	5.0	8.7	1.3	0.0	100.0
Labour value to be contributed	5.0	12.5	42.4	10.1	30.0	100.0
Collateral	58.7	17.5	21.3	2.5	0.0	100.0
Credit history	83.7	12.5	3.8	0.0	0.0	100.0
Relevant construction/management experience	37.5	16.2	40.0	2.5	3.8	100.0
Expected market value of the dwelling once completed	73.7	12.5	10.0	0.0	3.8	100.0
Characteristics of the dwelling	56.3	21.2	12.5	2.5	7.5	100.0

III. EVALUATION OF LOAN APPLICATIONS

This section investigates the various criteria employed in the financing decision of the lending institutions, the lending preferences of these organizations, the refusal rate associated with various types of applications and the major obstacles faced by self-builders and self-contractors.

A. CRITERIA EMPLOYED

A list of ten different factors on which loan applicants are typically evaluated was prepared. Respondents were then asked to rate the importance of each of the measurements on a scale of 1 to 5 where 1 indicated that the measure was considered to be very important, 3 indicated that the factor was of average importance and 5 indicated that the criteria was not very important in qualifying a self-builder for a loan. The results are summarized below and in Table 8.

Guidelines

1. The lending criteria used by financial institutions are guidelines to be followed rather than absolute rules.

   Most of the lenders found that while there were minimum acceptable standards for a suitable applicant, there were usually trade-offs to be made amongst the various loan criteria. If an applicant was less desirable on one criterion he or she may make up for this deficiency on another measure of suitability. This is true for traditional mortgage applicants as well as for self-helpers.

Income Level

2. Almost three-quarters (73.7%) of those surveyed, stated that the income level of the applicant was very important in evaluating the suitability of a self-builder or a self-contractor for a loan.

In fact, most of those questioned felt that the income level of the self-builder/contractor was the most single important factor in lending decision. Only 15% of the lenders remarked that the income of the applicant was of average importance. Income is evaluated in terms the applicant's ability to make mortgage payments, as measured by the gross debt (GDS) and total debt service (TDS) ratios. The GDS ratio is the maximum percentage of an applicant's monthly income the lender will allow for the monthly principal, interest and tax payments (PIT). The TDS ratio incorporates other debt obligations of the applicant. The respondents indicated that the maximum GDS ratio allowed was 30 to 32%, while the maximum TDS ratio ranged from 37 to 40%. In the case of high ratio financing where the applicant had between 10% and 25% equity to put into the project, the required GDS and TDS ratios were often lowered. This is true for traditional mortgage applicants as well as for self-builders and self-contractors.

Source of Income (Seasonal or Year-round)

3. While 62.5% of those surveyed listed source of income as being very important, most lenders stated that they had not had many requests for construction financing from seasonally employed individuals, other than from teachers.

In general, the lenders felt they would not be reluctant to lend to seasonally employed self-builders or self-contractors as long as their employment situation was stable and the average of their yearly earnings was adequate. Slightly more caution was exercised with this type of applicant however, and lenders usually required T4 slips from the last three years in order to check the regularity and level of their income stream. Naturally, the respondents were more favourably disposed to granting loans if the applicant had been a regular customer of that lending institution for a number of years.

Cash Equity

4. The cash equity to be put into the project is also considered very important.

Eighty-five percent of the respondents described the cash equity as being very important in terms of their lending decision. In terms of the relative importance of this factor, respondents typically ranked it third after the income level and credit history of the applicant.

The guidelines in terms of the cash equity required typically follow those set out by Canada Mortgage and Housing Corporation. By virtue of the Bank Act, banks are restricted to providing up to 75% of the property value for an uninsured first or second mortgage. When this figure is exceeded, and high ratio financing of up to 90% is required, CMHC or MICC insurance is used. Variations from these guidelines with respect to self-build and self-contractor projects, include:

- Some lenders (8.8% of those surveyed), particularly credit unions, do not become involved in high ratio financing for any purpose.

- Some institutions (6.3% of those surveyed) are reluctant to lend outside urban centres regardless of the equity contribution unless CMHC is involved (MICC insurance is not available outside urban areas).

- Some institutions (25% of those surveyed) require more than 25% of the estimated project costs to be contributed as cash equity.

All financial institutions require that the applicant have at least 10% of the project value as their own unborrowed security. In terms of the equity being in liquid assets, most of the lending institutions allow for some substitution as long as the institution can get the value out of the security fairly readily. Substitution by way of ownership of the building site or other property, securities such as Canada Savings Bonds and any other fairly liquid assets, is usually permitted. This is equally true for self-builders/contractors as for traditional mortgage applicants.

Labour Value to be Contributed

5. The labour value to be contributed to the project is not a major consideration.

Over 40% of the respondents stated that the labour value or 'sweat equity' that was to be put into the project by the self-builder was of average importance to the lending decision. Close to one-third of those sampled felt that this factor was relatively unimportant. Only 17.5% rated the labour value as being more than of average importance in terms of qualifying the potential self-builder for a loan.

The reason for this position is that the value of this labour component is difficult to measure. Although the contributed labour may increase the value of the proposed dwelling, the self-builder is often inexperienced and it is difficult to predetermine the value of his efforts. For the same reason, most lenders (91.5% of those surveyed) will not allow the applicant's labour to be calculated as part of the required equity as it is an unrealized and unmarketable asset.

Collateral

6. Approximately 60% of the representatives of the various lending institutions stated that collateral was very important for loan approval.

However, other than what is required in terms of the applicant's cash equity to be put into the project, no other collateral is usually required. Lenders prefer that the land be owned outright, but this is not a requirement as long as the institution has first charge on the property. In the case of progressive mortgage payments, the building site is security for the loan. If the applicants owns an existing home, this will usually be mortgaged to pay for construction.

As in the case of the cash equity required for a loan to be granted to a self-builder, only fairly liquid assets are acceptable security for projects of this nature. Due to the large amounts of money being lent and the general riskiness and uncertainty associated with user-builder type projects, lenders require secure and marketable assets. Personal possessions such as cars or boats are usually not acceptable.

Credit History

7. The credit history of the individual is felt to be the second most important factor for the purposes of approving the loan.

Over 83% of the respondents felt that it was very important in qualifying a self-builder and self-contractor for a loan. Most of those surveyed agreed that a poor credit rating was a factor that they would not trade even if other factors appeared fairly positive. Not one of the lenders ranked the credit history of the applicants as being lower than average in terms of the lending decision.

Relevant Construction/Management Experience

8. In terms of the relevant construction or management experience of the applicant, the respondents were fairly evenly divided between those who felt that the experience of the individual was very important in qualifying a self-builder/contractor for a loan and those that thought it was of average importance.

Expected Market Value of the Completed Dwelling

9. The expected market value of the completed dwelling is the fourth most important criteria within the applicant evaluation process.

Of those surveyed, 73.7% of respondents felt that the potential selling price of the home was very important in considering a self-builder or a self-contractor for a construction loan. Most institutions are more willing to lend to an individual if the resale prospects for the dwelling were good.

Characteristics of the Dwelling

10. The characteristics of the dwelling are considered less important, on average, than the market value of the completed dwelling.

Slightly over half of those questioned felt that this variable was very important in terms of the lending decision. Representatives of the various lending institutions were generally more inclined to give financial assistance to an individual whose proposed home fit in with the general appearance of the neighbourhood in terms of the size, style, colour and estimated value. Lenders were very reluctant to fund any project where the appearance of the dwelling was so tailored to the tastes of its owner that the marketability of the home was in question. In addition, applicants wishing to build dwellings in an economically depressed region, outside of the area's immediate municipal jurisdiction, or in sites which did not have the benefit of a paved road, septic system or immediately accessible water supply, were analyzed more critically.

Other Considerations

11. Other criteria which are considered by some of the representatives sampled included:

- Whether the self-contractor intends to hire New Home Warranty registered tradespeople.

- The level of strategic planning undertaken by the applicant. Twenty percent of lenders always or usually required applicants to submit a detailed list of cost estimates, blueprints, building permits, and surveys showing the placement of the proposed foundation on the lot, need for a septic system, the availability of water on the property, and fill or excavation requirements. In some cases an architect was required to draw up the plans for the home.

- Additional criteria such as the stability of the applicant's length of residence, the age of the applicant as compared to the period of amortization, and the health and physical condition of the borrower.

12. An intention to sell the home once complete will usually not affect the financing decision.

    Only 16.3% of the respondents stated that they would hesitate in lending to any individual who was building with the intention to sell in the near future. Most of the individuals questioned admitted that discovering whether this was the intention of the applicant was difficult. Nevertheless, speculation by self-builders/contractors is not encouraged because these individuals are usually not knowledgeable about the trends in the housing market and often not financially secure enough to weather any downturns in demand.

B. PREFERRED CLIENT GROUPS

The major findings of the survey regarding the client group preferred by financial institutions are as follows:

TABLE 9

LENDING PREFERENCES OF THE FINANCIAL INSTITUTIONS

	Self-Builder	Self-Contractor	Industry Builder
Ranked First	3.7%	15.0%	57.5%
Ranked Second	7.5	58.7	6.2
Ranked Third	55.0	0.0	6.2
No Preference Shown	25.0	25.0	20.0
Not Applicable	7.5	0.0	8.8
Don't Know	1.3	1.3	1.3
	100.0%	100.0%	100.0%

1. Most lending institutions prefer to lend to industry builders rather than those building a dwelling for their own use.

   While some institutions were hesitant about lending to those industry builders constructing homes on a speculative basis, most felt the experience level of the industry builder, their knowledge of the housing industry and their usually superior financial situation made them better loan candidates than self-builders and self-contractors. In addition, most of the lenders felt that by lending to an industry builder there was an increased possibility of repeat business and therefore a better rate of return.

   Of those surveyed, 57.5% ranked the industry builder first in order of lending preference as indicated in Table 9. Only seven of the eighty respondents did not lend to industry builders. These were largely credit unions whose mandate did not extend to commercial uses of funds due to limited lending capacity or a policy which was directed toward the personal needs of individuals in the community.

2. Financial institutions prefer to lend to self-contractors rather than self-builders.

   This is due to the level of outside experience involved in a self-contract project which lowers the perceived level of risk. Over 58% of those surveyed placed the self-contractor second in order of preference.

3. Twenty percent of those surveyed said they had no preference in terms of whom they provided construction funds to.

   For this segment, industry-builders, self-contractors and self-builders had the same status in terms of lending preference.

TABLE 10

AVERAGE REFUSAL RATES ON LOAN APPLICATIONS FROM SELECTED GROUPS

	Self-Builders	Self-Contractors	Industry Builders	Mortgage Applicants	Personal Loan Applicants
National Average	30.9%	22.3%	13.3%	7.7%	15.7%
Regional Averages					
B.C.	34.8%	23.8%	10.2%	10.1%	12.9%
Prairies	23.5	20.3	5.5	7.3	13.5
Ontario	40.6	21.6	10.7	5.9	14.7
Quebec	49.1	35.7	9.0	7.0	21.5
Maritimes	15.0	14.5	13.1	8.5	16.1
Institutional Average					
Bank	36.5%	28.0%	7.1%	7.3%	13.3%
Trust Company	28.8	20.0	14.8	7.6	16.0
Credit Union	21.8	14.2	24.3	8.4	19.6
Office Average					
Regional/Head Office	45.1%	32.7%	11.8%	9.3%	14.1%
City Branch	41.6	28.5	21.9	8.0	18.7
Rural Branch	17.6	13.2	11.4	6.6	15.2

C. RATE OF REJECTION

Our major findings regarding the rates of rejection faced by self-contractors and self-builders are summarized below:

Comparison to Other Loan Instruments

1. Applications for funding by potential self-contractors and self-builders meet with a higher rate of rejection than do applications from industry builders and regular mortgage applicants.

   Furthermore, self-builders meet with a higher rate of rejection than do self-contractors. As shown in Table 10, the average refusal rate for self-builders and self-contractors was 30.9% and 22.3%, respectively. This is because self-build projects are considered to be more risky, on average, than self-contractor projects. For example, by not using sub-contractors, self-builders were considered to be more likely to experience cost overruns and time delays. None of the representatives surveyed indicated that the higher rejection rate related to personal characteristics of the average self-build applicant such as credit history or financial stability.

   In comparison, the refusal rate for industry-build applicants was 13.3% and for mortgage applicants was 7.7%. The rate of rejection for self-builders and self-contractors was also higher than the average for personal loan applicants of 15.7%.

Regional Variations

2. The rates of rejection for self-builders and self-contractors are highest in Quebec and lowest in the Maritimes.

   In terms of regional disparities, variations in the data were fairly significant. As indicated in Table 10, Quebec had the highest refusal rate for self-builders with an average of 49.1% of self-builders being turned down for construction financing. This appears to be attributable to a lower level of acceptance of the concept of self-building and self-contracting in Quebec. The province with the next highest turn down rate was Ontario where 40.6% of the builder applications were denied.

The lowest refusal rate was in the Maritimes where lenders turned down an average of 15.0% of the applications received. The low refusal rate in the Maritimes is reflective of the tradition of self-help projects (for example, it is common for friends and relatives to assist in construction) as well as the greater incidence of seasonal employment which increases the time available for such projects. B.C. and the Prairie provinces had rejection rates of 34.8% and 23.5% respectively for self-builders.

Self-contractors, in general, faced the same pattern of refusal rates albeit at a slightly lower level. Quebec, had the highest turn-down rate, averaging a 35.7% refusal rate for self-contract projects. Rates in B.C., Ontario and the Prairies were consistent with the national average while, the Atlantic Provinces had the lowest rate of rejection with 14.5% of self-contractors being denied financing.

3. The rejection rates for industry builder, mortgage and personal loan applicants are fairly consistent across Canada.

In contrast to the rates for self-builder and self-contractors, variations in the rate of rejection for industry builders, mortgages, and personal loans by region are more limited.

Institutional Variations

4. Banks are less likely to approve loan applications from self-builders and self-contractors than are trust companies and credit unions.

Banks rejected an average of 36.5% of self-build applications as compared to 28.8% for trust companies and 21.8% for credit unions. Banks tend to have more conservative lending policies and are less likely than credit unions to justify such loans on the basis of providing a service to their membership. Similarly, 28.0% of self-contract projects were turned down by banks versus an average refusal rate of 20.0% and 14.2% for trust companies and credit unions, respectively.

5. The trend is reversed for industry builders, mortgage applications and consumer loan applicants.

   For these loans, banks are more likely to lend to applicants and credit unions are the most likely to reject applications. Industry builders, for example, face a 24.3% average refusal rate at a credit union, but an average turn down level of only 7.1% at a bank.

   Variations by Branch

6. Self-builder and self-contractor applications meet a higher rate of rejection at city branches than at branches in smaller communities.

   For example, 41.6% of self-builder applications and 28.5% of self-contractor applications were denied at city branches as compared to 17.6% and 13.2% respectively at branches in less populated areas.

D. DIRECTION

A summary of our findings regarding direction given to self-builders and self-contractors by the financial institutions is provided below:

1. Self-builders were encouraged by lending institutions to hire sub-contractors.

   Sixty percent of the respondents commonly encouraged self-builders to look at self-contracting as an option. A few of the respondents mentioned that this would be the only way in which the applicant would receive loan approval, especially if the individual was inexperienced. Of the remaining 40% who did not commonly suggest self-contracting as an alternative, it was generally felt that the decision was best made by the applicant. Many representatives (18.8%) added that they would not become involved in suggesting the use of sub-trades because if anything went wrong the institution may be held liable.

