

JULY, 1957

REPORT

of the

COMMITTEE ON OPERATIONS

Central Mortgage and Housing Corporation

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SUMMARY

The estimate of housing starts up to the end of June is 40,540; a decline of about 33% from the corresponding period last year.

Starts in the month of June are preliminarily estimated at 12,938 units which is a decline of about 33% from the figures for the same month last year.

Housing completions for the period January - June 1957 at 46,530 units show a decline of approximately 20% as compared with the same period last year.

There continues to be a ready market for low and medium cost new houses. Used houses continue to sell readily in most centres although some offices report an easing in the market owing to over pricing, high down payment requirements and the shortage of mortgage money at reasonable rates of interest.

The majority of field offices continue to report an acute shortage of good quality low rental accommodation.

The combined index of materials and wages is now approximately 139.3 as compared with 135.9 a year ago; a rise of 2.57.

In the first quarter of this year immigration brought 3,674 new construction workers, almost all of them skilled, into this country. In April the number of unemployed construction workers was 120,858 and the number of unfilled vacancies was 3,804.

One half the field offices report a continuing shortage of serviced land and some centres report a substantial increase in the price of serviced lots, as compared with March 31, 1957.

In June, lending activity under the NHA continued at a low level with 4,738 units insured or approved; this was a reduction of 31% as compared with

June 1956. For the period January to June 1957, 15,862 units were insured or approved; a reduction of 42% as compared with the corresponding period last year.

The yield on the 20-year Theoretical Bond as at July 15th stood at 4.25%.

HOUSE BUILDING ACTIVITY

Preliminary figures for total starts for the period January - June at 40,540 show a decline of about 33 per cent from the corresponding period last year.

Starts in the month of June, preliminarily estimated at 12,938 units show a drop of about 33 per cent from June a year ago.

Completions for the period January - June 1957 at 46,530 show a decline of approximately 20 per cent, as compared with the same period last year.

Preliminary figures of starts and completions in Metropolitan Areas are tabulated below:-

AREA	UNITS STARTED				UNITS COMPLETED	
	January to June		June		January to June	
	1956	1957	1956	1957	1956	1957
Calgary	2,228	1,146	500	328	1,661	1,334
Edmonton	911	753	484	336	1,754	1,585
Halifax	611	323	165	106	556	498
Hamilton	1,468	1,135	453	333	1,632	1,257
London	770	460	148	102	752	613
Montreal	9,642	7,907	2,244	2,585	10,821	7,790
Ottawa	2,216	1,375	763	395	1,823	1,755
Quebec	1,241	504	325	81	1,519	660
Saint John	102	129	31	35	33	74
St. John's	238	83	99	26	282	128
Toronto	7,172	5,684	1,641	1,768	8,721	7,179
Vancouver	4,176	3,078	903	760	3,550	3,619
Victoria	754	527	173	161	692	389
Windsor	742	619	182	204	662	571
Winnipeg	1,553	635	643	205	1,783	1,199

During the month of June, only Montreal, Saint John, Toronto and Windsor report starts in excess of the same month last year.

THE HOUSING OUTLOOK 1957

The Federal Government's June review of private and capital investment sees a more moderate fall in housing outlays now, than was estimated at the start of the year. The decline is now expected to be 14% from a year ago, as compared to the original forecast of a 17% decline.

It is estimated, on the basis of present conditions continuing, that 97,000 new housing units will be started this year and 112,000 units completed.

FAMILY FORMATION

Owing to increased immigration and a slight increase in the marriage rate, net family formations in the first quarter of this year were 11,700 as compared to 5,600 in the corresponding period last year.

However, it is anticipated that only a fractional proportion of these will immediately be in a position to become home-owners.

HOUSE SALES AND RENTAL HOUSING

NEW HOUSE SALES

The majority of field offices report a ready market for low and medium cost new houses with the 1956 stock of completed and unoccupied houses in these categories rapidly diminishing.

However, Ajax, Etobicoke, London, North Bay, North York, Ottawa, Quebec and Vancouver all report a slow market for higher priced houses owing to the high equity requirements necessary to finance sales. In Winnipeg one builder is offering houses at \$1,000 less than his normal selling price which has resulted in a few sales.

It is evident that in many centres there is a shortage of reasonably priced new houses which will become more apparent if the shortage of mortgage funds continues and lenders persist in allocating builders loans on a very

limited basis.

In Edmonton, Lethbridge, North York and Sarnia a few builders are accepting "trade-ins" of existing houses on new house sales. However, even in these centres this method of raising the necessary down payment is not being used extensively.

In June, the number of single family and duplex dwellings completed and unoccupied in Canada for one month or more was 2,487 units as compared to 1,155 units for the corresponding month last year.

The number of single family and duplex dwelling units completed and unoccupied for one month or more, in Metropolitan Areas is tabulated below:-

AREA	Completed & Unoccupied for One Month or More		
	JUNE	MAY	APRIL
Calgary	18	26	22
Edmonton	21	28	34
Halifax	25	21	26
Hamilton	86	72	79
London	68	73	67
Montreal	402	468	460
Ottawa	13	12	12
Quebec	41	41	44
Saint John	4	4	4
St. John's	9	5	6
Toronto	1,007	1,065	1,255
Vancouver	218	227	256
Victoria	21	25	25
Windsor	11	14	14
Winnipeg	382	420	478
Total	2,326	2,501	2,782

USED HOUSE SALES

Used houses continue to sell readily in most centres although some offices report an easing in the market owing to overpricing, high down payment requirements and the shortage of mortgage money at reasonable rates of interest.

Belleville, Guelph, Kingston, London, Quebec, St. Laurent, Sherbrooke and Victoria all report a slow market. Brantford reports a seasonal decline in co-op sales. In Montreal too, real estate sales have declined 4% in comparison with last year. However, in Hamilton sales of real estate by the co-operative board amounted to \$5 million which were the highest sales, in any one month recorded there.

Elsewhere a ready market for used houses is reported.

