

Chapter 14

Housing and construction

14.1 Housing

14.1.1 Government aid to housing

14.1.1.1 Federal assistance

The role of the federal government in housing has expanded progressively since the introduction of the first continuing statute in 1935. Although the government originally entered the housing field in 1918 when it made money available to the provinces for re-lending to municipalities for housing purposes, the first general piece of federal housing legislation was the Dominion Housing Act passed in 1935. This was followed by the National Housing Acts of 1938 and 1944, culminating in 1954 with the present National Housing Act, defined as "an Act to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions". Central Mortgage and Housing Corporation (CMHC), a Crown agency incorporated by Act of Parliament in 1945, administers the National Housing Act and co-ordinates the activities of the federal government in housing. The Corporation has the authority and responsibility for a variety of functions affecting housing in its long-term outlook as well as in its immediate requirements. It is empowered to act as an insurer of mortgage loans, as a lender or investor of public funds, as a guarantor and as an owner of property and other assets. It also acts as a research agency in fields associated with housing and assists provinces and municipalities in many aspects of urban growth. In general, the government, through successive Housing Acts, has attempted to stimulate and supplement the market for housing rather than assume direct responsibilities that rightfully belong to other levels of government or that could be borne more effectively by private enterprise. In each case the aim has been to increase the flow of mortgage money and to encourage lenders to make loans on more favourable terms to prospective home-owners. Close to half of the country's present stock of approximately 6 million dwelling units have been built since the first covering legislation was enacted; about one third of these were financed in one way or another under the Housing Acts.

Under the terms of the National Housing Act, 1954 and its subsequent amendments, as now set out in RSC 1970, c.N-10, the federal government makes available the following assistance.

Insured loans. Insured mortgage loans may be made for both home-ownership and for rental housing. They are normally available from approved lenders to individual home-owner applicants, to builders constructing houses for sale or for rent and for some special groups, such as co-operative housing associations and farmers. Insured loans are also available for the purchase, improvement, refinancing or sale of existing dwellings. The conditions governing the making of NHA loans are contained in National Housing Loan Regulations.

Upon application, the borrower pays CMHC 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% 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 may be in cash or labour. The regulations require that gross debt service — the ratio of repayments of principal and interest plus municipal taxes to the income of the borrower — should not exceed 27%, although instances involving higher ratios may be considered on their merits. The borrower pays an insurance fee which is added to the amount of the loan and is repaid over the term of the mortgage; the fee ranges from ⅞% to 1¼% of the loan, according to type of unit and timing of mortgage advances. The NHA interest rate is free to find its own level in relation to the open market.

The loan ratio for new housing, including that for condominium tenure, may be for up to 95% of value. For open market rental accommodation the ratio may be up to 90%. Loan maximums vary with the type of rental housing but cannot exceed those for similar dwellings built for ownership. Current (1972) maximums are: single family units, \$30,000; apartment multiple units, \$23,000; and hostels, \$10,000 per person accommodated. Loans for the