2. Self-contractors are generally not encouraged to hire general contractors.

It was felt by most respondents that applicants would be able to arrange suitable sub-trades to work on the dwelling. However, most of the lending institutions did monitor the use of sub-trades in the sense that they looked at who was to be involved and what they were charging.

Of the respondents surveyed, 62.5% did not feel the need to suggest the use of general contractors. Slightly over 37% of those interviewed felt that the use of a general contractor was to be recommended. These lenders frequently cited the problem that inexperienced self-contractors do not know in which order to schedule the use of the tradespeople. Furthermore, self-contractors may have trouble encouraging tradespeople to show up at all. Most tradespeople work on a number of jobs, the great percentage of which are under the direction of general contractors. Since the livelihood of these tradespeople depends on the recommendations made by general contractors, it is in the best interest of the tradespeople to be most loyal to the industry builders. Several of the lenders interviewed went further to add that in a tight housing marketing, in which there was a large demand for additional housing, the only tradespeople willing to work on self-builder housing projects may be those with questionable skill levels.

E. ACTIVE PURSUIT

The study findings with respect to the extent that financial institutions actively pursue development of a portfolio of self-builder and self-contractor loans, is summarized below:

1. The majority of lending institutions are willing to lend to the self-builder and self-contractor segments.

   Of the eighty institutions contacted, 91.3% were willing to lend to self-builders and 100.0% of the lenders were open to financing self-contract projects. In comparison, 95.0% of the institutions were willing to lend to industry builders. Those not willing to lend to industry builders were credit unions whose mandate did not extend to commercial lending.

2. Development of a portfolio of self-builder and self-contractor loans is not actively pursued by most lenders.

   Sixty percent of those sampled stated that their organization did not actively seek the opportunity to finance self-build and self-contract projects. The three major reasons most frequently given for this policy were:

   - 26.3% mentioned that self-builder and self-contractor projects were too risky;

   - 15.0% said the combination of the risk and the additional administrative requirements made self-builders unattractive clients;

   - 8.8% felt that their organizations were hesitant in providing funds for self-builder and self-contractor construction as the demand for this service was too low to justify the promotion expenses.

The remainder of those questioned felt that these projects were too time consuming for the staff, provided a lower rate of return than other types of investment or the particular institution had no tradition of this type of lending.

3. The 40.0% of lenders, whose organizations did promote the lending of construction financing to self-builders and self-contractors, advertised in a number of ways:

   - Lending institutions frequently relied on word of mouth at the branch and community level to make people aware of this option. Usually, there was an established tradition, by at least one of the institutions in each area, of lending to this segment.

   - One quarter of those involved in promoting self-builder financing relied on home building shows, real estate agents, solicitors and other individuals involved in the housing market.

   - An equal number of lenders promoted all housing related loans and did not discriminate between the proposed uses for these funds.

   - A small percentage of those surveyed used brochures and mail-outs to promote this service while some went as far as giving free appraisals.

   - A minority, typically small credit unions, promoted self-builder financing only to members of the institution.

IV. DESCRIPTION OF FINANCING ARRANGEMENTS

A description of lending arrangements between financial institutions and self-builders or self-contractors is described in this chapter in terms of the instruments used, the relative demand for financing, the average value of loans, the use of CMHC and MICC insurance, and post-construction changes.

A. INSTRUMENTS OF FINANCING USED

The major findings regarding the nature of the debt instruments used in financing self-builder and self-contractor projects are summarized in the following paragraphs:

Guidelines

1. While there are no set rules governing the selection of the loan instrument, there are however, guidelines which consider the policies of the lending institution, the relative risk of the applicant, the security they have available, the size of the required loan, the repayment period desired and other characteristics of the client.

   In addition, the policies of the lending institution is an important factor. Banks, in general, have the most flexibility and range of selection in regard to the choice of instruments available. Trust Companies in some regions have only recently begun using consumer loans and lines of credit as financing options and as a result are less familiar with these mechanisms. Credit unions are restricted in many ways by the relative strength of their membership and consequently may have limits as to the funds available for construction projects.

2. For most institutions, the department which establishes guidelines and approves the majority of residential construction financing including self-build and self-contract financing is the Mortgage Service Area.

TABLE 11

RANGE OF DEBT INSTRUMENTS USED
BY FINANCIAL INSTITUTIONS SURVEYED

Debt Instrument	Number Using	Percentage
Progressive Mortgage	75	93.7%
Consumer Loan	62	77.5
Line of Credit	58	72.5
First Mortgage	73	91.2
Second Mortgage	54	67.5

The main instruments available to finance construction projects are progressive mortgage loans, personal loans, lines of credit and first and second mortgages on an existing property. These instruments are usually available through the Mortgage or Commercial Lending area for industry builders and the Mortgage or Personal Lending area for self-builders and self-contractors.

Instruments Used

3. A wide variety of instruments are used to finance self-builder and self-contractor projects.

As indicated in Table 11, the instruments which have the widest range of use among self-helpers are the progressive mortgage and the first mortgage.

Progressive Mortgages

4. The progressive mortgage is the preferred instrument for financial institutions lending to self-builders and self-contractors.

Respondents were asked how often each of the five major instruments were used, which instruments are preferred, and what percentage of loans to self-builders and self-contractors were paid out on a progressive mortgage basis. The results are summarized below:

a. As indicated in Table 12, of those lenders sampled, 47.5% always used the progressive mortgage loan when lending to self-builders and 48.7% always used progressive mortgages when lending to self-contractors. Only 6.3% of lending institutions surveyed never used progressive mortgages for self-contractors and only 3.7% never used progressive mortgages for self-builders.

TABLE 12

FREQUENCY OF USE OF LOAN INSTRUMENTS FOR FINANCING SELF-BUILD AND SELF-CONTRACT PROJECTS

	Progressive Mortgage	Consumer Loan	Line of Credit	First Mortgage	Second Mortgage
Self-Builders					
Not applicable	8.8%	8.8%	8.8%	8.8%	8.8%
Never	3.7	20.0	25.0	7.5	30.0
Rarely	7.5	40.0	23.7	18.7	28.7
Occasionally	12.5	21.2	16.2	30.0	22.5
Frequently	20.0	7.5	17.5	25.0	10.0
Always	47.5	2.5	8.8	10.0	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%
Self-Contractors					
Never	6.3%	22.5%	27.5%	8.8%	32.5%
Rarely	7.5	41.2	26.2	18.7	31.3
Occasionally	13.8	22.5	16.3	33.7	23.7
Frequently	23.7	10.0	20.0	27.5	12.5
Always	48.7	3.8	10.0	11.3	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%

b. Representatives of the eighty lending institutions contacted were asked whether they promoted certain loan instruments more than others. As indicated below, 56.3% of the respondents surveyed said they promoted the use of progressive mortgages to people applying to finance self-building and self-contracting projects.

PROMOTION OF SELECTED DEBT INSTRUMENTS
BY LENDING INSTITUTIONS SURVEYED

Debt Instrument	Number of Responses	Percentage
Progressive Mortgages	45	56.3%
Line of Credit	15	18.8
First mortgage	15	18.8
Consumer Loan	7	8.8
No One is Promoted	17	21.2

As also indicated, only 21.2% of respondents surveyed did not promote any one debt instrument for self-building and self-contracting projects. It should be noted that the responses add up to more than eighty (the number of lenders surveyed) because some institutions promoted the use of more than instrument.

c. On average, 74.3% of loans to self-builders and self-contractors were paid out on a progressive basis as indicated in Table 13.

On a regional basis, the ratio of self-build financing paid out on a progressive mortgage basis ranged from a high of 84.0% in the Prairies to a low of 60.9% in Ontario. On an institutional basis, credit unions were far more likely to use progressive mortgages (93.3%) than were banks (62.7%).

TABLE 13

PERCENTAGE OF HOUSING LOANS PAID OUT ON A PROGRESSIVE BASIS

Overall	74.3%
By Region	
B.C.	76.0%
Prairies	84.0
Ontario	60.9
Quebec	67.5
Maritimes	81.7
By Institution	
Bank	62.7%
Trust Company	77.9
Credit Union	93.3
By Office Type	
Branches in Small Centres (<60,000)	79.7%
Branches in Medium and Large Sized Centres	84.3
Regional/Head Office	60.9

5. The primary advantages of the progressive mortgage, from the perspective of the institutions surveyed, are:

   a. A progressive mortgage is secured on the current building site and therefore offers greater security than an unsecured line of credit or consumer loan.

   b. Customers are frequently locked into taking out a conventional mortgage with the same organization at the completion of the project.

   c. The inspections which accompany a progressive mortgage ensure that the bank has a marketable asset in case of default.

6. The primary advantages of the progressive mortgage for the self-builder and self-contractor are considered to be:

   a. Principal payments are delayed until the project has been completed.

   b. The interest rate, whether fixed or floating, is typically lower than the rates applied when a consumer loan or line of credit is the method of financing.

   c. The client may draw less than the amount the loan initially approved if less funding is required.

7. Progressive mortgages are also considered to hold a number of disadvantages for self-builders and self-contractors.

   These include:

   a. The suitability of the standard disbursement schedules. The progressive mortgage loan, where disbursements are typically made on a percentage of completion basis, is the only loan instrument specifically designed for the financing of construction projects. It was not, however, set up with the self-builder and self-contractor specifically in mind. Lenders frequently stated that individuals attempting to build their own home often ran into difficulty with the disbursement schedule of their loan. As most lenders will only advance funds when the foundation has been poured or the project is at the roof tight stage, self-builders and self-contractors frequently fully expended their own funds and exhausted their lines of credit with local suppliers before the first disbursement of funds by the bank. Established industry builders are in a better position to finance shortfalls at the beginning of a project through establishing credit lines with 30 to 90 day billing date extensions for the purchase of materials and by delaying payments to the sub-trades.

b. Progressive mortgages can be expensive for the client when appraisal, inspection, legal and application fees are considered. As the progressive mortgage requires multiple inspections, and may require restructuring when the house is completed the associated costs may be higher than for other loan instruments.

c. If high ratio financing is necessary, CMHC or MICC charges an underwriting fee and imposes an insurance premium which varies according to the size of the loan, the loan, as a percentage of the property value and the number of advances.

As can be seen in Table 14, the premium for a one advance loan varies between 0.5% and 2.5% depending upon the size of the loan as a percentage of the property value. If more than one advance is required, the interest charge is increased by 0.5%.

TABLE 14

CMHC INSURANCE PREMIUM AS A PERCENTAGE OF LOAN VALUE

LOAN SIZE as a % of property value	PREMIUM New and Existing Housing	
	Single Advance	More than One Advance
Up to and including 65%	0.50%	1.00%
Up to and including 75%	0.75%	1.25%
Up to and including 80%	1.25%	1.75%
Up to and including 85%	2.00%	2.50%
Up to and including 90%	2.50%	3.00%

Premiums may change from time to time.

d. Some institutions require that the loan be refinanced when the house is completed. In this case, extra fees for the solicitor and reappraisals may be incurred.

8. The disbursement schedules used by various institutions for progressive mortgage loans varied according to whether a fixed or variable schedule was used, in the number of draws, and in the timing of the fixed disbursements as indicated below:

a. 29.3% of the institutions used a flexible disbursement schedule where the timing could be altered to meet the needs of the client. Under this system, payments are made at the request of the client. The requests are usually made when the clients are experiencing a shortfall and must pay deposits or bills to material suppliers or sub-contractors. When the request is received by the bank, an inspection is undertaken and, if the progress on the project is satisfactorily, the payment is made. Of those using a flexible schedule, 50% used a three draw system, 41% use a four draw system, and 9% used a five draw system.

b. 70.7% of the institutions used a fixed disbursement schedule for progressive mortgages where payments were made to correspond with predetermined points of completions. The leading patterns included:

- 43.3% of fixed schedules were paid out in three payments corresponding with:

    - completion of the roof;
    - completion of drywall, electrical and other utilities;
    - final completion of the house.

- 28.4% of fixed schedules were paid out in four payments corresponding with:

    - pouring of the foundation;
    - completion of roof, framing and rough wall stage;
    - completion of the plumbing and electrical system;
    - final completion of the house.

- 13.3% of fixed schedules were paid out in three payments corresponding with:

    - pouring of the foundation;
    - rough-in of plumbing and electrical;
    - final completion of the house.

  A variation of this pattern was an additional payment when the electrical and plumbing were completed.

9. The majority of the institutions surveyed required either a 10% mechanics lien holdback or a 15% holdback.

   Of those surveyed, 42.5% required a 10% holdback and 41.2% demanded 15.0% of the value of the loan be retained. Only 5.0% of the lenders sampled did not use a holdback of any kind, while the remainder used either a 7.5% or 12.5% hold back.

   The primary purpose of the holdback is to cover any liens put on the dwelling by individuals owed money by the home-owner. The holdback funds are usually administered by a bank appointed solicitor who acts as an intermediary between the bank and the borrower. The normal practice is for the holdback to be taken out of the money advanced to the self-builder

TABLE 15

COMPARISON OF SELF-BUILDERS/CONTRACTORS AND INDUSTRY BUILDERS WITH RESPECT TO INTEREST RATES

Response	Respondents	Percentage
Same	55	68.8%
Self-builder rate is higher	8	10.0
Industry builder rate is higher	7	8.7
Other or Not Applicable	10	12.5
	80	100.0%

or self-contractor at each draw. Some (4%) of the institutions surveyed, however, do not set aside funds as a holdback until the final draw.

10. Inspectors are always used when self-build or self-contract projects are being financed on a progressive basis.

The involvement of inspectors usually begins with the initial appraisal of the proposed dwelling and the building site. Further inspections are then conducted to correspond with each draw. The last inspection, upon completion of the dwelling, may represent an appraisal which is required for refinancing the project on a conventional take-out mortgage basis. The institutions surveyed were fairly evenly divided between those who used CMHC inspectors, those who relied on independent appraisers, and those who had evaluators on staff.

11. There are few substantial differences in the structure of progressive mortgages used to finance self-builder and self-contractor projects and those used to finance industry builders as outlined below:

a. A similar interest rate is applied to most self-builder, self-contractor, and industry builder projects.

As indicated in Table 15, 68.9% of the respondents surveyed used the same rate of interest on all construction projects regardless of whether the funds were for dwellings of a self-build/contract or industry build nature.

Within this group, lenders were divided between those who fix the interest rate for construction projects at the conventional mortgage rate (31.3%), those who allow the rate to float on a prime plus 1 to 3 basis (28.8%), and those who may use either fixed or floating rate depending on the wishes and inherent risk of the applicant (8.8%).

TABLE 16

COMPARISON OF SELF-BUILDERS/CONTRACTORS AND INDUSTRY BUILDERS
WITH RESPECT TO DISBURSEMENT SCHEDULE

Response	Respondents	Percentage
Same pattern	66	82.5%
Self-builders receive more draws	5	6.3
Industry builder receive more draws	3	3.7
Not Applicable	6	7.5
	80	100.0%

Only 18.8% of those sampled levied different interest charges according to the purpose of the loan. Ten percent of the respondents charged self-builder and self-contractors a higher rate of interest whether it was on a floating or fixed basis, while 8.8% charged industry builders a higher rate.

b. The majority of lending institutions disburse funds on the same basis regardless of whether the borrower is a self-builder/contractor or an industry builder.