Typical new house prices together with the prices of comparable ten year old houses, in the various centres are tabulated below:-

Area	1½ STOREY		BUNGALOW	
	Typical New House Price	Price of Comparable 10 year old house	Typical New House Price	Price of Comparable 10 year old house
Ajax	11,500	11,000	12,200	11,250
Belleville	13,500	12,500	12,850	11,500
Brandon	13,500	11,000	13,000	10,000
Brantford	11,500	10,500	12,500	11,000
Calgary	-----	-----	14,000	14,000
Chicoutimi	10,500	9,000	11,500	10,000
Chilliwack	12,500	9,500	12,500	10,500
Corner Brook	14,000	13,500	14,500	14,000
Dorval	-----	13,500	13,500	14,500
Edmonton	14,000	12,000	14,650	12,500
Etobicoke	-----	-----	15,000	13,000
Fredericton	14,000	14,500	14,000	15,000
Fort William	13,500	13,000	14,300	13,500
Guelph	10,500	9,500	11,000	10,000
Halifax	14,500	14,500	15,500	15,500
Hamilton	12,500	12,500	13,000	12,800
Kelowna	14,000	11,000	14,500	11,500
Kingston	12,000	11,800	12,500	12,000
Kitchener	14,000	12,000	9,100	8,500
Lethbridge	-----	-----	12,600	12,000
London	11,100	10,500	13,800	12,000
Moncton	10,500	8,500	12,000	10,000
Montreal	14,500	14,500	14,000	13,000
Moose Jaw	-----	-----	12,500	10,500
New Glasgow	12,000	8,000	12,000	10,000
Niagara Falls	11,500	10,600	13,200	12,700
North Bay	13,500	12,500	17,500	16,000
North Vancouver	-----	-----	12,500	11,000
North York	15,500	14,500	18,500	15,500
New Westminster	-----	-----	15,500	13,500

Area	1½ STOREY		BUNGALOW	
	Typical New House Price	Price of Comparable 10 year old house	Typical New House Price	Price of Comparable 10 year old house
Orillia	----	----	13,000	11,600
Ottawa	14,000	12,500	15,200	13,500
Peterborough	----	----	11,000	10,000
Quebec	13,500	12,500	14,000	13,000
Red Deer	14,500	12,000	13,500	11,000
Regina	13,000	12,000	13,200	12,500
Rimouski	11,000	9,500	13,000	11,500
Saint John	13,000	13,500	14,000	14,500
Sarnia	11,800	10,500	13,000	12,100
Saskatoon	----	----	12,500	11,750
Sault Ste. Marie	13,000	12,000	13,500	11,750
Scarborough	14,000	12,500	15,500	14,000
Sherbrooke	12,000	10,500	13,000	----
St. Catharines	11,000	10,000	12,000	10,750
St. John's	15,000	12,500	16,000	13,500
St. Laurent	----	12,500	15,000	7,500
St. Michel	12,000	7,500	12,750	7,000
Sudbury	13,800	13,000	14,900	14,000
Three Rivers	10,300	9,300	11,300	10,300
Trail	----	----	13,000	12,000
Val D'Or	12,000	10,500	13,000	11,500
Vancouver	18,000	14,000	17,000	13,000
Victoria	13,500	12,000	13,000	11,800
Windsor	12,000	12,500	11,500	12,000
Winnipeg	12,000	11,250	14,000	12,000

In many centres, functional obsolescence and depreciation to the ten year old houses has been largely offset by site improvement, street paving and neighbourhood development, which has resulted in only slight variations between the price of new houses and those that are ten years old.

SECONDARY FINANCING

Field reports continue to indicate that secondary financing, usually at high rates of interest, is being offered in many centres particularly on non-NHA houses where substantial down payments are required.

Brantford, New Westminster and St. Laurent all report that secondary financing is being used on non-NHA sales although seldom used on NHA sales.

Kelowna and North Vancouver both report an upward trend in secondary financing.

In Sudbury secondary financing is used extensively with average discounts of 30%. Two builders there are taking second mortgages at the current NHA rate with no discount. London reports that second mortgages are being used in the majority of sales and that some builders and supply houses are using this source of financing.

Fort William reports that secondary financing is being used extensively in Atikokan where down payments on NHA houses are authorized at 5% because of employer assistance. In Victoria second mortgages and agreements for sale are quite common and are often at a high discount rate. In Etobicoke 20% of builders sales are secondarily financed whilst in Chilliwack 50% of new house sales are so financed.

Gander, Moose Jaw and Windsor all report that 10 to 20% of new house sales are secondarily financed.

CONVENTIONAL INTEREST RATES

The majority of field offices report that the interest rate on conventional mortgages in urban areas is 7%. However in a few urban centres $6\frac{1}{2}\%$ is being charged whilst in Sault Ste. Marie, Val D'Or and Kitimat the standard rate is 8%. In rural areas the standard rate would appear to be $7\frac{1}{2}\%$ although in Sault Ste. Marie 10% interest is being charged.

RENTAL HOUSING

The majority of field reports indicate an acute shortage of good quality low rental accommodation, resulting from the lack of post war building of apartments of this type, owing to some extent to high building costs. It is evident that the higher down payments required on new houses, together with the prevailing shortage of mortgage funds resulting in the cut back in new house

building, has strengthened the demand for rental accommodation.

In St. Catharines there is a shortage of good quality low rental apartments although the rental market there is generally "soft" particularly in the rental range of \$75 to \$100 per month. In Kingston there is a surplus of basement apartments and in Ottawa there appears to be a surplus of bachelor type units and higher priced units which are not centrally located are slow in renting.

Elsewhere there is generally a good demand for rental accommodation. In Hamilton 1600 applications were received for the 442 Federal-Provincial units. Construction on approximately 100 rental units was started there during June. New Westminster also reports that a considerable number of new rental units are under construction.

For Canada as a whole preliminary figures indicate that in June undertakings to insure were issued and approval given under the National Housing Act in respect of 723 new rental units compared to 499 in the same month last year.

In June, eight loans were approved in respect of 461 new limited dividend housing units as compared to three loans for 74 dividend housing units in June last year.

At July 1st, in rental guarantee projects with a vacancy rate in excess of 10%, there were 74 vacancies out of a total of 370 units in nine projects compared with June 1st figures of 115 vacancies out of a total of 894 units in twelve projects. Vacancies in both the Deguire Avenue Project, Montreal and the Spruce Cliff Project, Calgary now form less than 10% of the total number of units. A further four vacancies were filled in the St. Catharines Project.

MATERIALS AND LABOUR SUPPLY COSTS AND RESIDENTIAL LAND

MATERIALS

In March the composite cost index of residential building materials was 128.9 as compared to 127.9 in the corresponding month last year.

The combined index of materials and wages is now approximately 139.3 as compared with 135.9 a year ago; a rise of 2.5%.

Field reports indicate that material prices were generally steady during the second quarter, with only slight fluctuations taking place. Some centres, however, report a 5% increase in plumbing and heating materials, with small increases in the price of ready mix concrete and plywood.

