

territorial and local governments, participants in the housing sector and other interested parties.

In the area of social housing, a new housing policy and thoroughly revamped housing programs were introduced in 1986 which targeted all financial support to Canadians in greatest need.

In the area of market housing, proposals for modifications to the mortgage loan insurance program were scheduled to be brought forward in 1987.

In the upcoming years, attention will be focused on a number of policy areas in order to help the Corporation and the government prepare for future challenges in housing and will involve an examination of policy alternatives for housing the elderly, major reviews of renovation policy, and of the options available for preserving the existing social housing stock.

7.3.2 Market housing support

Loan insurance. CMHC insures loans made by approved lenders to prospective buyers of new and existing properties and to builders. An approved lender means a bank, loan, insurance, trust or other company or corporation, trustee of trust funds, building society, credit union, *caisse populaire* or other co-operative credit society authorized to lend money on the security of real or immovable property, approved by CMHC for the purpose of making loans under the NHA.

The mortgage insurance fund is created from premiums paid by NHA borrowers. Essentially, in return for a premium, CMHC agrees to reimburse the lender against losses incurred as a result of borrower default. The premium is paid by the borrower and can be amortized over the duration of the loan. Insurance in force stood at \$39.3 billion in 1986.

Mortgage-backed securities. CMHC successfully introduced the mortgage-backed securities program in 1986. This new financial instrument will assist in increasing the supply of residential funds and facilitating longer-term mortgages, and, at the same time, provide a secure investment for Canadians. The program was launched in December 1986 and was enthusiastically received by investment dealers and their clients.

Index-linked mortgages. A new co-operative housing program was also implemented in 1986. This program is intended to provide an alternative to households which are unable to afford home ownership. The program uses an innovative financing technique called the index-linked mortgage and will operate as an experimental program for a five-year period.

Eligible co-operatives may finance up to 100% of eligible capital costs through an index-linked

mortgage insured by CMHC. A portion of the units, 30% overall and a minimum of 15% in each project, must be made available to households which would otherwise have to pay 30% or more of their household income on the private market, and to those with special housing needs. This is determined by a rent-to-income scale.

7.3.3 Social housing support

New arrangements for the delivery and financing of social housing programs were successfully negotiated with nine provinces and the two territories in 1986. Under these arrangements, 19,189 subsidized housing units were committed and some 35,500 units received assistance for renovation and rehabilitation, including increased assistance to housing the disabled.

Support for the new and existing subsidized housing units resulted in expenditures of \$1,145.4 million in 1986. The existing portfolio now under administration totals 543,300 units.

Non-profit housing program. This program provides for subsidized rental housing projects which are owned and operated by private or public non-profit corporations or co-operatives. Rents are calculated according to a rent-to-income scale and are adjusted to household incomes. The annual subsidy for projects without care or support services is equal to the difference between the eligible annual operating costs and revenues of the project. For projects with special services or facilities, annual assistance is the difference between the amount required to amortize eligible costs over 35 years at agreed market rates and the amount required to amortize such costs if the interest rate charged was 2% per annum.

Urban native non-profit housing program. Assistance to low-income people of native ancestry, living in urban areas, is provided through this program. The assistance is for non-profit, rental or co-operatively owned housing and is scaled so that tenants pay no more than 25% of their adjusted income for rent. The annual subsidy is determined on the same basis as the non-profit program.

Rent supplement program. This program provides for the leasing of units from private landlords and co-operatives to households who pay 30% or more of their gross income for housing on the private market, by providing assistance to reduce their rent to a specific portion of their income. This assistance is based on an agreed market rent charged according to a rent-to-income scale.

Residential Rehabilitation Assistance Program (RRAP). Loans are available to assist in the repair and rehabilitation of residential dwellings on a universal basis, including loans to Indians on