As indicated in Table 16, 10.1% of those surveyed varied the schedule of disbursements between the two groups as compared to 82.5% who followed the same system for all construction loans.

Some (7.5%) of the lenders remarked that they might alter the disbursement practise according to the purpose of the loan, for example, applying a higher holdback figure if the borrower was a self-builder/contractor or if the marketability of the project was in question.

c. The average term of the loan is the same whether the client is a self-builder, self-contractor or an industry builder.

As indicated in Table 17, 76.3% of the respondents questioned felt the terms of the loans for self-builders and industry-builders tended to be the same.

Seven respondents indicated that industry builders, expecting to sell the property upon completion of the project, tended to choose shorter terms than self-helpers while one respondent stated that self-builders and self-contractors tended to select shorter terms.

TABLE 17

COMPARISON OF SELF-BUILDERS/CONTRACTORS AND INDUSTRY BUILDERS WITH RESPECT TO TERM OF LOAN

Response	Respondents	Percentage
Same term	61	76.3%
Industry builders choose shorter term	7	8.7
Self-builders choose shorter term	1	1.3
Not Applicable or don't know	11	13.7
	80	100.0%

d. Industry builders tend to apply for loan amounts which represent a higher proportion of the project costs than do self-builders and self-contractors.

As a commercial enterprise which has an on-going relationship with financial institutions, industry builders apply for and are most likely to receive a higher ratio loan than are applicants for self-help projects. As indicated in Table 18, 46.3% of the respondents believed self-builders and industry builders seek to finance approximately the same percentage of the total project costs as do self-builders and self-contractors. However, 31.3% of the lenders felt that industry builders tended to seek a greater percentage of the project costs as debt financing.

Only 8.7% of the respondents indicated that self-builders and self-contractors tended to request higher loan values as a percentage of the estimated costs of a project than did commercial builders.

e. Co-signers are not used to provide a large measure of security on residential construction projects.

Most lenders felt that if a guarantor was necessary in approving the application, the project was too risky and financing would be denied. The only instances in which lenders would be willing to involve co-signers at the application stage was in the case where a husband and wife would like joint ownership of the property or when the principal owners of a construction company are asked to secure the loan. The use of parents acting as guarantors for the loans of their children was generally discouraged and, if used, these signatures provided little more than a extra degree of security on the project.

TABLE 18

COMPARISON OF SELF-BUILDERS/CONTRACTORS AND INDUSTRY BUILDERS WITH RESPECT TO PERCENTAGE OF TOTAL PROJECT COSTS FINANCED

Response	Respondents	Percentage
Same Percentage	37	46.3%
Industry builders apply for higher percentage	25	31.3
Self-builders apply for higher percentage	7	8.7
Not Applicable or don't know	11	13.7
	80	100.0%

f. The majority of lenders do not place any additional restrictions or impose special regulations on their borrowers by virtue of the fact that they were self-builders/contractors.

Only 8.7% of those surveyed felt they were more strict with clients involved in self-build and self-contractor projects. This more rigorous treatment of self-builders and self-contractors may take the form of requiring additional security and more detailed cost estimates, increasing the holdback, and generally increasing the approval time for loans of this nature.

Only 7.5% of those surveyed indicated that they were more strict with industry builders that self-builders and self-contractors. The increased concern may be reflected in the use of application fees, holding back a percentage of the loan value until the house is sold rather than just completed, and allowing the commercial builder a shorter construction time frame.

First and Second Mortgages

12. Next to the progressive mortgage, a first mortgage secured on an existing home and property is the most frequent and most preferred instrument used by the financial institutions surveyed.

Ten percent of the lenders surveyed always used a first mortgage when lending to self-builders and 11.3% always used this instrument when lending to self-contractors.

13. A second mortgage secured on an existing property is used infrequently.

Thirty percent of the lenders contacted never used a second mortgage to finance a self-build project. None of the respondents stated that they always used this instrument.

14. Lenders prefer to take out a mortgage on an existing home to finance the new construction.

    However, this is not always possible for a number of reasons including:

    a. Individuals interested in building their own home sometimes don't own another property;

    b. If they do, it is typically in the process of being sold to pay for the new dwelling.

    c. Furthermore, quite frequently there is already a mortgage on the existing property. Consequently, an new mortgage (equity takeout) may not necessarily provide substantially more in the way of funds, and security.

15. A special type of mortgage loan, which is occasionally used, is the blanket policy.

    The blanket policy loan is designed for self-builders and self-contractors who wish to keep both their existing property and the proposed dwelling. One mortgage is set up to cover both properties. Blanket mortgages are often used when an owner is building a new house and intends to retain the older house as a revenue property. Following completion of construction, if there is enough equity, a full release is executed on one of the properties; otherwise a partial release is performed.

Line of Credit

16. The line of credit is the third most frequently used financing arrangement after the progressive mortgage and the first mortgage.

Nevertheless, use of the line of credit is not extensive. For example, almost one-half of lenders (48.7%) either rarely or never used lines of credit to finance self-builders and self-contractors. Where established, lines of credit are typically used by self-builders and self-contractors in association with progressive mortgages.

17. However, the line of credit is the instrument of choice for the industry builder.

The primary advantages of the line of credit for the industry builder include:

a. Lines of credit are established over the long-term to offer the commercial builder the means to avoid financing each construction project separately. As the self-builder is involved with only one property, this is not an important consideration.

b. The line of credit typically has a higher ceiling than the consumer loan;

c. Like a consumer loan, the line of credit offers the borrower increased flexibility. Borrowers do not have to refinance the loan every time they require additional funds.

As with a consumer loan however, the line of credit typically charges a higher rate of interest than a mortgage. However, it often has a rate protection mechanism built in under which a 'cap' rate is set. If interest rates rise, the borrower pays no more than this maximum charge. If interest rates fall, however, the borrower is charged the lower of the two rates.

Consumer Loans

18. The consumer loan is not used extensively in financing self-builders and self-contractors.

As was indicated in Table 12, 40.0% of those surveyed rarely used and 20% never used the consumer loan for financing self-build or self-contract projects. Furthermore, only 7 (8.8%) of the respondents said they promoted the use of consumer loans to finance self-building and self-contracting projects.

19. Consumer loans are most often in conjunction with a progressive mortgage when financing a self-builder or self-contractor project.

Consumer loans are used for a variety of purposes including providing:

- interim financing as a means of getting a client up to the stage at which the progressive mortgage draws would begin;

- additional financing to cover shortfalls later on in the project;

- initial financing to allow the client to purchase the lot.

Consumer loans are rarely used as the sole means by which a project is financed and would only be used as such if the self-builder had enough equity to support the project. This would usually be possible only through the proceeds from the sale of an existing property with clear title.

Frequently, the consumer loan is secured only with a promissory note although in most cases a demand loan may be advanced on the land value or

TABLE 19

COMPARISON OF APPLICATION LEVELS BETWEEN SELF-BUILDERS AND SELF-CONTRACTORS

	Self-Builder			Self-Contractor			Self-Builder and Self-Contractor		
	Application Rate*	Acceptance Rate	% of Loan Portfolio	Application Rate*	Acceptance Rate	% of Loan Portfolio	Application Rate*	Acceptance Rate	% of Loan Portfolio
National Average	13.7	69.1%	9.5	18.7	77.8%	14.6	32.4	74.4%	24.1%
Regional Averages									
B.C.	20.5	65.2%	13.4	19.0	76.2%	14.5	39.5	70.6%	27.9%
Prairies	12.9	76.5	9.9	23.6	79.7	18.8	36.5	78.6	28.7
Ontario	7.6	59.4	4.5	15.9	78.4	12.5	23.5	72.3	17.0
Quebec	12.8	50.9	6.5	14.2	64.3	9.1	27.0	57.7	15.6
Martimes	15.3	85.0	13.0	20.6	85.5	17.6	35.9	85.2	30.6
Institutional Averages									
Bank	12.1	63.5%	7.7	17.2	72.0%	12.4	29.3	92.9%	20.1
Trust Company	6.2	71.2	4.4	28.0	80.0	5.6	34.2	85.2	10.0
Credit Union	21.9	78.2	17.1	30.9	85.8	26.5	52.8	75.7	43.6

* Applicant rate is equal to number of applications received for every 100 loans issued to self-builders, self-contractors, and industry builders for residential home construction.

other suitable collateral. While there is typically no ceiling placed on the loan, the majority of loans range in value between $10,000 and $50,000.

20. The primary benefit of a consumer loan is the flexibility of the lending arrangement.

It allows the borrower to receive variable amounts of money without inspections and is not paid out on a percentage of completion basis (although some lenders do disburse the consumer loan on the basis of receipts). It also enables the self-builder the opportunity to secure cost savings through the use of cash payments to suppliers.

21. There are a number of disadvantages associated with using the consumer loan as a means of financing self-builder and self-contractor projects.

For the financial institution, the consumer loan offers less in the way of security. The higher level of risk is reflected in a interest rate which is typically higher than for a progressive mortgage. In addition, while the self-builder/contractor is often charged only on the amount being drawn down, some institutions do charge on the entire amount of the loan.

B. DEMAND FOR SELF-BUILD AND SELF-CONTRACTOR FINANCING

The major findings of the survey with respect to the demand for financing from self-builders and self-contractors are summarized below:

Proportion of Home Construction Loan Portfolio

1. Loans to self-builders and self-contractors are a relatively small portion of the total portfolio of residential home construction loans.

On average, self-builder projects represented 9.5% and self-contractor projects represented 14.6% of home construction loan portfolios as indicated in Table 19. The remainder (75.9%) consisted of loans to

TABLE 20

ESTIMATED NUMBER AND VALUE OF SELF-BUILDER AND SELF-CONTRACTOR HOUSING STARTS IN 1988

Region	Single Detached Housing Starts	% Self-Build[1]	Estimated Number	% Self-Contract	Estimated Number	Total Number	Average Value[2]	Total Value ($ billion)
B.C.	15,160	13.4%	2,030	14.5%	2,200	4,230	$120,000	$5.1
Prairies	12,046	9.9	1,190	18.8	2,260	3,450	105,000	3.6
Ontario	46,837	4.5	2,110	12.5	5,850	7,960	190,000	15.1
Quebec	22,263	6.5	1,450	9.1	2,030	3,480	108,000	3.8
Maritimes	6,047	13.0	790	17.6	1,060	1,850	81,000	1.5
TOTAL	102,353		7,570		13,400	20,970		$29.1

1 Assumes that the survey results are representative of the population as a whole including housing starts which received no funding from a financial institution.

2 Assumes that average value of self-contractor and self-builder loans is equal to 75% of the average self-built and self-contracted houses.

Source: CMHC, Statistics Canada

developers, general-contractors and individuals seeking loans for the purpose of having an industry builder construct their home.

2. On a regional basis, the proportion of housing construction loans issued for self-builder and self-contractor projects is higher in the Maritimes, the Prairies, and B.C. than in Ontario and Quebec.

   As indicated in Table 19, the proportion of housing construction loans held by industry builders ranged from a high of 84.4% in Quebec to a low of 69.4% in the Maritimes. The relative incidence of self-builder construction is highest in B.C. (13.4% of loans) and the Maritimes (13.0%), while the relative incidence of self-contractor construction is highest in the Prairies (18.8% of loans) and the Maritimes (17.6%).

3. Credit unions had the largest percentage of their residential construction loans issued for self-build and self-contract projects.

   On average, 17.1% of credit union residential construction loans were issued to self-builders and 26.5% were issued to self-contractors. On the hand, loans to self-builders and self-contractors accounted for only 4.4% and 5.6% of the residential construction loans issued by the trust companies surveyed.

4. Self-builder and self-contractor loans represent a larger proportion of the home construction portfolio of branches in small communities than branches in urban centres.

   On average, 12.3% of rural branch home construction loans were issued to self-builders and 17.9% were issued to self-contractors.

5. If we assume that the survey results are representative of the national average, the number of self-build and self-contractor housing starts in 1988 is estimated to be approximately 20,000 as shown in Table 20.

TABLE 21

CHANGING PROPORTION OF CONSTRUCTION LOANS ISSUED TO SELF-BUILDERS AND SELF-CONTRACTORS

	Self-Builders (% of respondents)	Self-Contractors (% of respondents)
Past Five Years		
No change	33.7%	37.6%
Increased	38.7	41.2
Decreased	17.5	18.7
Not applicable	8.8	0.0
Don't know	1.3	2.6
	100.0%	100.0%
Next Five Years		
No change	36.2%	45.0%
Increase	36.2	36.2
Decrease	17.5	16.2
Not applicable	8.8	0.0
Don't know	1.3	2.6
	100.0%	100.0%

The value of self-builder and self-contractor construction is estimated to have been $29 billion in 1988.

Changes in Demand

6. The lenders surveyed were fairly evenly divided between those who thought the proportion of loans issued to self-builders had been on the increase and those who thought the proportion had been stable over the past five years.

As indicated in Table 21, 38.7% of the respondents believed that the proportion had been rising while 33.7% believed there had been no change in the demand for these services. Only 17.5% of the respondents said the proportion had been falling. There were no significant variations in the responses on the basis of region, city size or the type of institution involved.

7. Similarly, lenders were fairly evenly divided between those who believed self-contracting had been on the increase over the past few years and those that felt that no significant change in demand had taken place.

Of those surveyed, 41.2% said the proportion of people looking for financing for self-contract projects had been on the rise while 37.6% felt the incidence of self-contracting had been fairly stable. Only 18.7% of the respondents said that the proportion of construction loans issued to self-contractors had been decreasing.

8. According to the respondents surveyed, the incidence of self-building and self-contracting is largely a function of the following factors:

   a. Awareness of the self-build and self-contract option. Most of the representatives surveyed indicated that awareness of these options had increased over the past five to ten years. Awareness tends to be highest amongst existing home owners.

b. The level of resistance on the part of financial institutions to lend for this purpose. One of the reasons indicated why the self-build and self-contract option was being utilized more in recent years was considered to be reduced resistance from the financial institutions.

c. The general factors which impact upon the strength of the housing market as a whole such as availability of housing units, the strength and outlook of the regional economy, and interest rates.

d. Personal characteristics such as the proportion of the population in the 25 to 40 year age group, average incomes, and the availability of leisure time.

9. Most lenders believed that the frequency of self-builder and self-contractor loans would remain constant or increase over the next five years.

   Of those surveyed 36.2% believed there would be little change in the relative demand for self-builder loans while 36.2% felt an increase in demand was most likely over the next five years. Similarly, 45.0% of the respondents predicted no increase or decrease in the proportion of construction loans issued to self-contractors while 36.2% of the lenders claimed that an increase in demand for these types of loans would be most likely.

