

In January 1960, Parliament voted an additional \$500,000,000 for direct lending by CMHC; lending to prospective home owners was resumed in April and to merchant builders with commitments from *bona fide* purchasers in September. In September 1961, the amount that may be advanced to the Corporation out of the Consolidated Revenue Fund for direct lending was increased to \$2,000,000,000 from \$1,500,000,000.

Under the National Housing Act, the Corporation, with Government approval by Order in Council, may make a loan to a limited-dividend housing company to assist in financing the construction of a low-rental housing project or in the purchase of existing buildings and their conversion into a low-rental housing project. The dividends of the company are limited by the terms of its charter to 5 p.c. or less of paid-up share capital. A loan under Sect. 16 may be up to a maximum of either 85 p.c. or 90 p.c. of the lending value established by CMHC, the larger amount applying only to non-profit companies. The period for repayment may not exceed the useful life of the project and in any case may not be for more than 50 years. The interest rate is established by Order in Council. The equity must be provided by the borrowers before NHA advances can be made. The company must present evidence that conditions of shortage, over-crowding or substandard housing exist in the district. Plans and specifications must be approved by the Corporation. The borrower pays to the Corporation an application fee of \$35 for each housing unit in the project. This may be reduced to \$17.50 a unit if evidence is submitted that dividends payable will not be taxable under the Income Tax Act when received by the shareholders.

Limited-dividend projects are subject to proven end costs. If final costs are less than originally established, the loan is reduced proportionately. The loan is also reduced by the net revenue earned prior to the completion of construction. The borrower enters into an operating agreement with the Corporation fixing the rentals, income ranges of eligible tenants, the establishment and use of reserves and the submission of annual financial statements. Those considered eligible for accommodation are persons with incomes in the lower third of the income level of the municipality. The gross family income of incoming tenants must not exceed the level established by the Corporation. Leases terminate automatically when income exceeds the continued occupancy limit set by the Corporation.

Projects may be designed especially for the elderly. These projects have been sponsored usually by non-profit organizations requiring no return on equity. The Corporation requires that the limited-dividend company contribute at least half of the required 10-p.c. equity. The remainder may be provided by provincial or other grants; in some provinces, provincial grants are available to non-profit organizations. The income for entry must be at least twice the shelter rent and leases terminate automatically when income exceeds five times the shelter rent that would apply with a 90-p.c. loan.

New legislation enacted in 1960 broadened the facilities of the National Housing Act to include financial assistance to municipalities for the elimination or prevention of water and soil pollution. CMHC is authorized to make a loan to a municipality or a municipal sewerage corporation for the construction or expansion of a sewage treatment project; under the Act, a sewage treatment project consists of a trunk sewage collector system, a central treatment plant, or both, for the collection and treatment of sewage from one or more municipalities. Also included is the expansion of an existing plant or existing trunk collector sewer. The loan may not exceed two-thirds of the cost of the project and the maximum repayment term is 50 years from date of completion. The interest rate is prescribed by the Governor in Council. The agreement also contains a condition whereby 25 p.c. of the loan principal and 25 p.c. of the accrued or paid interest will be forgiven, provided the project is completed to the satisfaction of the Corporation on or before Mar. 31, 1963.

Other 1960 legislation authorizes long-term loans to universities for the construction of student residences or the acquisition of existing buildings and their conversion into a university housing project. CMHC may lend up to 90 p.c. of the project cost as agreed between the university and the Corporation, with the maximum amount limited by regu-