

metro areas averaging \$37,021 during 1982 were slightly higher than for smaller centres.

#### 7.2.4 Mortgage lending

Total mortgages from lenders approved under the NHA increased to \$12.2 billion in 1982 from \$10.6 billion in 1981. However, the 1982 figure is not as high as that for 1980 when mortgage commitments totalled \$14.5 billion.

Residential mortgage lending, for new and existing dwellings combined, increased to \$10.7 billion for 259,000 units in 1982 from \$9.2 billion for 208,000 units in 1981. Banks became the biggest single group of lenders when they expanded their total volume of residential mortgage lending to \$3.9 billion for 85,000 units from \$3.1 billion for 60,000 units. They displaced trust companies which became the second largest group of lenders by providing \$3.1 billion. Loan and other companies were still third, providing \$2.5 billion and life insurance companies provided the remaining \$1.2 billion.

The increase was due to the sharp expansion in lending for existing dwellings which increased to \$7.5 billion for 198,000 units in 1982 from \$4.8 billion for 129,000 units in 1981. Lending for new residential construction declined to \$3.2 billion for 61,000 units from \$4.4 billion for 78,600 units.

The overall volume of mortgage lending was constrained during 1982, as in 1981, by weak demand for mortgage funds as the mortgage market responded to the relatively tight monetary policy in effect up to July 1982. This policy, aimed at curbing inflationary pressures and at maintaining the value of the Canadian dollar in relation to the American dollar, led to increases in the bank rate to a record level of 22.75% in August 1981, followed by sharp declines to 14.59% in January 1982 and increases again to 16.58% in June 1982. The Bank of Canada then eased its monetary policy, paving the way for a decline in the bank rate to 10.26% by December 1982. Mortgage rates mirrored these changes. The five-year conventional mortgage rate had peaked at 21.46% in September 1981, and increased from 18.05% in January 1982 to 19.42% in July, then declined to 14.13% by December 1982. Because of this easing in monetary policy, the demand for mortgage funds increased strongly in the second half of the year to end on a sharp upward trend.

### 7.3 Canada Mortgage and Housing Corp.

Canada Mortgage and Housing Corp. (CMHC) is the federal government's housing agency, charged with the administration of the NHA. It is a Crown corporation with a board of directors reporting to a minister responsible to Parliament. CMHC is one of the largest financial institutions in Canada but at the same time has extensive department-like responsibilities in administration of grants, contributions and

subsidies, and in providing policy advice to government on housing and related matters.

In its role as a financial institution, CMHC is primarily a mortgage insurer. It continues, however, to make direct mortgage loans, as a residual lender, with funds borrowed from government. In 1982 the corporation also administered a \$10.4 billion portfolio of loans and investments, as well as some 4,500 dwelling units owned by CMHC and 11,000 dwelling units owned by the CMHC mortgage insurance fund.

In its departmental role, CMHC is responsible for grants, contributions and subsidies. These amounted to under \$1.4 billion in 1982, up from just over \$1 billion in 1981 directed to: social housing; rehabilitation and conservation of existing housing; community improvement; research, development and demonstration projects; and providing housing information.

#### 7.3.1 Housing legislation and policy

**National Housing Act.** Amendments to the NHA introduced in March 1982 included a wide range of changes, the most significant concerning mortgage loan insurance.

The amendments also allowed CMHC to provide assistance to homeowners facing renewal of their mortgages at high interest rates.

**Housing loan regulations.** Amendments during 1982 were also made to the regulations of NHA loans. The amount of a loan which could be forgiven under a residential rehabilitation assistance program (RRAP) was increased in November 1982 to \$5,000 for homeowners and \$3,500 for landlords. The income limit for homeowners was increased to \$13,000 for full forgiveness, decreasing by \$1 for each additional \$2 of income to \$23,000.

In December 1982 the regulations were amended to set premiums for other than first mortgage loans.

#### 7.3.2 Market housing support

**Mortgage renewal.** A Canada mortgage renewal plan (CMRP) announced in November 1981 was designed to help homeowners who were facing financial difficulties on the renewal of their mortgages. Assistance of up to \$3,000 a year was available for households renewing mortgages between Sept. 1, 1981 and Nov. 12, 1982. There was a special guarantee for the deferral of interest payment when there was equity in the home. Where there was little or no equity, a non-taxable grant was provided.

In June 1982 four modifications were announced. First, the plan was changed from a deferred interest and grant formula to simply a non-taxable grant. Second, after June 28, 1982 homeowners who were receiving interest deferral assistance under the original plan were given grant assistance instead. Third, the plan was extended from Nov. 12, 1982 to Dec. 31, 1983. Fourth, applicants who qualified under the original or revised plan could re-apply at the end of their first eligibility period.

By the end of 1982, a total of 9,757 applications had been approved for commitments of \$16.3 million.