C. AVERAGE VALUE

The major findings of the survey regarding the average value of the loans issued for self-build, self-contract and industry build projects are summarized in the following paragraphs:

TABLE 22

AVERAGE VALUE OF RESIDENTIAL CONSTRUCTION LOANS BY RECIPIENT GROUP

	Self-Builders	Self-Contractors	Industry Builders
TOTAL	$88,978	$91,193	$109,300
By Region			
B.C.	$93,450	$101,318	$110,833
Prairie Provinces	79,000	79,333	87,083
Ontario	132,666	136,875	183,649
Quebec	74,444	76,538	88,846
Atlantic Provinces	68,000	67,500	77,473
By Institution			
Bank	$81,714	$81,973	$89,166
Trust Company	112,833	115,441	136,441
Credit Union	83,526	88,100	136,200
By City Size			
0 - 49,999	$62,222	$62,222	$70,714
50,000 - 99,999	95,681	93,958	132,291
100,000 - 249,999	65,535	65,535	75,633
250,000 - 499,999	67,812	66,562	75,714
500,000 - 999,999	93,125	93,750	102,500
Over 1,000,000	122,210	123,000	182,261
By Office Type			
Rural Branch	$78,055	$77,972	$97,138
City Branch	122,500	130,714	183,692
Regional/Head Office	88,547	88,520	103,295

1. The average value of loans to self-builders and self-contractors is lower than the average value of loans to industry-builders.

   As indicated in Table 22, according to the survey results, the average loan for a self-built project totalled $88,978, the average loan for a self-contractor project was $91,193,and the average loan for a industry-builder project was $109,300 for an industry build project. The variations may reflect not only potential costs savings associated with the self-builder and self-contractor options but also the fact that industry builders tend to finance a larger proportion of the total project costs than do either self-builders or self-contractors.

2. The average value of a self-builder and self-contractor loans were highest in Ontario and British Columbia and lowest in the Maritimes.

3. The average value of self-builder, self-contractor, and industry builder loans issued by trust companies was higher than the average for banks and credit unions.

4. There is a strong correlation between the average value of loans and city size.

   The only anomaly can be found in cities with populations between 50,000 to 100,000. The higher average loan value recorded for cities of this size likely stems from the fact that Barrie and Sault Ste. Marie which are including in this population bracket are influenced by the Toronto housing market and the general health of Ontario's economy.

D. USE OF CMHC AND MICC INSURANCE

The major findings of the survey as they relate to the use of CMHC and MICC Insurance are summarized below and in Table 23 on the following page.

TABLE 23

PERCENTAGE OF SELF-BUILDER AND SELF-CONTRACTOR LOAN INSURED BY CMHC OF MICC

Overall	27.1%
By Region	
B.C.	1.7%
Prairies	28.7
Ontario	21.2
Quebec	33.6
Maritimes	40.4
By Institution	
Bank	36.2%
Trust Company	20.1
Credit Union	15.9
By Office Type	
Rural Branch	32.8%
City Branch	14.5
Regional/Head Office	25.6

1. Where insurance on a self-builder or self-contractor loan is required, CMHC, rather than MICC, is the preferred source.

   Respondents remarked that CMHC insurance is preferred because:

   a. MICC insurance is less accessible in that it will not insure properties in rural areas. CMHC, on the other hand, will handle all claim types.

   b. CMHC has a shorter response time which makes it more easier to meet the scheduling demands of the client and the lending institution.

   c. CMHC has an excellent reputation in its provision of competent personnel who can complete the appraisals and inspections in a very detailed and thorough manner. This attention to detail and regulations on the part of CMHC ensured that the lenders were extremely careful with their loan approvals and, for example, made sure that the applicant had at least 10% of his or her own equity and had not borrowed the funds from another institution.

   The only complaint any lenders had with the CMHC service regarded difficulties in collecting on insurance policies. Five percent of the lenders stated that they took extra care with every detail of their loans because CMHC tended to "look for excuses" not to pay and that a 17 month collection period was not unusual.

2. On average, financing for 27.1% of self-builder and self-contractor projects was insured by either CMHC or MICC.

   The use of insurance is limited in that the majority of loans to self-builders and self-contractors are not high ratio mortgages. Some lenders

(9%) indicated that they do not provide high ratio financing to self-builders and self-contractors because it is too risky.

3. The proportion of loans which are insured by CMHC or MICC vary from 40.4% in the Maritimes to 1.7% in British Columbia.

   Variations in the use of CMHC insurance by region occurred largely as a result of:

   a. The wealth of the region and ability of its inhabitants to provide at least 25% equity in the project. As an illustration, the high incidence of insurance in the Maritimes is believed reflective of the economic conditions;

   b. The stipulation in some areas, that any CMHC insured project which uses more than 50.0% industry labour must use sub-trades registered under the New Home Warranty Program. This program was designed to protect home-owners, lending institutions and CMHC by providing a seven year warranty on any defects found in the construction of the home. Most lenders (60%) who commented on the program, however, felt that it was not very beneficial to any group as it was too easy to avoid following this regulation and too difficult to track down builders who had demonstrated less than satisfactory workmanship.

   c. The B.C. Second Mortgage Program which reduces the need for insurance in British Columbia.

4. Banks are the segment most likely to use CMHC or MICC insurance.

   The banks surveyed used CMHC insurance in an average of 36.2% of their self-builder and self-contractor loan projects. Credit Unions, on the other hand, used insurance on only 15.9% of their projects.

E. RELATED COSTS

The major findings of the survey with respect to the costs associated with lending to self-builders and self-contractors are summarized as follows;

1. One-half of those surveyed felt there were increased time demands, and therefore higher staffing costs, associated with lending to self-builders and self-contractors.

   The extra staff time was required to provide guidance to the self-builders and self-contractors. The amount of time required varied as indicated below:

   - 32% of the lenders stated that between 25% and 100% more time was required when dealing with self-builders and self-contractors as compared to industry builders;

   - 12.5% of the lenders stated that 200% to 400% more time was required than for industry builders.

   The remainder of the lenders either could not estimate the relative cost level for each group or felt there were extra costs inherent in lending to self-builders and self-contractor but through fee mechanisms these extra costs were eliminated.

2. While the rate of default may be slightly higher for the self-builder and self-contractors, none of the respondents considered the default rate to be a problem.

   Most of the representatives of the financial institutes surveyed placed the default rate at significantly less than 1.0%. The projects which tended to experience difficulties are those where the self-builder or self-contractor had little flexibility in terms of their GDS and TDS ratios and could typically put less than 25% equity into the project.

TABLE 24

COMPARISON OF SELF-BUILDER AND INDUSTRY BUILDER PROJECTS
WITH RESPECT TO FREQUENCY THAT PROBLEMS ARISE

Response	Respondents	Percentage
Frequency is higher for self-builders and self-contractors	55	68.8%
Frequency is the same	16	20.0
Don't Know	9	11.2
	80	100.0%

F. MAJOR PROBLEMS

The major findings of the survey with respect to the problems which typically occur in self-builder and self-contractor projects are summarized as follows;

1. Problems, such as cost overruns or delayed completion dates, tend to occur more frequently in self-builder and self-contractor projects than in industry builder projects.

   As indicated in Table 24, 68.8% of respondents believed that problems occurred more frequently when the project was of a self-build or self-contract nature. Only 20.0% of those contacted felt that these problems were no more common when lending to self-builders and self-contractors. The remaining respondents either did not lend to industry builders or felt they could not accurately judge the relative incidence of these problems as they had too few applicants requesting construction financing to compare the two groups.

2. Cost overruns are very common in self-builder and self-contractor projects.

   Of the eighty institutions surveyed, 85.1% said that cost overruns of typically 10% to 20% of the value of the loan were common when involved in this type of lending. While 41.3% of the respondents said the overruns occurred somewhere in less than one-third of the projects, 43.8% felt these overruns occurred in more than one-half of the projects. Only 11.3% of the respondents said that overruns were not a significant problem and occurred on a rare basis.

3. Delays in completion are also very common in self-build and self-contract projects as indicated below:

   - 67.6% of the respondents indicated that self-builders and self-contractors typically did not complete the project within the intended time;

- 13.8% of the respondents did not have a set target date for the completion of self-builder/contractor projects and were unconcerned as to when the dwelling was finished as long as construction did not exceed 12 months.

- Only 15.0% of those surveyed set an expected date of completion which was usually met by the self-builders and self-contractors;

4. The quality of homes constructed by self-builder and self-contractors is comparable to that of industry builders.

   Of those lenders contacted, 78.8% felt that the quality of the self-help dwellings were satisfactory and on par with the quality of industry built homes in the area. Only 10.0% of the respondents felt that self-build and self-contracted homes were, on average, of lower quality than industry built homes in the area. While 5.1% of the lenders could not comment on the relative quality of self-built homes as they did not have enough of these clients to project an average level of quality, 6.3% actually felt that the quality of self-builder and self-contractor homes was actually superior to those constructed by industry builders.

5. Special measures are often introduced by financial institutions to offset the potential problems associated with self-building and self-contracting.

   Some of the special measures which were introduced included:

   - 3.8% of respondents didn't fix the interest rate until the dwelling was complete in order to provide the client with incentive to complete the home within the shortest time frame possible.

- 35.0% of those sampled suggested to the self-build/contract client that he or she request a larger amount than the initial cost estimates suggested in order to cover any shortfalls. Cost estimates were usually inflated by 10.0% in order to arrive at the final loan amount.

- Similarly, 8.8% of the respondents required that contingency funds be set aside in order to cover potential cost overruns.

- 18.8% of the lenders were more conservative when considering lending funds for self-build projects and often used, for example, lower GDS and TDS ratios.

- 11.3% said they relied on strict warnings to the client not to deviate from the initial specifications in order to avoid the possibility of cost overruns.

- 2.5% of the lenders required an equity contribution of more than 25% of the total project costs.

- A relative minority of the lenders, comprising 18.8% of the sample, did not see the need for special mechanisms to address these problems as they felt that their current policies and procedures concerning construction financing, such as inspections and a holdback figure, were adequate protection against the possibility of cost overruns, delayed completion and inferior quality of the projects.

G. POST-CONSTRUCTION FINANCING

The major findings of the survey with respect to post-construction changes to the financial arrangements are as follows:

1. An almost equal number of those sampled said that there was a change in the lending arrangement once the dwelling was completed as those who said that no alterations took place.
   Of the respondents questioned, 47.5% stated that the loan mechanism was not altered because all conditions were fixed prior to completion. The terms would set at one of three times:

   a. When application was approved.

   b. At the time of the first draw or a set number of days thereafter.

   c. 60 or 90 days before the estimated date of completion.

2. In situations where the lending arrangement of self-builder/contractor projects was altered upon completion of the home, one or more of the following changes were usually implemented:

   a. The interest rate was changed from a floating rate to a fixed charge at the conventional mortgage rate.

   b. The principal payment was set to begin and the loan amount was increased or lowered according to the needs of the applicant.

   c. The progressive mortgage, personal loan or line of credit ended and a conventional mortgage, secured on the new home, began.

3. Almost all of the lenders sampled (95%), with the exception of some credit unions, remarked that obtaining the take-out mortgage was the only purpose for providing construction financing.

   Respondents went further to add that unless they expected to receive the conventional mortgage on the completed property, they would deny financing the project or would have to revert to charging extra fees by way of higher interest rates, additional charges for inspection and appraisals, and other such measures.

Lenders from a number of credit unions asserted that their primary mandate was to provide a service to their membership. Therefore, they may be willing to provide residential construction financing without being assured of the take-out mortgage strictly as a service to their membership.

4. A number of different measures are used to ensure that recipients of residential construction financing take out a mortgage with the same institution that provided the progressive mortgage.

   The most common way is that interim financing is not provided unless the terms of the take-out mortgage have been approved. There are also a number of monetary incentives such as the cost of reappraising the property and the solicitor's fee for refinancing the mortgage which motivate the self-builder to stay with the same source. In addition, there is usually an effort to develop a relationship with the client as a means of maintaining the loan.

5. Lenders felt that the only way they would not want to become involved in post-construction financing of the project was if the applicant's financial position was dramatically altered or if the home was constructed in such a poor manner that the marketability of the dwelling was almost non-existent.

   However, even under these conditions, most institutions would be locked in to providing the client with the take-out mortgage if this had been arranged at the start of the project.

TABLE 25

OBSTACLES TO SELF-BUILDERS AND SELF-CONTRACTORS IN OBTAINING FINANCING FOR THEIR PROJECTS

	Yes	No	Don't Know	Total
Overall	51.2%	47.5%	1.3%	100.0%
By Region				
B.C.	46.2%	53.8%	0.0%	100.0%
Prairie	56.2	37.5	6.2	100.0
Ontario	47.1	52.9	0.0	100.0
Quebec	71.4	28.6	0.0	100.0
Maritimes	40.0	60.0	0.0	100.0
By Type of Institution				
Bank	41.4%	56.2%	2.4%	100.0%
Trust Company	66.7	33.3	0.0	100.0
Credit Union	57.2	42.8	0.0	100.0
By Office Type				
Rural Branch	41.0%	56.4%	2.6%	100.0%
City Branch	64.3	35.7	0.0	100.0
Regional/Head Office	59.3	40.7	0.0	100.0

V. OBSTACLES TO SELF-BUILD AND SELF-CONTRACT FINANCING

The major findings of the survey regarding obstacles faced by self-builders and self-contractors are as follows:

A. OBSTACLES TO OBTAINING FINANCING

The major findings of the survey with respect to the number of representatives who felt that barriers to financing existed and the identification of these obstacles are provided below:

Survey Results

1. There was no consensus regarding whether there are institutional barriers which impede self-contractors and self-builders in obtaining adequate construction funding.

   As indicated in Table 25, of those surveyed, 51.2% felt that there were institutional barriers to financing projects of this type. A similar figure, 47.5% of respondents, indicated that there were no additional barriers.

2. Representatives of trust companies and credit unions were slightly more inclined to say there were barriers than were banks or credit unions.

   As indicated in Table 25, fewer than one-half (41.4%) of the bank representatives surveyed believed that self-contractors and self-builders faced significant obstacles in obtaining financing.

3. On a regional basis, lenders in the province of Quebec and in the Prairies were more likely to feel there were obstacles than were lenders in the other regions.

4. On a branch basis, lenders at city branches and regional offices were more likely to identify that there were obstacles than were lenders at branches in less populated areas.

Constraints Identified

5. A wide variety of factors were identified by the lenders as serving to constrain the number and effectiveness of self-builder and self-contractor projects. These included:

   a. The limited experience of many prospective self-builders and self-contractors.

      Consequently, cost overruns and delayed completion dates tend to occur more frequently in self-builder and self-contractor projects than in industry builder projects. As an illustration, 85.1% of the respondents stated that cost overruns of typically 10% to 20% of the value of the loan were common and 67.6% of the respondents indicated that self-builders and self-contractors typically did not complete the project within the intended time.

   b. A shortage of information on self-building and self-contracting.

      Many representatives surveyed indicated there was a need to increase information available to self-builders and self-contractors in the form of how-to books, videos and seminars.

   c. During peak periods in the housing market, the availability of sub-contractors is often very limited.

      The sub-contractors which are available tend to be less experienced and usually place a greater emphasis on completing their industry-builder contracts than their self-builder contracts.

d. Potential self-builders and self-contractors may not be able to meet the equity requirements.

The availability of high ratio mortgages for self-building and self-contracting is more restricted than for purchasing an existing house. In addition, the effective equity requirement may be higher than 25% in order for there to be sufficient contingency funds. Contributed labour is not eligible for consideration as equity because it is an unrealized and unmarketable value at the time of the application.

e. Some lenders are more conservative when considering lending funds for self-build projects and often used, for example, lower GDS and TDS ratios.

f. The progressive mortgage was not designed with the self-builder and self-contractor specifically in mind.

