

available, thereby catering to the modest-income and retirement segments of the population, in 1986 NHA financing of new condominium-type housing was concentrated in a small number of large luxury units. As a result, the average sale price of \$90,848 for a new condominium was well above the price of \$85,327 for a new single-detached dwelling. In addition, it was 40.7% above the respective 1985 price and the average floor area of 116.1 m<sup>2</sup> was larger by 10.6% than the 105.0 m<sup>2</sup> in 1985. The average age of the purchasers was 37.1 years, compared to 39.1 years of age in 1985, and the average buyer income of \$49,644 was 27.7% above the 1985 income. Developments in the existing condominium markets were less dramatic than in the new markets. However, the typical NHA-financed condominium unit still sold for \$69,770, which was 6.7% above its single-detached counterpart, and it was also 21.1% above the 1985 average price. The average age of the typical purchaser was 35.0 years, virtually unchanged from 35.1 years of age in 1985, the floor area was 103.6 m<sup>2</sup> compared to 103.3 m<sup>2</sup> in 1985, and the average income of the purchaser, at \$41,262, was 11.6% above that in 1985.

### 7.2.3 Mortgage lending

In tandem with the favourable housing climate, 1986 was a record high mortgage lending year, improving on the record dollar and dwelling unit volumes established in 1985. Institutional lenders approved approximately \$35.1 billion of residential loans for some 698,580 dwelling units, increases of 27% and 14% respectively over corresponding 1985 totals of \$27.7 billion and 614,760 units. Although both lending for new and for existing housing was higher in 1986, existing loans were the major source of strength, accounting for 80.9% of the \$7.4 billion increase in mortgage volumes between 1985 and 1986.

Some change occurred in the market shares of the various types of lenders in 1986. Chartered banks increased their domination of the market with a penetration ratio of 52%, up from 48% in 1985. Behind chartered banks were trust and loan companies, registering market shares of 26% and 13%, respectively. Life insurance companies, once key players in the residential mortgage market, captured just 7% as they continued to hold the majority of their loan portfolios in non-residential property.

During the last 10 years (1976 to 1986), the proportion of mortgages insured under the NHA was as high as 43% in 1977, declining gradually thereafter. In the last two years (1984 to 1986), the rate of decrease accelerated. An 11 percentage point drop between 1984 and 1985 was followed in 1986 by a further slide from 28% to 20%. Unlike 1985,

when the dollar volume of NHA-insured financing of new multiple-unit housing out-performed conventional financing of such housing, conventional loans in 1986 out-performed NHA-insured mortgages in all lending categories.

There were three other interesting developments in the mortgage market in 1986. The first was that major lenders made 10-year money available on an experimental basis to gauge demand for long-term financing. The second was a further extension of choice in the mortgage market through the offer of pre-approved financing at guaranteed interest rates.

Finally, 1986 marked the introduction of mortgage-backed securities (MBS), designed to foster the reappearance of mortgage terms longer than five years. Mortgage-backed securities have been enthusiastically received in the marketplace.

## 7.3 Canada Mortgage and Housing Corporation

Canada Mortgage and Housing Corporation (CMHC) is the federal government's housing agency, charged with the administration of the National Housing Act (NHA). It is a Crown corporation with a board of directors reporting to a minister responsible to Parliament.

Under the terms of the NHA, the Corporation is authorized, on the government's behalf, to establish a system of mortgage loan insurance; to acquire lands for public purposes; and to assist Canadians, mainly by the provision of loans and contributions, in gaining access to suitable accommodation, whether as homeowners, tenants or members of co-operative organizations; and in improving existing dwellings and the quality of their community environment. It also has a general mandate to improve the quality of housing and community planning through research, development and the dissemination of information, and to act as a policy advisor to the government.

In 1986, the Corporation administered a \$9.7 billion portfolio of loans and investments, as well as some 3,027 dwelling units owned by CMHC and 12,635 dwelling units owned by the CMHC mortgage insurance fund.

CMHC is responsible for grants, contributions and subsidies. These amounted to under \$1.4 billion in 1986, down from a high of almost \$1.8 billion in 1983. The bulk of these payments are directed to social housing assistance.

### 7.3.1 Housing policy and programs

In 1985, CMHC housing programs came under close scrutiny during the government's extensive consultations with representatives of provincial,