Under the terms of the National Housing Act, 1954 and its subsequent amendments, the Federal Government is active in many ways.

Loan Insurance.—Mortgage loans made by approved lenders may be insured for home ownership and for rental housing. They are normally available from approved lenders (chartered banks, life insurance, trust and loan companies) to individual home-owner applicants, to builders constructing houses for sale or for rent, to rental investors or to some special groups such as co-operative housing associations and farmers. Upon application, the borrower pays the Corporation a fee of $35 per unit to help defray expenses incurred in the examination of plans and specifications, in the determination of lending values and in compliance inspections during construction. An approved lender requires evidence that a home owner or home purchaser is providing 5 p.c. of the value of the house from his own resources. For the home owner this equity may be in the form of cash or a combination of cash, land and labour; for the home purchaser it is in cash or labour. The regulations require that gross debt service—the ratio of repayments of principal, interest and taxes to the income of the borrower—should not exceed 27 p.c. Instances involving higher ratios may be considered on their merits by the approved lender and the Corporation.

The borrower pays an insurance fee which is added to the amount of the loan and is repaid over the term of the mortgage. In the case of a loan for a home-owner unit, the borrower pays a fee of 2 p.c. of the loan if mortgage advances are required during construction and 1¾ p.c. if the total loan is advanced when construction is complete. On a rental loan the borrower pays 2½ p.c. of the loan if advances are required during construction and 2¼ p.c. if the loan is not required until construction is complete. In some areas, lenders have arranged to make the inspections for progress advances.

For single-family home ownership, loans may be up to 95 p.c. of the first $12,000 of lending value and 70 p.c. of the balance but may not exceed a total of $14,200 for a house with three or fewer bedrooms. Maximum loan for a house with more than three bedrooms is $14,900; for types other than single home-owner units, the maximum loan varies with the type of unit. Loans for rental housing may be up to 85 p.c. of the lending value of the project and are subject to maximum loan amounts on dwelling types. The maximum loan available for multiple-family dwellings is $8,750 per family unit. The period for repayment of home-owner loans must be at least 25 years (unless a lesser period is requested in writing by the borrower) and may be up to 35 years if the lender agrees. The term of rental loans may not exceed 35 years and home conversion loans 15 years, unless shorter periods are requested by the borrowers. Repayments are made in equal monthly instalments, including interest and municipal taxes. The maximum interest rate is prescribed by the Governor in Council; on Oct. 30, 1961, it was reduced to 6½ p.c. per annum from 6¾ p.c.

Loans.—Sect. 40 of the National Housing Act authorizes the Corporation to make any type of loan that may be made by an approved lender under Part I of the Act (home-owner, defence worker, co-operative, builder or rental) or under Sect. 15 (rental guarantee projects) where in the opinion of the Corporation a loan is not available to a satisfactory applicant through an approved lender. By Government policy, direct loans for rental and rental guarantee projects have not been made in recent years. Loans corresponding to Part I loans have in the past been restricted in general to home ownership in the smaller urban centres. On May 22, 1958, however, direct lending was extended to include builders in any area and home owners in the larger centres, with the loans subject to size limitations which placed the houses in the small home category. Loans were made through agents of the Corporation between Sept. 3, 1957 and the suspension of the arrangements—Feb. 8, 1959 for rental loans and Apr. 10, 1959 for home-owner and builder loans. Funds that were available to CMHC under the statutory vote for direct lending purposes were fully committed in the first ten months of 1959 and it was necessary to stop accepting new applications on Oct. 30.