LABOUR

Canada's labour force has been climbing fast and it is evident that the construction industry has gained more than a proportionate share of new workers. In the first three months of this year immigration brought 3,674 construction workers, almost all of them skilled, into this country.

While persons employed in building, in March, numbered 10,000 more than at the same time the year before, there were 169,000 construction workers unemployed then and 1,965 unfilled vacancies. By April the number of unemployed applicants moderated to 120,858 and the unfilled vacancies rose to 3,804.

Field reports for June indicate that there was no shortage of labour except in Sudbury and Sault Ste. Marie where a shortage of skilled labour, particularly in bricklayers and carpenters persists. However, St. Laurent and Sarnia were the only centres reporting unemployment mostly in unskilled labour.

Many offices report hourly increases of from 5 - 15 cents an hour in the construction trades.

RESIDENTIAL LAND

Approximately one-half of the field offices continue to report a shortage of serviced land. Of the larger centres only Calgary, Etobicoke, North York, Saskatoon and Scarborough report no shortage of serviced land.

Substantial increases in the price of serviced lots during the second quarter of this year were reported by Windsor (+\$400), Red Deer (+\$300) and St. Laurent (St. Rose +\$500).

Fort William, Hamilton, Kelowna, Kingston, New Glasgow, North Vancouver, Ottawa, Sarnia, Sault Ste. Marie, Saint John, St. Catharines and Vancouver all report slight increases of \$200 or less in the price of serviced lots.

LENDING

NHA LENDING

Preliminary figures for June indicate that lending activity continued at a low level with 4738 units insured or approved compared to 6873 units in June a year ago, a reduction of approximately 31%.

For the period January to June 1957, 15,862 units were insured or approved as compared to 27,345 in the corresponding period last year; a reduction of 42%.

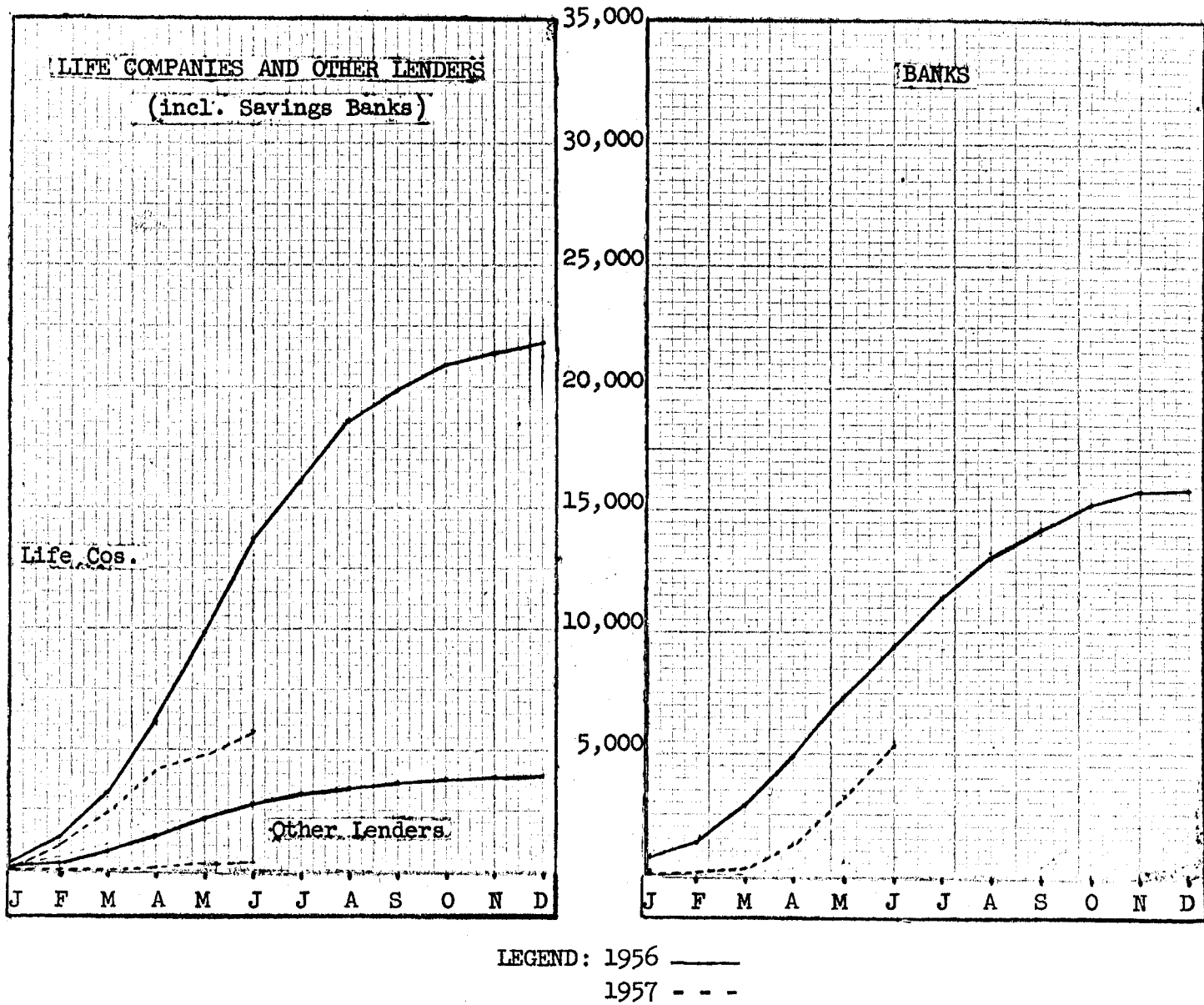
Details by loan classification are shown in the following table:-

ITEM	GROSS UNITS INSURED OR APPROVED			
	January - June		June	
	1956	1957*	1956	1957*
Insured Loans	26,039	12,229	6,600	3,259
Corporation Loans:				
Limited Dividend	878	1,261	74	461
Primary Industry	3	468	-	228
Residential:				
Rental Guarantee	-	-	-	-
Defence Worker	1	123	1	-
Co-operative	175	123	86	30
V.L.A.	207	146	79	47
Other	42	1,512	33	713
Sub-Total	1,306	3,633	273	1,479
TOTAL	27,345	15,862	6,873	4,738

* Preliminary figures only.

The accumulative performance of lenders excluding CMHC for 1956 and 1957 is shown on the accompanying graph.