The major problem with the progressive mortgage is that self-builders and self-contractors often fully expend their own funds and exhaust their lines of credit with local suppliers before the first disbursement of funds by the financial institution. Cost overruns tend to amplify this problem. Standard financing mechanisms may have the self-builder or self-contractor with a short-fall at the end of the project.

g. Although most financial institutions lend to self-builders and self-contractors, the majority do not actively pursue this line of business.

The major reasons for not actively pursuing self-builders and self-contractors was a perceived higher level of risk, increased time demands and therefore higher staffing costs, and limited demand.

h. Some institutions are reluctant to lend in non-urban areas with which they are not familiar such as beyond the area's immediate municipal jurisdiction or in sites which did not have the benefit of a paved road, septic system or immediately accessible water supply.

i. The imposition of regulations such as the New Home Warranty Program.

Many representatives of lending institutions require sub-trades involved on a self-contract project to be registered under this program which serves to limit the availability of tradespeople for construction.

j. Institutions are generally unwilling to lend on an unrealized asset such as a proposed self-build or self-contracted home.

This reluctance is amplified when the marketability of the asset is considered. Self-builders and self-contractors often design a home according to their own unique personal tastes which may throw some doubt on the resale potential of the home.

k. There are high input requirements for a self-build or self-contract home, especially at the beginning of the project.

By its very nature, self-build housing requires a great deal of time, initiative and effort. In addition, self-build and self-contract projects tend to take longer and require more resources than originally anticipated.

B. GOVERNMENT ROLE IN OVERCOMING OBSTACLES

Respondents were asked whether they felt there was a need for additional support by government agencies. Our major findings are summarized in the following points:

1. A significant proportion of the lenders interviewed, 52.5%, were against increased involvement of the government in this sector.

   The four major reasons identified by the lenders as to why further support should not be given were:

   a. Current assistance under the CMHC and MICC insurance programs is adequate (16.3% of respondents).

   b. Increasing assistance would encourage individuals who are not financially secure to become involved in self-building and self-contracting. In turn, this would place a burden on taxpayers and increase the hesitancy lenders have for financing these types of projects (10.0% of respondents).

   c. Increasing assistance would only increase the red tape and levels of bureaucracy and would decrease the flexibility of the system (8.8% of respondents).

   d. There are no significant obstacles to obtaining financing for self-builder and self-contractor projects (6.3% of respondents).

   e. Increasing support for self-builders and self-contractors would be detrimental to the interests of industry builders (1.3% of respondents).

The availability of the MICC insurance and CMHC insurance was cited as being particularly useful under the following conditions:

i. Where self-builders and self-contractors chose to build in areas outside urban centres, especially beyond the municipal jurisdictions with which the lender institutions were familiar.

ii. When high ratio financing is necessary. Insurance was considered to be of great help to lower income individuals who do not have enough equity to use the conventional mortgage financing route.

2. Of the lenders surveyed, 47.5% felt that there was a need for further intervention by the government over and above the current insurance program.

A variety of suggestions were received as to how obstacles to self-builder and self-contractor financing could be reduced. These suggestions included:

a. Increasing the flow of information.

The most popular suggestion (mentioned by 33.8% of respondents) involved increasing the dissemination of information to self-builders and self-contractors. Of the respondents surveyed who suggested some sort of assistance program, over half felt there was a need for increased information in the form of how-to books, videos and seminars. In addition, some form of on-the-job advisory and supervisory system for individuals interested in this approach to home construction was recommended.

b. Easing the equity requirement.

An obstacle identified by 17.5% of lenders was that some potential builders and self-builders were unable to secure financing because they were unable to raise the necessary equity. A number of programs and actions to ease the equity requirement were suggested including:

- Introduction of an RHOSP style program for the first time home buyer or home builder (10% of respondents).

- A grant program to augment the equity contribution of low-income people (10% of respondents).

- A guarantee program under which contributed labour could be used as equity (5% of respondents).

- Providing for greater flexibility with respect to GDS and TDS ratios (2.5% of respondents).

- Providing a subsidy on interest charges (5% of respondents).

- Raising the upper limit for insurance of high ratio mortgages to 95% (2.5% of respondents).

c. Reducing the need for interim financing.

A number of lenders (2.5% of those surveyed) commented that some self-builders and self-contractors had trouble coming up with enough funds to cover costs incurred up to the first draw on the progressive mortgage. Suggestions for easing the problems associated with interim financing included a program specifically designed to provide bridge financing to self-builders and self-contractors and encouraging municipal bodies to defer property taxes and development charges until the project is completed.

d. Reducing the level of risk for the financial institution and the self-builder or self-contractor by introducing or expanding programs:

- To ensure that the dwelling will be completed even if the project proponent is injured or becomes ill (3% of respondents).

- To guarantee interest rates over the course of the project (3.0% of respondents).

e. Reducing application of the New Home Warranty Program.

The New Home Warranty Program was established in 1978 as a result of the new interest in consumer protection and a desire on the part of the Federal Government to provide security on the largest purchase most individuals make in their lifetime. This program was originally intended to cover commercial builders involved in all market housing projects intended for resale but was expanded to include social housing and private lending requiring high ratio financing.

Representatives of four of the lending institutes identified the New Home Warranty requirement, for builders using more that 50% of commercial labour on a project, as a major obstacle. Currently, a number of institutions require sub-trades involved with a self-contract project to be registered under the New Home Warranty Program. This condition makes it very difficult to find tradespeople, particularly when the construction market is strong.

f. Increasing coverage under the New Homes Warranty Program.

Two lenders suggested that increasing the number of self-built and self-contracted projects guaranteed under the New Home Warranty Program would reduce the risk and increase the availability of financing.

APPENDIX I

INSTITUTIONS SURVEYED

INSTITUTIONS SURVEYED

Alberta Treasury Branch
Assiniboine Credit Union
Atlantic Trust
Bank of Montreal
Bank of Nova Scotia
Barrie Community Credit Union
Caisse Populaire
Canada Trust
Canadian Imperial Bank of Commerce
Central Trust
Civil Servise Cooperative Credit Society
Credit Union of Central Nova Scotia
DUCA Community Credit Union
Federations des Caisses D'Economie Desjardins Du Quebec
General Trust
Guarantee Trust
Halifax Metro Credit Union
Hong Kong Bank of Canada
Household Trust
Laurentian Bank of Canada
Montreal Trust
National Bank of Canada
National Trust
Newfoundland and Labrador Credit Union
Norther Credit Union
Omista Credit Union
Parksville District Credit Union
Royal Bank
Royal Trust
Surrey Credit Union
Toronto Dominion Bank
Van City Savings Credit Union

VanTel Credit Union

Wildrose Credit Union

Winkler Credit Union

APPENDIX II

COMMUNITIES SURVEYED

COMMUNITIES SURVEYED

BRITISH COLUMBIA

Courtney
Parksville
Vancouver

PRAIRIE PROVINCES

Edmonton
Vegreville
Winkler
Winnepeg

ONTARIO

Barrie
Sault Ste. Marie
Toronto

QUEBEC

Montreal
St. Jean sur Richelieu
Trois Rivieres

MARITIMES

Halifax
Moncton
St. Johns

APPENDIX III

COPY OF QUESTIONNAIRE EMPLOYED

QUESTIONNAIRE

SURVEY OF LENDERS: FINANCING OPTIONS FOR SELF-BUILD AND SELF-CONTRACTING

We are currently conducting a detailed study of the financing options and constraints facing self-builders and self-contractors across Canada on behalf of the Canada Mortgage and Housing Corporation. We would greatly appreciate it if you would assist us in this study by answering a few questions regarding the financing activities of your organization in the self-build and self-contractor segments. In order to obtain completely honest and unbiased responses to the following questions, absolute confidentiality is assured. The identity of each respondent will be held in confidence at all times and will not be revealed to representatives of CMHC.

For the purposes of this study, residential construction can be divided into two categories. The first classification deals with those individuals attempting to build their own home. This includes: self-builders; those individuals who physically build all, or a large portion, of a dwelling which, upon completion, they will occupy and self-contractors: who act as their own general contractors and arrange for sub-trades to construct the dwelling. These approaches differ from industry built housing projects for which a developer will take the initiative in all stages of the project or a contract builder may assume responsibility for construction.

A. BACKGROUND

Financial Institution: ____________________ Date: ____________________

Respondent Name: ____________________ Position: ____________________

Address: ____

B. LOANS TO SELF-BUILDERS AND SELF-CONTRACTORS

1. Does your organization provide housing loans to self-builders or self-contractors?

Self-builders? ________

Self-contractors? ________

2. How often do you use the following loan instruments for financing self-builder projects (please answer on a scale from 1 to 5: where 1 is never, 2 is rarely, 3 is occasionally, 4 is frequently and 5 is always)?

Progressive mortgage loan	1	2	3	4	5
Consumer loan	1	2	3	4	5
Line of credit	1	2	3	4	5
1st mortgage on an existing property	1	2	3	4	5
2nd mortgage on an existing property	1	2	3	4	5
Other (Please describe)	1	2	3	4	5

____

For self-contractors? (please answer on the same scale: where 1 is never, 2 is rarely, 3 is occasionally, 4 is frequently and 5 is always)?

Progressive mortgage loan	1	2	3	4	5
Consumer loan	1	2	3	4	5
Line of credit	1	2	3	4	5
1st mortgage on an existing property	1	2	3	4	5
2nd mortgage on an existing property	1	2	3	4	5
Other (Please describe)	1	2	3	4	5

____

3. Do you promote certain types of loan instruments more than others for this purpose?

For self-build projects? Yes ____ No ____
For self-contract projects? Yes ____ No ____

If so, which ones and why? ______________________________

____

4. What is the percentage of housing construction loans issued by your organization for:

Self-build projects? ____%

Self-contractor projects? ____%

5. How has the proportion of your construction loans issued to self-builders changed over the past 5 years?

Increased ________

Decreased ________

No Change ________

Don't Know ________

Why? ______________________________

____

Do you expect the proportion to change over the next 5 years? ______________

In what way? ______________________________

Why? ______________________________

6. How has the proportion of your construction loans issued to self-contractors changed over the past 5 years?

Increased ________

Decreased ________

No Change ________

Don't Know ________

Why? ______________________________

____

Do you expect the proportion to change over the next 5 years? ______________

In what way? ______________________________

Why? ______________________________

7. Can you estimate the average value of loans issued by your organization in 1988 for:

Self-build units? $________

Self contracting units? $________

Industry built units? $________

8. What percentage of your self-builder loans are CMHC or MICC insured?

____

Is this percentage any different in terms of self-contractor loans?

____

C. PROGRESSIVE MORTGAGES

9. What percentage of your housing loans to self-builders and self-contractors are paid out on a progressive basis?
________ %

10. With respect to progressive mortgage loans, what disbursement guidelines does your organization follow for self-build projects in terms of:

Percentage of value willing to pay out? ____________________

Timing of the payout? ____________________

Holdback? ____________________

Other? ____________________

If progressive payments are used, are inspections made before each payout?

____

11. How do the characteristics of your progressive loans to self-builders vary from loans to industry builders with respect to the following:

a. Interest rate: ____________________

b. Disbursement Practice: ____________________

c. Term of loan: ____________________

d. Value of loan as a percentage of total project costs: ____________________

e. Frequency with which co-signers are asked to secure the loan ____________________

f. CMHC or MICC requirements: ____________________

g. Special or additional restrictions: ____________________

12. Does your organization differentiate between progressive loans to self-builders compared to self-contractors with respect to:

    a. Interest rate

    b. Disbursement Practise

    c. Term of loan

    d. Value of loan as a percentage of total costs

    e. Frequency of co-signers securing the loan

    f. CMHC or MICC requirements

    g. Special additions or restrictions

    If so, How? ____________________

13. With respect to loan instruments other than progressive loans, how does your organization differentiate between self-builders and and other personal loan applicants with respect to the following:

    a. Interest rate: ____________________

    b. Disbursement Practice: ____________________

    c. Term of loan: ____________________

    d. Value of loan as a percentage of total project costs: ____________________

    e. Frequency with which co-signers are asked to secure the loan ____________________

    f. CMHC or MICC requirements: ____________________

    g. Special or additional restrictions: ____________________

14. Does your organization differentiate between non-progressive loans to self-builders compared to self contractors with respect to:

a. Interest rate

b. Disbursement Practise

c. Term of loan

d. Value of loan as a percentage of total costs

e. Frequency of co-signers securing the loan

f. CMHC or MICC requirements

g. Special additions or restrictions

If so, How? ______________________________

____

____

____

15. Do self-builder loans differ from industry builder loans in terms of:

Administration costs ______________________________

____

Rate of default ______________________________

____

16. Do self-contractor loans differ from industry builder loans in terms of:

Administration costs ______________________________

____

Rate of default ______________________________

____

17. Which of the following problems tend to arise, if any, when lending to self-builders and self-contractors?

a. cost overruns ______________________________

b. delayed completetion ______________________________

c. inferior quality ______________________________

d. other ______________________________

What methods, if any, do you use to try to prevent or alleviate these problems? (eg. contingency funds)

____

____

Are these problems more common when dealing with self-builders and self-contractors as opposed to industry builders? ____

D. METHODS OF EVALUATING SELF-BUILDERS AND SELF-CONTRACTORS

18. How important are each of the following criteria in qualifying a self-builder for a loan (please answer on a scale of 1 to 5 where 1 is very important and 5 is not very important)?

Income Level

Very Important		Average		Not Very Important
1	2	3	4	5

Comments: ____

Source of Income (Seasonal vs Year-Round)

Very Important		Average		Not Very Important
1	2	3	4	5

Comments: ____

Cash Equity in Project

Very Important		Average		Not Very Important
1	2	3	4	5

Comments: (What guidelines are followed in terms of the amount of equity involved?) ____________________

Labour Value to be Contributed

Very Important		Average		Not Very Important
1	2	3	4	5

Comments: ____

Collateral

Very Important		Average		Not Very Important
1	2	3	4	5

Comments: ____

Credit History

Very Important Average Not Very Important

1 2 3 4 5

Comments: ______________________________

____

Relevant Construction/Management Experience of Applicant

Very Important Average Not Very Important

1 2 3 4 5

Comments: ______________________________

____

Expected Market Value of Dwelling Once Completed

Very Important Average Not Very Important

1 2 3 4 5

Comments: ______________________________

____

Characteristic of the Dwelling (fit with neighborhood, location, type)

Very Important Average Not Very Important

1 2 3 4 5

Comments: ______________________________

____

Other, please specify ______________________________

Very Important Average Not Very Important

1 2 3 4 5

Comments: ______________________________

____

19. Could you rate your top three criteria, as outlined in question 18, in order of importance?

1. ______________________________
2. ______________________________
3. ______________________________

20. Do you evaluate a self-builder differently than a self-contractor with respect to:

a. Income Level
b. Source of Income
c. Cash Equity in Project
d. Labour Value to be Contributed
e. Collateral
f. Credit History
g. Relevant Construction/Management Experience of Applicant
h. Expected market of Dwelling Once Completed
i. Characteristics of the Dwelling
j. Other, Please specify ____________________

If so, How? ____

____

____

____

21. Given a choice, which of the following would you prefer to lend to? Please rank in order of preference:

a. Self-builder ____________________
b. Self-contractor ____________________
c. Industry builder ____________________

Why? ____

____

22. What proportion of financing requests would you estimate are turned down?

For: self-build projects ____________%

self-contract projects ____________%

industry build projects ____________%

first mortgages ____________%

consumer loans ____________%

Comments: ____

____

23. Are would-be self-builders encouraged to look at self contracting as an alternative approach? ____________________

____

Are would-be self-contractors encouraged instead to use general contractors? ____________________

____

24. Does your organization actively seek the opportunity to finance self-build and self-contracted projects? ____________

____

If so, How? ____

If not, Why not? ____

E. PROFILE OF SELF-BUILDER AND SELF-CONTRACTOR LOAN APPLICANTS

25. How does the average self-builder differ from the average mortgage applicant with respect to the following (please answer on a scale of 1 to 5: where 1 is much lower, 2 is lower, 3 is same, 4 is higher and 5 is much higher)?

