The entry of the chartered banks and the Quebec savings banks to the field of mortgage lending, under the National Housing Act, means that the potential supply of mortgage funds is substantially broader. Previously, the chartered banks were not permitted to engage in mortgage lending. In addition to providing another channel by which savings can be used for investment in National Housing Act mortgages, the chartered banks, through their 4,000 branches, can provide an improved coverage of potential borrowers under the National Housing Act, particularly in the smaller centres of population.

To facilitate the development of a secondary market in insured mortgage loans, the 1954 Act provides that the insurance policy on a mortgage loan made under the new legislation may be assigned to the purchaser should the loan be sold, provided that the loan continues to be serviced by an approved lender. It will be possible, therefore, for individuals and other investors who are not approved lenders to invest in insured mortgages by arranging with an approved lender to service the loan. The new Act also authorizes the Central Mortgage and Housing Corporation to buy and sell insured mortgage loans as well as to make loans to approved lenders upon the security of insured mortgage loans. These provisions endow the insured mortgage loan with a degree of liquidity and transferability that greatly broadens the potential supply of mortgage funds.

The terms of loans insurable under the new Act differ from the terms on which joint loans were made previously, especially as regards the loan period and the level of loans. For dwellings for home-ownership, other than for certified defence workers, the loan-to-value ratio is now set at 90 p.c. of the first $8,000 of the lending value and 70 p.c. of the remainder, subject to a maximum loan of $12,800 set by regulation. Under the joint loan arrangements, loans were made at 80 p.c. of the lending value up to a maximum of $10,000. For a duplex, the loan is now calculated on the same 90 p.c. and 70 p.c. basis for the first half of the lending value with 80 p.c. allowed on the second half of the lending value subject to a maximum set by regulation at $15,300; previously, loans were made at 80 p.c. of the lending value of the property subject to a maximum loan of $11,600. For dwellings for certified defence workers the ratio of loan amount to lending value is 90 p.c., as under the earlier legislation. For farm dwellings loans may be made for $10,000 or two-thirds of the appraised value of the farm whichever is the lesser amount.

For rental housing projects, insured loans may be made up to 80 p.c. of the lending value of the project and up to a maximum amount of $7,000 per dwelling for multiple family dwellings; under the joint loan arrangement the maximum was $6,200.

The new Act provides for insured mortgage loans for home conversion: such loans must not exceed the lesser of 70 p.c. of the lending value of the structure, including land, when the alteration is completed, or the cost of the alterations together with the amount necessary to discharge all encumbrances on the title to the land.

The usual term of an insured loan for a dwelling for home ownership is now 25 years, compared to 20 years under the old Act. Loans for shorter periods may be approved at the borrower's request. For rental housing projects the term of the loan may not exceed 25 years, and for home conversion the maximum is 15 years.