GROSS UNITS BY TYPE OF LENDER, 1956 AND 1957 ON CUMULATIVE BASIS



The majority of field reports indicate that the Royal Bank has now re-entered the mortgage lending field, although on a very restrictive basis. At present they are allocating five loans to each builder on the understanding that once these have been sold, additional loans will be forthcoming. Indications are that in many centres the Imperial Bank has withdrawn from the NHA lending business and that in a number of smaller urban centres, both Mutual Life and Sun Life have already exhausted their 1957 mortgage quotas. In the majority of Prairie towns the Bank of Montreal has also ceased to operate in the mortgage lending field.

Reports indicate that the majority of lenders are maintaining their selective policies both as regards size of house and suitability of applicant. In London and Victoria the lenders are becoming increasingly selective as to the areas in which they operate, although Quebec reports that in comparison with last year, NHA loans are no longer being concentrated in St. Foye nor Quebec but are being made in the smaller metropolitan municipalities, where the cost of land has not become inflated. However, some offices, particularly Dorval and Sarnia, report some easing in the restrictive policy of the lenders.

In Sault Ste. Marie, NHA lending is almost at a standstill with only the Bank of Montreal, the Bank of Commerce and Royal Bank active on a very limited basis, whilst in Gander no approved lenders are operating.

In Scarborough lenders commitments have increased over the past month, whilst in North Bay the Royal Bank, Imperial Bank and Bank of Commerce have started to lend on a restrictive basis.

DIRECT LENDING

Approximately one-third of the field reports continue to indicate an increase in direct loan activity. However, with the re-entry of the Royal Bank into the mortgage lending field, several offices report a decline in direct lending. Indications are that the Corporation is becoming a marginal lender, in

areas acceptable under our present policy, for the smaller and two-bedroomed houses on which the majority of approved lenders are still reluctant to advance NHA financing.

It is evident that in many centres, builders are having considerable success in promoting home-owner applications for direct loans. Niagara Falls reports that successful promotion by builders of home-owner applications has resulted in a 25% increase in lending as compared with the same period last year. In Saskatoon builders' promotion of home-owner applications has resulted in sufficient volume to sustain last year's building rate.

BUILDERS' FINANCIAL DIFFICULTIES

Field reports indicate a low level of builders experiencing financial difficulties. Only in Chicoutimi, Kitchener and St. John's have further instances of builders in financial difficulties become apparent. In St. John's two builders have recently been declared bankrupt with several units uncompleted whilst in Chicoutimi one builder is in financial difficulties. In Kitchener, one large custom builder is reported to be in difficulty and two other builders there have transferred their operations to Elliott Lake.

CHARACTERISTICS OF NHA LOANS FOR HOME-OWNERSHIP

An analysis of 3,546 loans approved in May showed the average loan to lending value ratio was 81.4%. Excluding adjustments of less than \$50, 21% of these loans, were for amounts less than the maximum obtainable. Of these 3,546 loans, the proportion limited by regulations was 10.3%, in comparison with 16.8% in April.

Loans on houses of less than 1,000 square feet represented 10.9% of the cases, as compared to 11.5% in April. The May analysis showed that 0.9% of the loans had amortization periods of 20 years or less, 99% were for 25 years and 0.1% for 30 years.

The ratio of cases where progress allowances were insured by the Corporation, to cases where approved lenders were self-insurers, was 67:33.

The following gross debt characteristics were shown by an analysis of a number of loans approved in the month under review:

	<u>May 1957</u>	<u>May 1956</u>
Less than 15%	12.3%	12.5%
15.1% - 18.0%	17.2%	27.3%
18.1% - 20.0%	17.4%	8.5%
20.1% - 22.9%	40.3%	39.9%
23%	2.9%	2.5%
23.1% and over	9.9%	9.3%

It is evident that the upward trend in construction costs and serviced land together with higher interest rates over the past two years has resulted in the gradual elimination of the lower-income NHA borrower.

The following is an income analysis of NHA borrowers for the first quarter of 1957 with comparable data for the two previous years:-

	<u>1957 Jan-Mar %</u>	<u>1956 Jan-Dec %</u>	<u>1955 Jan-Dec %</u>
Up to \$2,000	0.3	0.4	1.0
\$3000 - \$3999	8.5	15.4	22.5
\$4000 - \$4999	33.3	35.2	36.4
\$5000 - \$5999	26.6	24.0	20.3
\$6000 - \$6999	14.8	11.8	9.6
\$7000 - \$7999	6.8	6.0	4.3
\$8000 - \$8999	3.6	2.9	2.2
\$9000 - \$9999	2.0	1.3	1.1
\$10,000 and up	4.1	3.0	2.6

CONVENTIONAL LENDING

In April, the latest month for which data is available, the lending institutions approved conventional mortgage loans for 9.0% fewer new dwellings than in the corresponding month of 1956. For the period January to April the decline in conventional lending amounted to 8%.

OPERATIONS OF THE CHARTERED BANKS

Total mortgage assets of the Chartered Banks at the end of June amounted to \$503 million which is a slight decrease from the previous month.

Undisbursed commitments of the Chartered Banks at the end of May were estimated at \$78.2 million, an increase of \$21.4 million from the previous month. This was the third consecutive month that any increase has been shown in this estimate.

HOME IMPROVEMENT LOANS

During the period June 17th, 1957 to July 15th, 1957, 2,751 home improvement loans were made bringing the total number made to July 15th, 1957 to 68,749. The dollar amount involved by the lender based on fees received is shown in the following table.

STATEMENT OF HOME IMPROVEMENT LOANS

	<u>Loans Made</u> <u>January 1st to</u> <u>July 15, 1957</u>	<u>Loans Made</u> <u>January 1st to</u> <u>July 15, 1956</u>	<u>Total Loans</u> <u>made to</u> <u>July 15, 1957</u>
Bank of Montreal	\$ 3,191,219	\$ 3,254,745	\$15,699,088
Bank of Nova Scotia	279,018	1,078,370	4,101,386
Canadian National Bank	232,752	286,460	1,368,457
Provincial Bank	26,089	115,371	773,846
Canadian Bank of Commerce	4,187,951	3,714,018	19,173,890
Imperial Bank of Canada	910,396	1,588,126	6,336,540
Royal Bank of Canada	4,383,403	3,578,536	18,708,389
Toronto-Dominion Bank	<u>1,037,226</u>	<u>854,954</u>	<u>4,233,804</u>
	<u>\$14,248,054</u>	<u>\$14,470,580</u>	<u>\$70,395,400</u>

SALE OF INSURED MORTGAGES

During the period April 1954 to June 1957, approved lenders sold 9701 insured mortgage loans amounting to approximately \$96.4 million of which 985 loans totalling \$9.9 million were sold in June.