Average annual income	1	2	3	4	5
Average age	1	2	3	4	5
Average market value of completed dwelling	1	2	3	4	5
Average net worth	1	2	3	4	5
Proportion that are rural dwellers	1	2	3	4	5
Proportion that have seasonal employment	1	2	3	4	5

26. How does the average self-contractor differ from the average mortgage applicant with respect to the following (please answer on a scale of 1 to 5: where 1 is much lower, 2 is lower, 3 is same, 4 is higher and 5 is much higher)?

Average annual income	1	2	3	4	5
Average age	1	2	3	4	5
Average market value of completed dwelling	1	2	3	4	5
Average net worth	1	2	3	4	5
Proportion that are rural dwellers	1	2	3	4	5
Proportion that have seasonal employment	1	2	3	4	5

27. Do the characteristics of the average self-built home vary from the average industry-built home in your region with respect to:

Size? ____

Location? ____

Type? ____

Quality? ____

28. Do the characteristics of the average self-contracted home vary from the average industry built home in your region with respect to:

Size? ______________________________

Location? ______________________________

Type? ______________________________

Quality? ______________________________

29. Does a significant proportion of either your self-builders or self-contractors build with the intention to sell the dwelling within a relatively short period of time?

Self-builder? ______________________________

Self-contractor? ______________________________

F. POST-CONSTRUCTION FINANCING:

30. Are there usually changes in the lending arrangement once the house is completed? ______________________________

____

If so, what are the nature of these changes?

____

____

____

31. Is your primary purpose in supplying construction financing to gain the post-construction mortgage on the dwelling?

____

____

32. What proportion of self builders do you not continue to provide financing for once the house has been completed?

__________%

Why? ______________________________

____

How is this different for self contractors? ______________________________

____

G. RECOMMENDATIONS FOR GOVERNMENT

33. Does there appear to be a problem for self-builder or self-contractors to gain access to financing for their housing projects?

____

____

34. Do you see a need for government to provide guarantees or insurance for this purpose? Yes _____ No _____

Why? ____

____

____

35. Does the existance of CMHC or MICC insurance influence your decision whether or not to lend the funds requested?

Yes ______

No ______

Why? ____

____

How important is this insurance? ____________________________________

____

36. Do you see a need for government to become more involved in self-build and self-contracting activities in other ways?

Yes ______

No ______

Why and, if so, how? ____

____

____

We greatly appreciate the time that you have spent in completing this questionnaire. All questions will be carefully analyzed and your responses will play an important part in this study.

APPENDIX IV

SUMMARY OF RESPONSES

SURVEY OF LENDERS:
FINANCING OPTIONS FOR SELF-BUILD AND SELF-CONTRACTING

A. LOANS TO SELF-BUILDERS AND SELF-CONTRACTORS

1. Does you organization provide housing loans to self-builders or self-contractors?

	Yes	No
Self-builders	91.3%	8.8%
Self-contractors	100.0%	0.0%

2. How often do you use the following loan instruments for financing self-builder projects (please answer on a scale from 1 to 5; where 1 is never, 2 is rarely, 3 is occasionally, 4 is frequently and 5 is always)?

	1	2	3	4	5
Progressive mortgage loan	3.7%	7.5%	12.5%	20.0%	47.5%
Consumer loan	20.0	40.0	21.3	7.5	2.5
Line of credit	25.0	23.7	16.2	17.5	8.8
1st mortgage on an existing property	7.5	18.7	30.0	25.0	10.0
2nd mortgage on an existing property	30.0	28.7	22.5	10.0	0.0
Other	85.0	2.5	1.3	1.3	1.3

For self-contractors? (please answer on the same scale; where 1 is never, 2 is rarely, 3 is occasionally, 4 is frequently and 5 is always)?

	1	2	3	4	5
Progressive mortgage loan	6.3%	7.5%	13.8%	23.7%	48.7%
Consumer loan	22.5	41.2	22.5	10.0	3.8
Line of credit	27.5	26.2	16.3	20.0	10.0
1st mortgage on an existing property	8.8	18.7	33.7	27.5	11.3
2nd mortgage on an existing property	32.5	31.3	23.7	12.5	0.0
Other	93.8	2.5	1.3	1.3	1.3

3. Do you promote certain types of loan instruments more than others for this purpose?

	Yes	No
For self-build projects?	78.8%	21.3%
For self-contract projects?	78.8	21.3

If so, which ones and why?

Progressive Mortgage Loan	56.3%
Consumer Loan	8.8
Line of Credit	18.8
1st Mortgage	18.8
2nd Mortgage	0.0

4. What is the percentage of housing construction loans issued by your organization for:

Self-build projects?	9.5%
Self-contractor projects?	14.6

5. How has the proportion of your construction loans issued to self-builders changed over the past 5 years?

Increased	38.7%
Decreased	17.5
No Change	33.7
Don't Know	1.3
Not Applicable	8.8

Do you expect the proportion to change over the next 5 years?

Increase	36.2%
Decrease	17.5
No Change	38.2
Don't Know	1.3
Not Applicable	8.8

6. How has the proportion of your construction loans issued to self-contractors changed over the past 5 years?

Increased	41.2%
Decreased	18.7
No Change	37.5
Don't Know	2.6

Do you expect the proportion to change over the next 5 years?

Increase	36.2%
Decrease	16.2
No Change	45.0
Don't Know	2.6

7. Can you estimate the average value of loans issued by your organization in 1988 for:

Self-build units?	$88,978
Self-contracting units?	91,193
Industry built units?	109,300

8. What percentage of your self-builder loans are CMHC or MICC insured?

    27.1%

    Is this percentage any different in terms of self-contractor loans?

    No

B. PROGRESSIVE MORTGAGES

9. What percentage of your housing loans to self-builders and self-contractors are paid out on a progressive basis?

    74.3%

10. With respect to progressive mortgage loans, what disbursement guidelines does you organization follow for self-build projects in terms of:

    Percentage of value willing to pay out?

- % of completion and land value less holdback basis (flexible)	53.7%
- Set schedule, 3 draws	18.7
- Holdback enough to complete	10.0

    Timing of the Pay-Out?

- Flexible schedule - set # of draws	27.5%
- Fixed schedule - 3 draws	33.7
- Fixed schedule - 4 draws	25.1

    Holdback?

15.0% holdback	41.2%
12.5% holdback	2.5
10.0% holdback	42.5
7.5% holdback	2.5
No holdback	5.0
Don't know	6.3

    Other?

    No other guidelines used.

    If progressive payments are used, are inspections made before each payout?

    Yes (100.0%)

11. How do the characteristics of your progressive loans to self-builders vary from loans to industry builders with respect to the following:

a. Interest rate:

Same rate charged-fixed at conventional mortgage rate	31.3%
Same rate charged-floating on a prime+1-3 basis	28.8
Self-builders/self-contractors charged higher rates	13.8
Industry builder charged higher rate	5.0

b. Disbursement practice:

Same basis for all construction clients	82.5%
Self-builder receives more draws	6.3
Industry builder receives more draws	3.7
Not applicable	7.5

c. Term of Loan:

Same term, customers choice 6 months - 5 years	76.3%
Industry builder have shorter terms	8.7
Not applicable	7.5

d. Value of loan as a percentage of total project costs:

Same value chosen	46.3%
Industry builder seeks a higher value	31.3
Not applicable	10.0
Self-builders & contractors seek a higher value	8.7

e. Frequency with which co-signers are asked to secure the loan

Rarely used. Only used when company owner must sign for the loan of if husband and wife want joint ownership of the property.

f. CMHC or MICC requirements:

Same requirements for both groups	75.0%
Industry builders and subcontractors must be New Home Warranty registered	10.0
Not applicable	12.5
Don't know	2.5

g. Special or additional restrictions:

Same terms for both groups	66.3%
Not applicable	17.5
More strict with self-builders	8.7
More strict with industry builders	7.5

12. Does your organization differentiate between progressive loans to self-builders compared to self-contractors with respect to:

a. Interest rate
b. Disbursement practise
c. Term of loan
d. Value of loan as a percentage of total costs
e. Frequency of co-signers securing the loan
f. CMHC or MICC requirements
g. Special additions or restrictions

If so, How? No difference

13. With respect to loan instruments other than progressive loans, how does your organization differentiate between self-builders and other personal loan applicants with respect to the following:

a. Interest rate:

Same rate charged-floating at prime+2 - 5	45.0%
Same rate charged- fixed or variable	20.0
Not applicable	18.8
Same rate on a fixed basis	6.3

14. Does your organization differentiate between non-progressive loans to self-builders compared to self-contractors with respect to:

a. Interest rate
b. Disbursement practise
c. Term of loan
d. Value of loan as a percentage of total costs
e. Frequency of co-signers securing the loan
f. CMHC or MICC requirements
g. Special additions or restrictions

If so, How? No difference

15. Do self-builder loans differ from industry loans in terms of:

Administration Costs

Same costs for both groups	40.0%
Yes, slightly more attention is required (25% - 100% more)	31.3
Yes, considerably more attention is required (2 - 4 times a much)	12.5
Not applicable	8.8

Rate of default:

Not a problem

16. Do self-contractor loans differ from industry builder loans in terms of:

Administration Costs

Same costs for both groups	40.0%
Yes, slightly more attention is required (25% - 100% more)	31.3
Yes, considerably more attention is required (2 - 4 times a much)	12.5
Not applicable	8.8

Rate of default:

Not a problem

17. Which of the following problems tend to arise, if any, when lending to self-builders and self-contractors?

a. Cost overruns

Occurs under 30% of the time	43.8%
Occurs 50% - 100% of the time	41.3
Not a problem	11.3

b. Delayed completion

Yes, a problem but magnitude unknown	30.0%
Exceeded 6 month completion scehdule	16.3
Not a problem	15.0

c. Inferior quality

Not a problem	78.8%
Lower quality for self-builders and self-contractors	10.0
Lower quality for industry builders	6.3

What methods, if any, do you use to try to prevent or alleviate these problems? (eg. contingency funds)

Suggest a larger loan than cost estimates suggest	35.0%
No methods used, rely on institutional policies	18.8
Conservative lender	18.8
Warn customer not to deviate from specifications	11.3

Are these problems more common when dealing with self-builders and self-contractors as opposed to industry builder?

Yes	68.8%
No	20.0
Don't Know	5.0
Not applicable	6.4

C. METHODS OF EVALUATING SELF-BUILDERS AND SELF-CONTRACTORS

18. How important are each of the following criteria in qualifying a self-builder for a loan (please answer on a scale of 1 to 5 where 1 is very important and 5 is not very important)

	1	2	3	4	5
Income level	73.7%	10.0%	15.0%	1.3%	0.0%
Source of income (seasonal vs. year-round)	62.5	15.0	18.7	1.3	2.5
Cash equity in project	85.0	5.0	8.7	1.3	0.0
Labour value to be contributed	5.0	12.5	42.4	10.1	30.0
Collateral	58.7	17.5	21.3	2.5	0.0
Credit history	83.7	12.5	3.8	0.0	0.0
Relevant construction/management experience of applicant	37.5	16.2	40.0	2.5	3.8
Expected market value of dwelling once completed	73.7	12.5	10.0	0.0	3.8
Characteristics of the dwelling	56.3	21.2	12.5	2.5	7.5
Other	23.8	3.8	3.8	0.0	0.0

19. Could you rate your top three criteria, as outlined in question 18, in order of importance?

Top Criteria

Income level	35.0%
Credit history	22.5
Expected market value	12.5

Second Criteria

Income level	28.8%
Credit history	18.8
Cash equity	12.5

Third Criteria

Cash equity	23.8%
Expected market value	18.8
Credit history	15.0

20. Do you evaluate a self-builder differently than a self-contractor with respect to:

a. Income level
b. Source of income
c. Cash equity in project
d. Labour value to be contributed
e. Collateral
f. Credit history
g. Relevant construction/management experience of applicant
h. Expected market of dwelling once completed
i. Characteristics of the dwelling
j. Other

If so, How? No difference

21. Given a choice, which of the following would you prefer to lend to? Please rank in order of preference:

First Choice:

Industry builder	57.5%
Self-contractor	15.0
Self-builder	3.7

Second Choice:

Self-contractor	58.7%
Self-builder	7.5
Industry-builder	6.2

Third Choice:

Self-builder	55.0%
Industry-builder	6.2
Self-contractor	0.0

22. What proportion of financing requests would you estimate are turned down?

Self-build projects	30.9%
Self-contract projects	22.3
Industry build projects	13.3
First mortgages	7.7
Consumer loans	15.7

23. Are would-be self-builders encouraged to look at self-contracting as an alternative approach?

Yes	60.0%
No	40.0

Are would-be self-contracts encouraged instead to use general contractors?

Yes	37.6%
No	62.5

24. Does your organization actively seek the opportunity to finance self-build and self-contracted projects?

Yes	40.0%
No	60.0

If so, How?

Word of mouth at the branch and community level	12.5%
Promoted to outside parties involved in Real Estate	10.0
All housing related loans promoted	10.0

If not, Why not?

Too risky	26.3%
Extra risk and time	15.0
Too time consuming given limited demand	5.0

D. PROFILE OF SELF-BUILDER AND SELF-CONTRACTOR LOAN APPLICANTS

25. How does the average self-builder differ from the average mortgage applicant with respect to the following (please answer on a scale of 1 to 5: where 1 is much lower, 2 is lower, 3 is same, 4 is higher and 5 is much higher)?

	1	2	3	4	5
Average annual income	0.0%	27.5%	50.0%	17.5%	0.0%
Average age	0.0	41.3	35.0	17.5	0.0
Average market value of completed dwelling	0.0	17.4	41.3	36.3	0.0

Average net worth	0.0	33.7	30.0	31.3	0.0
Proportion that are rural dwellers	0.0	3.8	31.2	57.5	2.5
Proportion that have seasonal employment	0.0	0.0	51.3	26.2	0.0

26. How does the average self-contractor differ from the average mortgage applicant with respect to the following (please answer on a scale of 1 to 5: where 1 is much lower, 2 is lower, 3 is same, 4 is higher and 5 is much higher)?

