

Upon application the borrower pays CMHC a fee of \$35 a unit to help defray the costs of examining plans and specifications, determining lending values and conducting compliance inspections during construction. An approved lender requires evidence that a home-owner or home-purchaser is providing at least 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 30%, but 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 seven eighths of 1% to 1.25% 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.

In June 1974, loan maximums for home-ownership of new and existing single-family units to be held under freehold, leasehold or condominium tenure and condominium types in apartment form were set by CMHC on a national, regional or local basis. They vary from \$30,000 to \$40,000 and cover 95% of the first \$31,850 of lending value plus 75% of the balance up to the applicable maximum. For rental accommodation maximum loan levels are: single-family dwellings \$30,000, apartments \$20,000 a unit, hostel beds \$10,000 and student hostels \$8,000 a person accommodated. Maximum loan levels are reviewed quarterly by CMHC. The period of repayment may be up to 40 years for new homes and rental housing. For existing housing this period is the lesser of 40 years or the remaining life of the building.

The investment of \$612 million by the approved lenders for new construction in 1974 was 54.9% below the \$1.3 billion invested in 1973. Loans made in 1974 involved 21,666 units and 2,842 hostel beds, a decrease of 68.9% from the 69,506 units and 4,247 hostel beds financed a year earlier. This decrease in investment by approved lenders is the result of loans to merchant builders dropping by 15,818 units, rental loans by 30,287 units, and home-owner loans by 1,735 units. Approved lenders increased their financing of existing housing from 22,528 units in 1973 to 24,867 units in 1974.

**Home improvement loans.** CMHC is authorized to give a limited guarantee to chartered banks or approved instalment credit agencies in return for an insurance fee paid by the borrower on loans made for additions, repairs and alterations to existing houses and apartments. A home improvement loan and the balance owing on any existing NHA home improvement loan on the property may not exceed \$4,000 for a one-family dwelling or \$4,000 for the first unit of a duplex, semi-detached or multiple-family dwelling, plus \$1,500 for each additional unit. Loans are repayable in monthly instalments over a period not exceeding 10 years. The maximum rate of interest is restricted to 2.25% above the long-term government bond rate adjusted quarterly to the nearest one eighth of 1%. In 1974 chartered banks and approved instalment credit agencies granted 6,346 loans for home improvement totalling \$18.6 million, compared to 5,861 loans amounting to \$16.2 million in 1973. These lenders reported \$25 million as the outstanding debt on these loans at the end of 1974.

**Non-NHA mortgage financing.** Conventional and other forms of financing in 1974 grossed \$4.58 billion for 194,688 units as compared to \$5.04 billion for 250,879 units in 1973.

#### **14.2.2 Neighbourhood improvement, residential rehabilitation and urban renewal**

**Neighbourhood improvement.** The Neighbourhood Improvement Program (NIP) authorizes the Corporation to make contributions and loans to municipalities or their agencies to improve the amenities of older run-down neighbourhoods and the housing and living conditions of the residents. It is intended that rehabilitation of the existing housing stock, for which assistance is available under the Residential Rehabilitation Assistance Program, should be an integral part of any project undertaken through NIP.

The Program is operated on the basis of annual agreements with the provinces which set out the criteria whereby municipalities and neighbourhoods may participate. In general, however, it is expected that participating neighbourhoods will have the following characteristics: they will be predominantly residential although they may contain local stores, schools, banks, churches, small businesses and perhaps some non-conforming uses of land; a significant proportion of the existing housing stock will be in need of improvement and repair to comply with minimum standards of health and safety; most of the housing in the