INTEREST RATE AND BOND YIELDS

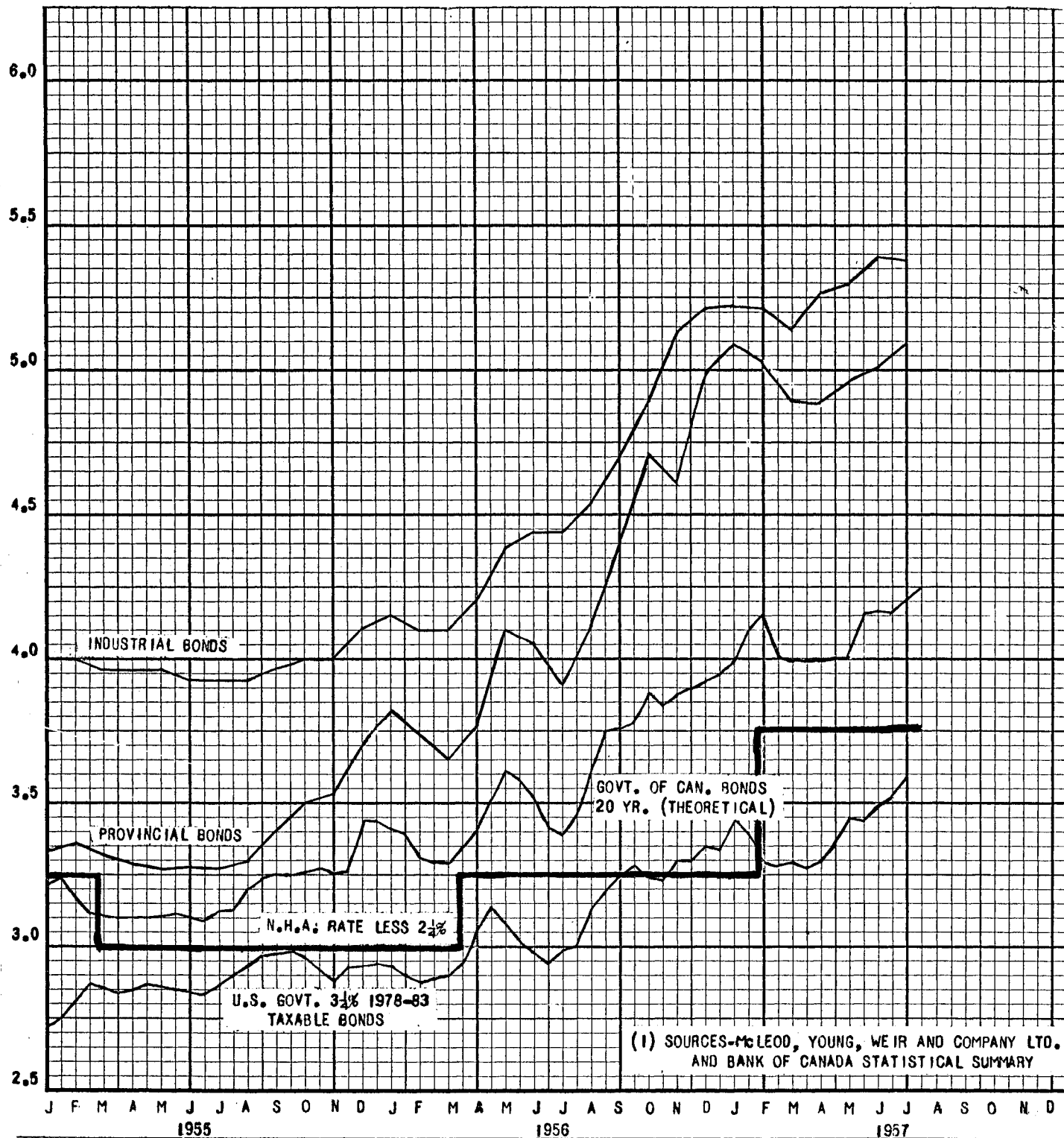
Bond yields in Canada generally rose during June continuing the trend of the three previous months.

The yield on the Government of Canada 20-year theoretical bond was 4.17% at the end of May and 4.20% at the end of June; on July 15th the yield stood at 4.25%.

The trend of yield on this and certain other securities since January 1954 is shown on the accompanying graph.

PER
CENT

COMPARATIVE CHART OF N.H.A. MORTGAGE INTEREST RATE AND BOND YIELDS. (1)



PUBLIC HOUSING

SECTION 36

Approval has been received from the Minister of Public Works to investigate a proposed development of approximately 80 units of row housing in the City of Hamilton, a 20 unit project in Gananoque, and a project of 26 full recovery rental housing units on land owned by the Partnership in Brockville.

The Minister has given his final approval to the development of 140 acres of land in Sudbury, and a project of 50 rental units in Weyburn, Saskatchewan. The land in Sudbury will produce approximately 300 land assembly lots.

The municipalities of Listowel, London, Pembroke and Stratford have expressed interest in rental housing projects and municipal officials in Brockville and Port Colborne have held meetings in connection with proposed land assembly projects.

PART V

The Report of the Urban Renewal Study for the City of Saint John, N.B., has been printed. This study, intended to identify the blighted areas of the City and to consider the best treatment, was carried out by the City and directed by Mr. Georges Potvin of the University of Toronto.

It is expected the report of the Halifax study will be available some time in August.

The City of Sarnia has requested a Part V grant in the amount of \$3,500 for a similar study, and Executive Committee approval will be sought once one or two outstanding questions have been answered.

A meeting was held in Quebec City on July 4th between city officials and Corporation representatives concerning a proposed redevelopment study in that City.

SECTION 23

MONTREAL REDEVELOPMENT PROJECT

The work of appraising the properties in the area is progressing rapidly, and the procedures for the staging of demolition and reconstruction are under discussion. The social and physical survey of the area is nearly completed and the numbers of eligible and non-eligible families have been determined. Rents for properties in the area are being collected by the City, and all tenants of rooming houses have been given notice to quit on or before August 1st, 1957. Legal opinion has been obtained that the City has taken the necessary steps giving it title to the properties in the area. The matter of a Community Centre, which Mr. McConnell of the Montreal Star has offered to provide, is being studied by the City.

On June 27-28 the members of the Municipal Sanitary Housing Bureau and the City Planning Department visited the Regent Park South project in Toronto.