	1	2	3	4	5
Average annual income	0.0%	27.5%	50.0%	17.5%	0.0%
Average age	0.0	41.3	35.0	17.5	0.0
Average market value of completed dwelling	0.0	17.4	41.3	36.3	0.0
Average net worth	0.0	33.7	30.0	31.3	0.0
Proportion that are rural dwellers	0.0	3.8	31.2	57.5	2.5
Proportion that have seasonal employment	0.0	0.0	51.3	26.2	0.0

27. Do the characteristics of the average self-built home vary from the average industry-built home in your region with respect to:

Size

Same	43.8%
Smaller	21.2
Larger	26.2
Don't know	8.8

Location

Same	33.8%
Urban	2.5
Rural	56.2
Don't know	7.6

Type

Same	30.0%
Plain	25.0
Custom	37.5
Don't know	7.5

Quality

Same	31.3%
Lower	15.0
Higher	42.5
Don't know	11.2

28. Do the characteristics of the average self-contracted home vary from the average industry built home in your region with respect to:

Size

Same	43.8%
Smaller	21.2
Larger	26.2
Don't know	8.8

Location

Same	33.8%
Urban	2.5
Rural	56.2
Don't know	7.6

Type

Same	30.0%
Plain	25.0
Custom	37.5
Don't know	7.5

Quality

Same	31.3%
Lower	15.0
Higher	42.5
Don't know	11.2

29. Does a significant proportion of either your self-builder or self-contracts build with the intention to sell the dwelling within a relatively short period of time?

	Self-Builder	Self-Contractor
No	66.3%	65.0%
Yes	25.0	31.3
Don't know	3.8	3.8
Not applicable	5.0	0.0

E. POST-CONSTRUCTION FINANCING

30. Are there usually changes in the lending arrangement once the house in completed?

Yes	52.5%
No	47.5

If so, what are the nature of these changes?

Interest rate fixed
Term set

31. Is your primary purpose in supplying construction financing to gain the post-construction mortgage on the dwelling?

Yes	95.0%

32. What proportion of self-builders do you not continue to provide financing for once the house has been completed?

0%

How is the different for self-contractors?

No difference

F. RECOMMENDATIONS FOR GOVERNMENT

33. Does there appear to be a problem for self-builders or self-contractors to gain access to financing for their housing projects?

Yes	51.2%
No	47.5
Don't know	1.3

34. Do you see a need for government to provide guarantees or insurance for this purpose?

Yes	47.5%
No	52.5

35. Does the existence of CMHC or MICC insurance influence your decision whether or not to lend the funds requested?

Yes	50.0%
No	50.0

How important is this insurance?

Very important	55.0%
Not very important	45.0

36. Do you see a need for government to become more involved in self-build and self-contracting activities in other ways?

Yes	57.6%
No	42.4

Why and, if so, how?

Education	33.8%

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APPENDIX V

SIMPLE AND CROSS TABULATION OF RESPONSES FOR SELECTED QUESTIONS

APPENDIX V.1

PROGRESSIVE MORTGAGE DISBURSEMENT GUIDELINES FOLLOWED FOR SELF-BUILD AND SELF-CONTRACT PROJECTS WITH RESPECT TO PERCENTAGE OF THE VALUE WILLING TO PAY-OUT

Question 10: With respect to progressive mortgage loans, what disbursement guidelines does your organization follow for self-build projects in terms of the percentage of the value willing to pay-out?

Response:

Amount is based on percentage of completion less holdback basis	53.7%
Holdback should be enough to complete the dwelling	10.0
Set schedule with 3 draws	18.7
Set schedule with 4 draws	8.7
Set schedule with 5 draws	1.3
Not applicable	6.3
Don't know	1.3
	100.0%

APPENDIX V.2

PROGRESSIVE MORTGAGE DISBURSEMENT GUIDELINES FOLLOWED FOR SELF-BUILD AND SELF-CONTRACT PROJECTS WITH RESPECT TO TIMING OF THE PAY-OUT

Question 10: With respect to progressive mortgage loans, what disbursement guidelines does your organization follow for self-build projects in terms of the timing of the pay-out?

Response:

Flexible schedule with 3 draws	13.7%
Flexible schedule with 4 draws	11.3
Flexible schedule with 5 draws	2.5
Roof, plumbing, electrical and drywall - final	28.7
Foundation, rough utilities, drywall - final	5.0
Foundation, drywall, rough plumbing and electrical - final	3.8
Foundation, rough walls, framing, roof, electrical and plumbing, interior drywall - final	18.7
Roof, rough in utilities, finishing plumbing and electrical drywall - final	2.5
First draw at 50% complete (lock-up) with 2 to 4 subsequent draws	5.0
Lot purchase followed by foundation or roof tight, drywall, lock-up - final	2.5
Not applicable or don't know	6.3
	100.0%

APPENDIX V.3

PROGRESSIVE MORTGAGE DISBURSEMENT GUIDELINES FOLLOWED FOR SELF-BUILD AND SELF-CONTRACT PROJECTS WITH RESPECT TO THE HOLDBACK

Question 10: With respect to progressive mortgage loans, what disbursement guidelines does your organization follow for self-build projects in terms of the holdback?

Response:

15% Holdback	41.2%
12.5% Holdback	2.5
10.0% Holdback	42.5
7.5% Holdback	2.5
No Holdback	5.0
Not Applicable	6.3
	100.0%

APPENDIX V.4

DIFFERENCES BETWEEN THE INTEREST RATE ON PROGRESSIVE LOANS ISSUED TO SELF-BUILDERS AND SELF-CONTRACTORS AND THOSE ISSUED TO INDUSTRY BUILDERS

Question 11: How do the characteristics of your progressive loans to self-builders vary from loans to industry builders with respect to the interest rate?

The same rate is used, which is:	
Fixed or floating rate	8.7%
Fixed at the conventional mortgage rate	31.3
Floating on a prime +1 to 3 basis	28.8
	68.8
A different rate is used, under which the:	
Industry builder is charged a higher floating rate	5.0%
Self-builder and self-contractor are charged a higher floating rate	10.0
Industry builder is charged a higher fixed rate	3.7
Self-builder and self-contractor are charged a higher fixed rate	0.0
Self-builders and self-contractors rates are fixed, and the industry builder is charged a floating rate	3.7
	22.5
Not applicable	7.5
Charged according to applicants risk	1.3
	100.0%

APPENDIX V.5

DIFFERENCES BETWEEN THE DISBURSEMENT PRACTICE OF PROGRESSIVE LOANS ISSUED TO SELF-BUILDERS AND SELF-CONTRACTORS AND THOSE ISSUED TO INDUSTRY BUILDERS

Question 11: How do the characteristics of your progressive loans to self-builders vary from loans to industry builders with respect to the disbursement practice?

Response	%
The disbursement practice is the same	82.5%
Self-builders and self-contractors receive more draws	6.3
Industry builders receive more draws	3.7
Not applicable	7.5
	100.0%

APPENDIX V.6

DIFFERENCES BETWEEN THE TERM OF PROGRESSIVE LOANS ISSUED TO SELF-BUILDERS AND SELF-CONTRACTORS AND THOSE ISSUED TO INDUSTRY BUILDERS

Question 11: How do the characteristics of your progressive loans to self-builders vary from loans to industry builders with respect to the term of loan?

Response	%
The term is the same (typically customers choice of 6 months to 5 years)	76.3%
Self-builders and self-contractors choose a shorter term	1.3
Industry builders choose a shorter term	8.7
Industry builders are required to sell the property before the term is chosen	3.7
Not applicable	7.5
Don't know	2.5
	100.0%

APPENDIX V.7

DIFFERENCES BETWEEN THE VALUE OF THE PROGRESSIVE LOANS, AS A PERCENTAGE OF TOTAL PROJECT COSTS, ISSUED TO SELF-BUILDERS AND SELF-CONTRACTORS AND THOSE ISSUED TO INDUSTRY BUILDERS

Question 11: How do the characteristics of your progressive loans to self-builders vary from loans to industry builders with respect to the value of the loan as a percentage of total project costs?

Response	%
The percentage is typically the same	46.3%
The industry builder seeks a higher loan value	31.3
The self-builder and self-contractor seeks a higher loan value	8.7
Not applicable	10.0
Don't know	3.7
	100.0%

APPENDIX V.8

DIFFERENCES BETWEEN THE CMHC OR MICC REQUIREMENTS OF PROGRESSIVE LOANS ISSUED TO SELF-BUILDERS AND SELF-CONTRACTORS AND THOSE ISSUED TO INDUSTRY BUILDERS

Question 11: How do the characteristics of your progressive loans to self-builders vary from loans to industry builders with respect to CMHC or MICC requirements?

Response	%
The CMHC requirements are the same for all groups	75.0%
Industry builders and sub-contractors must be under the New Home Warranty Program	10.0
Not applicable	12.5
Don't Know	2.5
	100.0%

APPENDIX V.9

DIFFERENCES BETWEEN THE SPECIAL OR ADDITIONAL RESTRICTIONS ON PROGRESSIVE LOANS ISSUED TO SELF-BUILDERS AND SELF-CONTRACTORS AND THOSE ISSUED TO INDUSTRY BUILDERS

Question 11: How do the characteristics of your progressive loans to self-builders vary from loans to industry builders with respect to any special or additional restrictions?

Response:	%
The requirements are the same for both groups	66.3%
We are more strict with self-builders and self-contractors	8.7
We are more strict with industry builders	7.5
Not applicable	17.5
	100.0%

APPENDIX V.10

CHANGE IN THE PROPORTION OF CONSTRUCTION LOANS OVER THE PAST FIVE YEARS ISSUED TO SELF-BUILDERS AND SELF-CONTRACTORS

Question: Has the proportion of your construction loans issued to self-builders and self-contractors increased or decreased over the past five years?

	Self-Builders						Self-Contractors				
Cross Tabulation	Not Applicable	Increase	Decrease	No Change	Don't Know	Total	Increase	Decrease	No Change	Don't Know	Total
Overall	8.8%	38.7%	17.5%	33.7%	1.3%	100.0%	41.2%	18.7%	37.5%	2.6%	100.0%
By Region											
B.C.	7.8%	46.1%	0.0%	46.1%	0.0%	100.0%	53.8%	0.0%	46.2%	0.0%	100.0%
Prairies	0.0	18.7	31.3	43.7	6.3	100.0	12.5	25.0	50.0	12.5	100.0
Ontario	11.8	52.9	23.5	11.8	0.0	100.0	58.8	23.6	17.6	0.0	100.0
Quebec	28.6	28.6	7.1	35.7	0.0	100.0	42.8	14.4	42.8	0.0	100.0
Maritimes	0.0	45.0	20.0	35.0	0.0	100.0	40.0	25.0	35.0	0.0	100.0
By Institution											
Bank	9.8%	46.3%	14.7%	26.8%	2.4%	100.0%	46.3%	17.2%	31.7%	4.8%	100.0%
Trust Company	11.1	27.8	27.8	33.3	0.0	100.0	33.3	27.8	38.9	0.0	100.0
Credit Union	4.7	33.3	14.3	47.7	0.0	100.0	38.1	14.3	47.6	0.0	100.0
By City Size											
0 - 49,999	0.0%	33.3%	22.3%	33.3%	11.1%	100.0%	33.3%	11.1%	44.5%	11.1%	100.0%
50,000 - 99,999	8.3	58.4	8.3	25.0	0.0	100.0	58.3	16.7	25.0	0.0	100.0
100,000 - 249,999	0.0	40.0	13.3	46.7	0.0	100.0	33.3	20.0	46.7	0.0	100.0
250,000 - 499,999	0.0	50.0	37.5	12.5	0.0	100.0	50.0	37.5	12.5	0.0	100.0
500,000 - 999,999	0.0	22.3	33.3	44.4	0.0	100.0	11.1	33.3	44.5	11.1	100.0
Over 1,000,000 inhabitants	22.3	33.3	11.1	33.3	0.0	100.0	48.1	11.1	40.8	0.0	100.0
By Office Type											
Rural Branch	2.5%	41.0%	15.5%	38.5%	2.5%	100.0%	41.0%	17.9%	38.5%	2.6%	100.0%
City Branch	14.3	35.7	14.3	35.7	0.0	100.0	35.7	14.3	50.0	0.0	100.0
Regional/Head Office	14.8	37.0	22.3	25.9	0.0	100.0	44.4	22.2	29.7	3.7	100.0

APPENDIX V.11

CHANGE IN THE PROPORTION OF CONSTRUCTION LOANS OVER THE NEXT FIVE YEARS ISSUED TO SELF-BUILDER AND SELF-CONTRACTORS

Question: Do you expect that the proportion of your construction loans issued to self-builders and self-contractors will increase or decrease over the next five years?

	Self-Builders						Self-Contractors				
Cross Tabulation	Not Applicable	Increase	Decrease	No Change	Don't Know	Total	Increase	Decrease	No Change	Don't Know	Total
Overall	8.8%	36.2%	17.5%	36.2%	1.3%	100.0%	36.2%	16.2%	45.0%	2.6%	100.0%
By Region											
B.C.	7.8%	46.1%	0.0%	46.1%	0.0%	100.0%	46.2%	0.0%	53.8%	0.0%	100.0%
Prairies	0.0	12.5	25.0	56.2	6.3	100.0	12.5	6.3	68.7	12.5	100.0
Ontario	11.8	52.9	11.8	23.5	0.0	100.0	52.9	17.7	29.4	0.0	100.0
Quebec	28.6	28.6	21.4	21.4	0.0	100.0	28.6	28.6	42.8	0.0	100.0
Maritimes	0.0	40.0	25.0	35.0	0.0	100.0	40.0	25.0	35.0	0.0	100.0
By Institution											
Bank	9.7%	41.5%	12.2%	34.2%	2.4%	100.0%	41.5%	9.8%	43.9%	4.8%	100.0%
Trust Company	11.1	22.2	22.2	44.5	0.0	100.0	22.2	27.8	50.0	0.0	100.0
Credit Union	4.8	38.1	23.8	33.3	0.0	100.0	38.2	19.0	42.8	0.0	100.0
By City Size											
0 - 49,999	0.0%	33.3%	22.3%	33.3%	11.1%	100.0%	33.3%	0.0%	55.6%	11.1%	100.0%
50,000 - 99,999	8.3	58.4	8.3	25.0	0.0	100.0	58.3	25.0	16.7	0.0	100.0
100,000 - 249,999	0.0	46.7	20.0	33.3	0.0	100.0	46.7	20.0	33.3	0.0	100.0
250,000 - 499,999	0.0	37.5	25.0	37.5	0.0	100.0	37.5	25.0	37.5	0.0	100.0
500,000 - 999,999	0.0	11.1	22.2	66.7	0.0	100.0	11.1	11.1	66.7	11.1	100.0
Over 1,000,000 inhabitants	22.2	29.7	14.8	33.3	0.0	100.0	29.7	14.8	55.5	0.0	100.0
By Office Type											
Rural Branch	2.5%	43.6%	17.9%	33.2%	2.5%	100.0%	43.7%	17.9%	35.9%	2.5%	100.0%
City Branch	14.3	28.6	7.1	50.0	0.0	100.0	28.6	7.1	64.3	0.0	100.0
Regional/Head Office	14.8	29.6	22.2	33.0	0.0	100.0	29.7	18.5	48.1	3.7	100.0

APPENDIX V.12

COMPARISON OF THE AVERAGE SELF-BUILDER/CONTRACTOR AND THE AVERAGE MORTGAGE APPLICANT WITH RESPECT TO ANNUAL INCOME

Question: How does the average self-builder/contractor differ from the average mortgage applicant with respect to annual income?