On July 18th Mr. Lucien Croteau, Chairman of the Montreal Sanitary Housing Bureau, made the first public statement on the plan of redevelopment, details of which were explained to the Press by Mr. Campeau, City Planning Director.

OTHER ASPECTS OF CORPORATION ADMINISTRATION

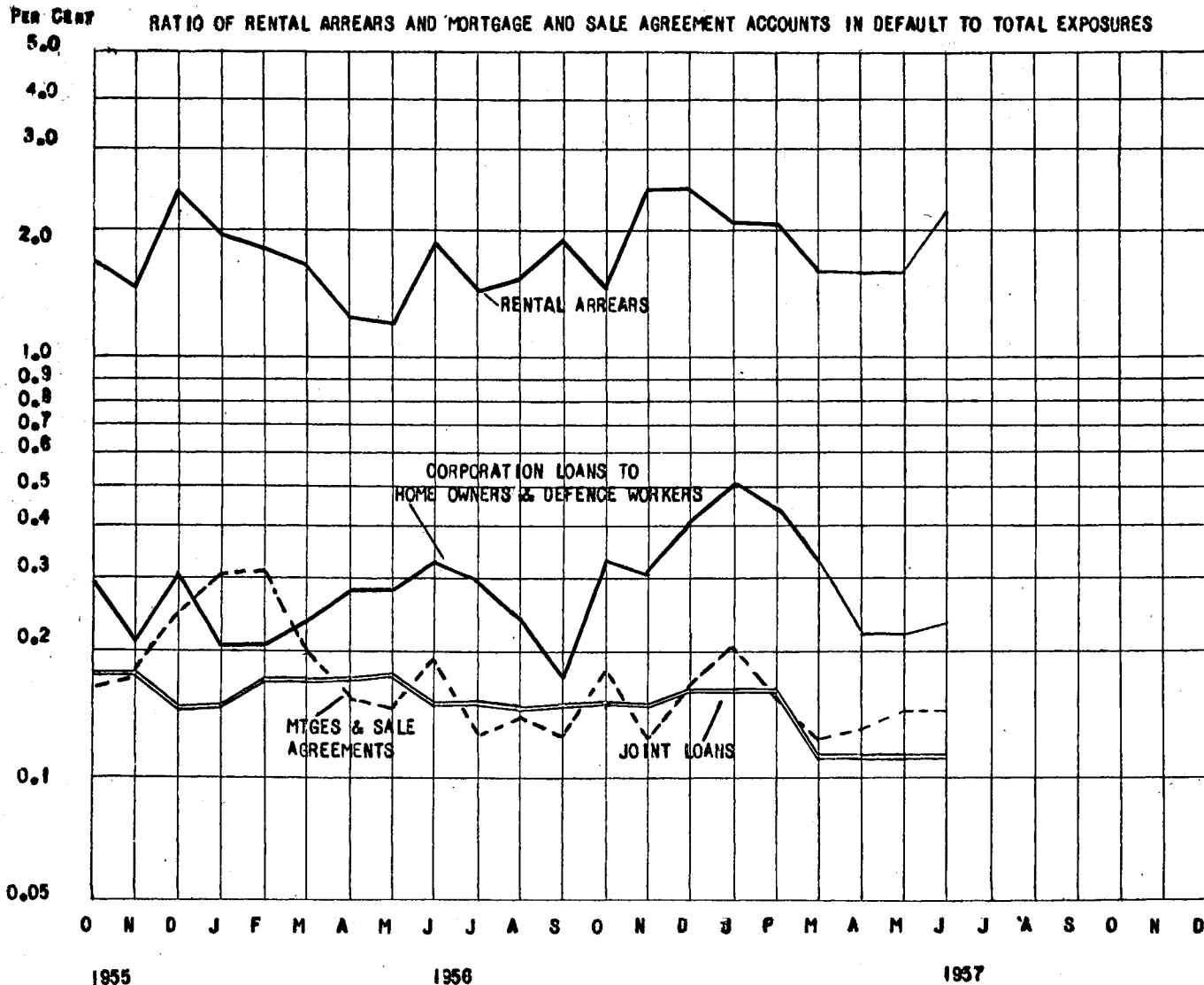
MORTGAGE, SALE AGREEMENT AND RENTAL ARREARS

During the month of June the ratio of mortgage and sale agreement accounts in default to the equivalent of three or more monthly instalments to total exposures was .16%, the same as in the previous month.

In June, total rental arrears were \$9,824 as compared to \$8,452 in the previous month. Rental arrears increased in Quebec, Ontario and the Prairie Provinces.

The ratio of rental accounts in default to total exposures was 2.2%, as compared to 1.7% in the previous month.

The accompanying graph shows the ratio of rental arrears and mortgage sale agreement accounts in default to total exposures.



RENTAL GUARANTEE FUND

The Rental Guarantee Fund as at June 30, 1957 amounted to \$1,796,415. Claims paid to June 30, 1957 totalled \$579,965. There were no claims paid during June.

For the period July 1st, 1957 to January 31st, 1958 the Fund should

increase by approximately \$262,011 from premiums received and interest earned on the investment of premiums. Possible rental guarantee claims during the same period are estimated at \$35,769.

MORTGAGE INSURANCE FUND

At June 30th, 1957, assets of the Mortgage Insurance Fund amounted to \$25,516,565 in relation to contingent liabilities estimated at \$1,243,939,039.

The latter figure is subject to a downward adjustment for claims paid and undetermined repayments of principal during the period January 1st, 1957 to June 30th, 1957.

Claims totalling \$30,280 have been paid from the Fund to June 30th, 1957 and the three properties involved sold at a potential profit of \$4,920 and the three mortgages taken back as part of the purchase prices are included in the assets of the Fund quoted above. No further claims were paid in June.

HOME IMPROVEMENT LOAN INSURANCE FUND

The total Home Improvement Loan Fund as at June 30th, 1957 amounted to \$688,536. Thirty-seven claims totalling \$29,418 have been paid out of the Fund as at June 30th, 1957, of which six claims totalling \$4,746 were paid out in June.

SUGGESTED CHANGES IN THE ACT, POLICY & REGULATIONS

Two managers suggest that Corporation Loan procedures should be decentralized to the field offices. This proposal is at present being examined by Price Waterhouse and no action will be taken pending their recommendations.

One manager suggests that consideration be given to making direct loans available for rental units whilst another manager proposes that the same financial terms should be made available for rental units as exist for home owners.

Another manager suggests that consideration should be given to making a higher ratio loan available under the NHA. He proposes that 90% loans should be made available and that our present gross debt service ratio requirement should be reviewed.

Another suggestion received during the month was that our direct loan funds should be used to promote builders loans in Metropolitan Areas provided the maximum end sales price technique was adopted.

All suggestions received during the month have been referred to the Divisions or Departments concerned for any necessary action.

U.S. HOUSING

As reported last month FHA cut its lending requirements to 3% down payment on the first \$10,000 appraised value, 15% of the next \$6,000 and 30% of the balance with a maximum mortgage of \$20,000. However, before FHA can put the new schedule into effect it must find that the move is 'in the public interest' considering the state of the economy and the building industry and availability of V.A. loans.

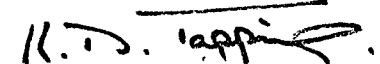
The proposed FHA down payments compared with existing down payments and their Canadian counterparts are tabulated below:-

Appraised Value	Present FHA downpayment		Proposed FHA downpayment		Present NHA downpayment	
	amt.	%	amt.	%	amt.	%
\$ 8,000	400	5.0	240	3.0	800	10.0
10,000	700	7.0	300	3.0	1400	14.0
12,000	1200	10.0	600	5.0	2000	16.6
16,000	2200	13.8	1200	7.5	3200	20.0
20,000	3200	16.0	2400	12.0	7200	36.0

Other measures taken by FHA include the setting up of a 15 member committee to examine present gross debt service ratio requirements and the issuance of a directive to its offices to appraise more realistically, particularly higher priced houses.

Respectfully Submitted,


Chairman,



Clerk of the Committee.

LIST OF TABLES

<u>Table No.</u>	<u>Name</u>	<u>Page No.</u>
1	N.H.A. Units for Which Undertakings-to-Insure Were Received at Head Office to July 11, 1957, with Comparative Data for 1956.	(i)
2	Sale of Insured Mortgages by Approved Lenders, April 1954 - June 1957.	(ii)
3	Comparative Analysis of Rental Arrears and Rental Accounts in Default.	(iii)
4	Sale Agreements and Mortgage Accounts in Default to the Equivalent of Three or More Monthly Instalments.	(iv)

Table 1.
N.H.A. Units for which Undertakings-to-Insure were Received at Head Office
July 11, 1957, with Comparative Data for 1956.

Approved Lenders	Number of Dwelling Units			Total Cdn. Mortgages as Percentage of Total Cdn. Assets, as at Dec. 31, 1956			
	July 5, 1957 to July 11, 1957	Jan. 1, 1957 to July 11, 1957	Jan. 1, 1956 to July 12, 1956				
<u>Life Insurance Companies</u>							
Canada Life	5	376	824	47.89			
Confederation Life	5	114	627	31.53			
Crown Life	-	-	3	57.14			
Dominion Life	1	105	341	52.81			
Equitable Life	4	97	153	68.34			
Imperial Life	-	34	676	38.93			
Industrial Life	-	-	155	46.63			
Laurentian Life	-	3	8	28.09			
London Life	76	2,321	3,313	61.55			
Life Ins. Co. of Alberta	-	4	5	8.40			
Manufacturers' Life	-	2	668	39.21			
Mutual Life	58	1,767	2,142	43.38			
New York Life	-	1	90	36.92			
North American Life	-	-	54	43.79			
Northern Life	-	-	61	50.32			
Prudential Assurance Co.	-	9	99	18.49			
Prudential Insurance Co.	33	722	2,405	92.42			
Sovereign Life	-	-	3	30.92			
Standard Life	-	31	191	22.67			
Sun Life	13	794	1,689	31.43			
Sub-Total	195	6,380	13,507	46.15			
<u>Loan Companies</u>							
Gillespie Mortgage Corp.	-	-	32	93.22			
Investors' Syndicate	17	146	870	73.50			
Sub-Total	17	146	902	73.59			
<u>Trust Companies</u>							
Equitable Trust	-	2	-	-			
Guaranty Trust	-	1	430	42.70			
Montreal Trust	19	126	847	19.83			
National Trust	-	1	71	25.74			
Prudential Trust	-	-	3	-			
Royal Trust	-	11	194	7.52			
Toronto General Trust	-	2	32	31.88			
Waterloo Trust & Savings Co.	2	14	99	44.27			
Sub-Total	21	157	1,676	25.62			
<u>Fraternal Society</u>							
L'Union St. Joseph	-	1	28	43.84			
Sub-Total	-	1	28	43.84			
<u>Savings Banks</u>							
Montreal City & District	-	59	116	11.44			
Sub-Total	-	59	116	11.44			
				N.H.A. Loans to Savings Deposits as at May 31, 1957		N.H.A. Loans to Total Cdn. Deposits as at May 31, 1957	
				%		%	
<u>Chartered Banks</u>							
Bank of Montreal	151	1,869	3,262	8.3	6.1	4.8	
Bank of Nova Scotia	21	367	179	3.7	3.1	2.2	
Canadian National Bank	16	166	150	3.1	2.4	2.1	
Canadian Provincial Bank	6	23	3	1.3	1.3	0.9	
Bank of Commerce	203	1,650	641	7.3	7.3	4.1	
Imperial Bank	38	531	612	7.7	5.7	4.0	
Royal Bank	178	868	4,267	14.1	11.0	8.0	
Toronto-Dominion Bank	64	601	730	6.0	4.0	3.6	
Sub-Total	677	6,075	9,844	8.3	6.5	4.8	
<u>Other</u>							
Corporation Loans	158	1,729	309				
Total	1,068	14,547	26,382				