Cross Tabulation	Don't Know	Self-Builder Income Is Lower	Self-Builder Income Is The Same	Self-Builder Income Is Is Higher	Total
Overall	5.0%	27.5%	50.0%	17.5%	100.0%
By Region					
B.C.	0.0%	15.4%	69.2%	15.4%	100.0%
Prairies	12.5	6.3	43.8	37.5	100.0
Ontario	5.9	47.1	47.0	0.0	100.0
Quebec	7.1	28.6	28.6	35.7	100.0
Maritimes	0.0	35.0	60.0	5.0	100.0
By Type of Institution					
Bank	4.9%	31.7%	46.3%	17.1%	100.0%
Trust Company	5.5	27.8	50.0	16.7	100.0
Credit Union	4.8	19.0	57.2	19.0	100.0
By City Size					
0 - 49,999	1.1%	0.0%	33.3%	55.6%	100.0%
50,000 - 99,999	0.0	25.0	58.3	16.7	100.0
100,000 - 249,999	6.7	33.3	46.7	13.3	100.0
250,000 - 499,999	0.0	37.5	62.5	0.0	100.0
500,000 - 999,999	11.1	11.1	66.7	11.1	100.0
Over 1,000,000 inhabitants	3.7	3.7	44.4	14.8	100.0

APPENDIX V.13

COMPARISON OF THE AVERAGE SELF-BUILDER/CONTRACTOR AND AVERAGE MORTGAGE APPLICANT WITH RESPECT TO AVERAGE AGE

Question: How does the average self-builder/contractor differ from the average mortgage applicant with respect to average age?

Cross Tabulation	Don't Know	Self-Builder is Younger	Self-Builder is the Same Age	Self-Builder Is Older	Total
Overall	6.2%	41.3%	35.0%	17.5%	100.0%
By Region					
B.C.	7.6%	23.1%	38.5%	30.8%	100.0%
Prairies	12.5	25.0	37.5	25.0	100.0
Ontario	5.9	41.2	35.3	17.6	100.0
Quebec	7.1	28.6	50.0	14.3	100.0
Maritimes	0.0	75.0	20.0	5.0	100.0
By Type of Institution					
Bank	7.3%	36.6%	43.9%	12.2%	100.0%
Trust Company	5.5	50.0	27.8	16.7	100.0
Credit Union	4.8	42.8	23.8	28.6	100.0
By City Size					
0 - 49,999	11.1%	11.1%	33.3%	44.5%	100.0%
50,000 - 99,999	0.0	50.0	41.7	8.3	100.0
100,000 - 249,999	6.7	53.3	20.0	20.0	100.0
250,000 - 499,999	0.0	87.5	12.5	0.0	100.0
500,000 - 999,999	11.1	33.3	44.5	11.1	100.0
Over 1,000,000 inhabitants	7.4	29.7	44.4	18.5	100.0

APPENDIX V.14

COMPARISON OF THE AVERAGE SELF-BUILDER/CONTRACTOR AND AVERAGE MORTGAGE APPLICANT WITH RESPECT TO AVERAGE NET WORTH OF THE CLIENT

Question: How does the average self-builder/contractor differ from the average mortgage applicant with respect to average net worth?

Cross Tabulation	Don't Know	Net Worth Of Self-Builder Is Lower	Net Worth of Self-Builder Is The Same	Net Worth of Self-Builder Is Higher	Total
Overall	5.0%	33.7%	30.0%	31.3%	100.0%
By Region					
B.C.	0.0%	30.8%	38.5%	30.8%	100.0%
Prairies	12.5	6.3	31.2	50.0	100.0
Ontario	0.0	47.1	17.6	35.3	100.0
Quebec	7.1	28.6	35.7	28.6	100.0
Maritimes	5.0	50.0	30.0	15.0	100.0
By Type of Institution					
Bank	2.4%	31.7%	41.5%	24.4%	100.0%
Trust Company	5.6	50.0	16.6	27.8	100.0
Credit Union	4.8	28.6	19.0	47.6	100.0
By City Size					
0 - 49,999	11.2%	0.0%	44.4%	44.4%	100.0%
50,000 - 99,999	0.0	41.7	25.0	33.3	100.0
100,000 - 249,999	13.4	33.3	33.3	20.0	100.0
250,000 - 499,999	0.0	62.5	25.0	12.5	100.0
500,000 - 999,999	11.1	11.1	33.3	44.5	100.0
Over 1,000,000 inhabitants	0.0	40.8	25.9	33.3	100.0

APPENDIX V.15

COMPARISON OF SELF-BUILDER/CONTRACTOR AND AVERAGE MORTGAGE APPLICANT WITH RESPECT TO AVERAGE VALUE OF THE COMPLETED DWELLING

Question: How does the average self-builder/contractor differ from the average mortgage applicant with respect to average value of the completed dwelling?

Cross Tabulation	Don't Know	Value Of Self-Built Is Lower	Value Of Self-Built Is The Same	Value Of Self-Built Is Higher	Total
Overall	5.0%	17.4%	41.3%	36.3%	100.0%
By Region					
B.C.	0.0%	15.4%	46.2%	38.4%	100.0%
Prairies	12.5	6.3	12.5	68.7	100.0
Ontario	0.0	23.5	47.1	29.4	100.0
Quebec	14.2	28.6	28.6	28.6	100.0
Maritimes	0.0	15.0	65.0	20.0	100.0
By Type of Institution					
Bank	4.9%	24.4%	34.1%	36.6%	100.0%
Trust Company	5.6	11.1	61.1	22.2	100.0
Credit Union	4.8	9.5	38.1	47.6	100.0
By City Size					
0 - 49,999	11.1%	0.0%	22.2%	66.7%	100.0%
50,000 - 99,999	8.3	25.0	41.7	25.0	100.0
100,000 - 249,999	6.7	0.0	66.7	26.6	100.0
250,000 - 499,999	0.0	37.5	50.0	12.5	100.0
500,000 - 999,999	11.1	11.1	11.1	66.7	100.0
Over 1,000,000 inhabitants	0.0	25.9	40.8	33.3	100.0

APPENDIX V.16

COMPARISON OF THE AVERAGE SELF-BUILDER/CONTRACTOR AND THE AVERAGE MORTGAGE APPLICANT WITH RESPECT TO THE PROPORTION THAT ARE RURAL DWELLERS

Question: How does the average self-builder/contractor differ from the average mortgage applicant with respect to proportion that are rural dwellers?

Cross Tabulation	Don't Know	Self-Builders Have Lower Proportion	Self-Builders Have Same Proportion	Self-Builders Have Higher Proportion	Self-Builders Have Much Higher Proportion	Total
Overall	5.0%	3.8%	31.2%	57.5%	2.5%	100.0%
By Region						
B.C.	0.0%	0.0%	61.5%	30.8%	7.7%	100.0%
Prairies	12.5	12.5	50.0	25.0	0.0	100.0
Ontario	5.9	0.0	23.5	70.6	0.0	100.0
Quebec	7.1	7.1	7.1	78.7	0.0	100.0
Maritimes	0.0	0.0	20.0	75.0	5.0	100.0
By Type of Institution						
Bank	4.9%	4.9%	31.7%	58.5%	0.0%	100.0%
Trust Company	5.6	0.0	27.8	66.6	0.0	100.0
Credit Union	4.8	4.8	33.3	47.6	9.5	100.0
By City Size						
0 - 49,999	11.1%	22.2%	44.5%	11.1%	11.1%	100.0%
50,000 - 99,999	0.0	0.0	33.3	66.7	0.0	100.0
100,000 - 249,999	6.7	6.7	26.6	60.0	0.0	100.0
250,000 - 499,999	0.0	0.0	12.5	75.0	12.5	100.0
500,000 - 999,999	11.1	0.0	55.6	33.3	0.0	100.0
Over 1,000,000 inhabitants	3.7	0.0	25.8	70.4	0.0	100.0

APPENDIX V.17

COMPARISON OF THE AVERAGE SELF-BUILDER/CONTRACTOR AND THE AVERAGE MORTGAGE APPLICANT WITH RESPECT TO WHETHER THEY ARE SEASONALLY EMPLOYED

Question: How does the average self-builder/contractor differ from the average mortgage applicant with respect to proportion that are seasonally employed?

Cross Tabulation	Don't Know	Fewer Self-Builders Are Seasonally Employed	No Difference	More Self-Builders Are Seasonally Employed	Total
Overall	22.5%	0.0%	51.3%	26.2%	100.0%
By Region					
B.C.	7.7%	0.0%	76.9%	15.4%	100.0%
Prairies	31.3	0.0	50.0	18.7	100.0
Ontario	17.6	0.0	47.1	35.3	100.0
Quebec	50.0	0.0	35.7	14.3	100.0
Maritimes	10.0	0.0	50.0	40.0	100.0
By Type of Institution					
Bank	22.0%	0.0%	48.7%	29.3%	100.0%
Trust Company	22.2	0.0	44.5	33.3	100.0
Credit Union	23.8	0.0	61.9	14.3	100.0
By City Size					
0 - 49,999	22.2%	0.0%	55.6%	22.2%	100.0%
50,000 - 99,999	8.3	0.0	75.0	16.7	100.0
100,000 - 249,999	20.0	0.0	33.3	46.7	100.0
250,000 - 499,999	0.0	0.0	62.5	37.5	100.0
500,000 - 999,999	33.3	0.0	55.6	11.1	100.0
Over 1,000,000 inhabitants	33.3	0.0	44.4	22.2	100.0

APPENDIX V.18

COMPARISON OF THE AVERAGE SELF-BUILT/CONTRACTED HOME TO THE AVERAGE INDUSTRY BUILT HOME IN TERMS OF SIZE

Question: Do the characterstics of the average self-built/contracted home vary from the average industry built home in your area with respect to size?

Cross Tabulation	Self-Built Homes Smaller	Self-Built Homes Same Size	Self-Built Homes Larger	Don't Know	Total
Overall	21.2%	43.8%	26.2%	8.8%	100.0%
By Region					
B.C.	23.1%	53.8%	17.7%	15.4%	100.0%
Prairies	12.5	31.2	43.8	12.5	100.0
Ontario	23.5	47.1	23.5	5.9	100.0
Quebec	14.3	28.6	42.8	14.3	100.0
Maritimes	30.0	55.0	15.0	0.0	100.0
By Type of Institution					
Bank	26.8%	41.4%	22.0%	9.8%	100.0%
Trust Company	22.2	50.0	16.7	11.1	100.0
Credit Union	9.5	42.9	42.8	4.8	100.0
By City Size					
0 - 49,999	11.1%	44.5%	33.3%	11.1%	100.0%
50,000 - 99,999	16.7	50.0	25.0	8.3	100.0
100,000 - 249,999	20.0	40.0	33.3	6.7	100.0
250,000 - 499,999	37.5	62.5	0.0	0.0	100.0
500,000 - 999,999	11.1	33.3	11.1	44.5	100.0
Over 1,000,000 inhabitants	25.9	40.7	22.2	11.1	100.0

APPENDIX V.19

COMPARISON OF THE AVERAGE SELF-BUILT/CONTRACTOR HOME TO THE AVERAGE INDUSTRY BUILT HOME IN TERMS OF LOCATION

Question: Do the characterstics of the average self-built/contracted home vary from the average industry built home in your area with respect to location?

Cross Tabulation	Self-Built Homes More In Urban Areas	Self-Built Homes In Same Area	Self-Built Homes More In Non-Urban Areas	Don't Know	Total
Overall	2.5%	33.8%	56.2%	7.5%	100.0%
By Region					
B.C.	0.0%	61.5%	30.8%	7.7%	100.0%
Prairies	12.5	56.2	18.8	12.5	100.0
Ontario	0.0	23.5	70.6	5.9	100.0
Quebec	0.0	14.3	71.4	14.3	100.0
Maritimes	0.0	20.0	80.0	0.0	100.0
By Type of Institution					
Bank	2.5%	39.0%	51.2%	7.3%	100.0%
Trust Company	0.0	22.2	66.6	11.2	100.0
Credit Union	4.8	33.3	57.1	4.2	100.0
By City Size					
0 - 49,999	22.2%	55.6%	11.1%	11.1%	100.0%
50,000 - 99,999	0.0	33.3	58.4	8.3	100.0
100,000 - 249,999	0.0	33.3	60.0	6.7	100.0
250,000 - 499,999	0.0	12.5	87.5	0.0	100.0
500,000 - 999,999	0.0	55.6	33.3	11.1	100.0
Over 1,000,000 inhabitants	0.0	25.9	66.7	7.4	100.0

APPENDIX V.20

COMPARISON OF THE AVERAGE SELF-BUILT/CONTRACTED HOME TO THE AVERAGE INDUSTRY BUILT HOME IN TERMS OF TYPE OF DWELLING

Question: Do the characterstics of the average self-built/contracted home vary from the average industry built home in your area with respect to type of dwelling?

Cross Tabulation	Self-Built Homes Plainer	Self-Built Homes The Same	Self-Built Homes More Customized	Don't Know	Total
Overall	25.0%	30.0%	37.5%	7.5%	100.0%
By Region					
B.C.	23.1%	61.5%	7.7%	7.7%	100.0%
Prairies	12.5	18.8	56.2	12.5	100.0
Ontario	29.4	23.5	41.2	5.9	100.0
Quebec	21.4	14.3	50.0	14.3	100.0
Maritimes	35.0	35.0	30.0	0.0	100.0
By Type of Institution					
Bank	24.4%	34.1%	34.1%	7.4%	100.0%
Trust Company	27.8	27.8	33.3	11.1	100.0
Credit Union	23.8	23.8	47.6	4.8	100.0
By City Size					
0 - 49,999	22.2%	22.2%	44.5%	11.1%	100.0%
50,000 - 99,999	25.0	25.0	41.7	8.3	100.0
100,000 - 249,999	20.0	33.3	40.0	6.7	100.0
250,000 - 499,999	50.0	25.0	25.0	0.0	100.0
500,000 - 999,999	11.1	22.2	55.6	11.1	100.0
Over 1,000,000 inhabitants	25.9	37.0	29.7	7.4	100.0

APPENDIX V.21

COMPARISON OF THE AVERAGE SELF-BUILT/CONTRACTED HOME TO THE AVERAGE INDUSTRY BUILT HOME IN TERMS OF QUALITY OF CONSTRUCTION

Question: Do the characterstics of the average self-built/contracted home vary from the average industry built home in your area with respect to quality of construction?

Cross Tabulation	Self-Built Homes of Lower Quality	Self-Built Homes of Same Quality	Self-Built Homes of More Higher Quality	Don't Know	Total
Overall	15.0%	31.3%	42.5%	11.2%	100.0%
By Region					
B.C.	7.7%	61.5%	23.1%	7.7%	100.0%
Prairies	6.3	27.5	27.5	18.7	100.0
Ontario	11.8	29.4	52.9	5.9	100.0
Quebec	21.4	14.3	42.9	21.4	100.0
Maritimes	25.0	20.0	50.0	5.0	100.0
By Type of Institution					
Bank	14.6%	29.3%	43.9%	12.2%	100.0%
Trust Company	27.8	22.2	33.3	16.7	100.0
Credit Union	4.8	42.8	47.6	4.8	100.0
By City Size					
0 - 49,999	11.1%	33.3%	44.5%	11.1%	100.0%
50,000 - 99,999	8.3	33.4	50.0	8.3	100.0
100,000 - 249,999	20.0	6.7	60.0	13.3	100.0
250,000 - 499,999	25.0	37.5	37.5	0.0	100.0
500,000 - 999,999	0.0	44.5	33.3	22.2	100.0
Over 1,000,000 inhabitants	18.6	37.0	33.3	11.1	100.0

DON FERENCE
& ASSOCIATES LTD.

APPENDIX VI

BIBLIOGRAPHY

DON FERENCE
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