Table 2.
SALE OF INSURED MORTGAGES BY APPROVED LENDERS
APRIL 1954 - JUNE 1957

Lender	<u>To a Corporate Pension Fund</u>		<u>To Another Approved Lender</u>		<u>To Another Corporate Body</u>		<u>To Individuals As Trustees</u>		<u>Total</u>	
	No.	Amount \$	No.	Amount \$	No.	Amount \$	No.	Amount \$	No.	Amount \$
Canada Life	479	4,999,955	-	-	-	-	-	-	479	4,999,955
Equitable Life	-	-	15	147,904	-	-	-	-	15	147,904
Gillespie Mortgage Corporation	-	-	-	-	68	724,850	-	-	68	724,850
Investor's Syndicate	75	909,738	-	-	207	2,185,969	-	-	282	3,095,707
Chartered Trust	-	-	-	-	63	631,761	-	-	63	631,761
Montreal Trust	97	1,125,637	-	-	1,280	13,947,628	-	-	1,377	15,073,265
Toronto General Trust	-	-	7	66,737	-	-	-	-	7	66,737
Canadian Bank of Commerce	323	3,184,578	-	-	1,087	9,724,268	-	-	1,410	12,908,846
Imperial Bank	22	1,030,650	-	-	-	-	-	-	22	1,030,650
Bank of Montreal	2,000	19,378,246	-	-	21	196,759	-	-	2,021	19,575,005
Bank of Nova Scotia	322	3,410,480	86	829,807	304	3,101,959	112	1,014,494	824	8,356,740
Banque Provinciale du Canada	-	-	42	392,357	-	-	-	-	42	392,357
Royal Bank	2,191	20,565,313	90	965,611	611	5,775,816	-	-	2,892	27,306,740
Toronto Dominion Bank	189	1,921,799	-	-	-	-	*10	118,003	199	2,039,802
Total	5,698	56,526,396	240	2,402,416	3,641	36,289,010	122	1,132,497	9,701	96,350,319

* Includes 7 cases for \$87,203 which were previously shown incorrectly as sold to Another Approved Lender.

Table 3.

A Comparative Analysis of Rental Arrears and Rental Accounts in Default for the Months

May and June - 1956 and 1957 - Expressed in Absolute and Relative Terms

	<u>Total Rental Arrears</u>				<u>Percentage of Rental Arrears to Total Charges to Tenants</u>				<u>Current Number of Rental Accounts in Default</u>				<u>Ratio of Default to Exposures</u>			
	<u>May</u>		<u>June</u>		<u>May</u>		<u>June</u>		<u>May</u>		<u>June</u>		<u>May</u>		<u>June</u>	
	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957
CANADA	\$7,568.	\$8,452.	\$9,896.	\$9,824.	1.10%	1.3%	1.44%	1.5%	227	248	312	324	1.31%	1.7%	1.94%	2.2%
Atlantic	629.	429.	715.	333.	1.47	.8	1.64	.6	17	13	16	11	1.28	.9	1.21	.8
Quebec	452.	1,579.	881.	2,840.	.53	1.8	1.	3.3	22	49	37	79	1.31	2.8	2.11	4.6
Ontario	2,931.	3,743.	3,742.	3,849.	1.22	1.7	1.56	1.7	93	108	134	155	1.73	2.2	2.51	3.3
Prairie	2,592.	1,862.	2,710.	2,072.	1.42	1.1	1.49	1.5	68	49	78	53	1.42	1.2	1.64	1.3
B.C.	964.	839.	1,848.	750.	.71	.64	1.37	.58	27	29	47	26	.91	1.1	1.63	.9

Table 4.
Mortgage and Sale Agreement Arrears
Defaults Equivalent to Three or More
Monthly Instalments

LOAN CLASSIFICATION	June 25/57			May 25/57			June 25/56		
	D e f a u l t s	E x p o s u r e s	% of Def. to Exp.	D e f a u l t s	E x p o s u r e s	% of Def. to Exp.	D e f a u l t s	E x p o s u r e s	% of Def. to Exp.
<u>JOINT LOANS</u>	161	133,393	.12	162	134,062	.12	221	138,140	.1599
<u>INSURED LOANS</u>	222	132,492	.17	226	129,257	.17			
<u>CORPORATION LOANS:</u>									
<u>Insurable Loans</u>									
Atlantic Region	-	70	-	-	67	-			
Quebec Region	-	86	-	-	81	-			
Ontario Region	-	766	-	-	671	-			
Prairie Region	-	361	-	1	329	.30			
B. C. Region	1	121	.83	1	116	.86			
Total	1	1,404	.07	2	1,264	.16			
<u>Rental Guarantees</u>									
Atlantic Region	-	7	-	-	7	-	-	7	-
Quebec Region	-	449	-	-	449	-	-	450	-
Ontario Region	-	93	-	-	93	-	2	93	2.1505
Prairie Region	-	32	-	-	32	-	-	32	-
B. C. Region	-	2	-	-	2	-	-	2	-
Total	-	583	-	-	583	-	-	584	.3424
<u>Home Owner</u>									
Atlantic Region	2	243	.82	1	244	.41	-	234	-
Quebec Region	1	751	.13	2	753	.26	1	782	.1278
Ontario Region	3	651	.46	2	651	.30	3	653	.4594
Prairie Region	1	946	.11	4	947	.42	6	977	.6141
B. C. Region	-	168	-	-	170	-	-	177	-
Total	7	2,759	.25	9	2,765	.33	10	2,823	.3542
<u>Defence Worker</u>									
Atlantic Region	-	88	-	-	88	-	1	88	1.1363
Quebec Region	3	190	1.57	2	190	1.05	1	190	.5263
Ontario Region	3	2,317	.13	-	2,317	-	3	2,319	.1293
Prairie Region	1	173	.58	1	173	.57	-	175	-
B. C. Region	-	112	-	-	112	-	-	113	-
Total	7	2,880	.24	3	2,880	.10	5	2,885	.1733
<u>Limited Dividend</u>	-	98	-	-	98	-	-	81	-
<u>Primary Industry</u>	-	13	-	-	12	-			
<u>Former L/D -</u>	-	52	-	-	36	-			
<u>New Home Owner</u>									
<u>House Sale Mortgages</u>									
Atlantic Region	-	64	-	7	60	11.66	-	22	-
Quebec Region	6	3,428	.18	4	3,429	.72	-	3,448	-
Ontario Region	7	1,823	.38	8	1,765	.45	-	1,115	-
Prairie Region	4	1,906	.21	6	1,843	.33	1	1,110	.0900
B. C. Region	-	474	-	-	463	-	-	267	-
Total	17	7,695	.22	25	7,560	.33	1	5,962	.0167
<u>Agreements for Sale</u>									
Atlantic Region	6	1,539	.39	-	1,543	-	4	1,635	.2445
Quebec Region	-	255	-	-	261	-	-	288	-
Ontario Region	16	13,582	.12	17	13,636	.12	15	14,365	.1044
Prairie Region	8	5,523	.14	5	5,540	.09	13	5,747	.2262
B. C. Region	1	2,756	.04	2	2,773	.07	2	2,950	.0677
Total	31	23,655	.13	24	23,753	.10	34	24,985	.1361
Total of all Corp. Loans & Sale Agts. - All Regions	63	39,139	.16	63	38,951	.16	52	37,320	.14

Exposures includes loans in process
and not yet on repayment.

Prepared by Mortgage Administration
Division

(iv)