

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 1987, the Corporation administered a \$9.5 billion portfolio of loans and investments, as well as 3,775 dwelling units owned by CMHC and 11,262 dwelling units owned by the CMHC mortgage insurance fund.

CMHC is responsible for grants, contributions and subsidies. These amounted to \$1.5 billion in 1987, 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, territorial and local governments, participants in the housing sector and other interested parties.

In the area of social housing, a new housing policy and revamped housing programs were introduced in 1986 which targeted all financial support to Canadians in greatest need. Currently a major review of renovation policy is under way to determine the best role for government in the renovation marketplace and to improve the renovation programs that are part of the social housing package. A new policy is also being developed for preserving the existing social housing stock.

A consultative review undertaken in 1986 reaffirmed equal access to National Housing Act mortgage insurance as the primary public policy objective and cross-subsidization as the enabling means. The consumer-oriented new initiatives under the new directions are for second mortgages and moveable home loans, and portfolio insurance for the packaging of existing mortgages into NHA Mortgage-Backed Securities. In other areas of market housing, the priority policy themes are: building upon the initial success of NHA Mortgage-Backed Securities; and encouraging private renovations.

In the upcoming years, attention will be focused on a number of policy areas. One area involves assisting the Corporation and the government to prepare for future challenges in housing. This will include an examination of policy opportunities in promoting the emergence in the marketplace of a wider range of housing choices for older Canadians. In another area, a program evaluation is under way and a major policy development will take place for rural and native housing.

Consultation is expected in the near future with interested parties on housing quality and the government's role in this field.

7.3.2 Market housing support

Loan insurance. The mortgage insurance fund is created from premiums paid for NHA insurance. Essentially, in return for a premium, CMHC agrees to reimburse the lender against losses incurred as a result of borrower default. The premium can be amortized over the duration of the loan. Insurance in force stood at \$41.7 billion in 1987.

Mortgage-Backed Securities. The NHA Mortgage-Backed Securities (MBS) program is one of the most important initiatives in Canadian housing finance since the introduction of public mortgage insurance. Launched in December 1986, the program is designed to increase the availability of funds for residential mortgages, help stabilize mortgage interest rates and facilitate the return of longer-term mortgages. These objectives are met through the provision of a timely payment guarantee on NHA MBS investment certificates. During the program's first year of operations, the investment community responded enthusiastically by underwriting 51 issues in the amount of \$458.1 million. The program has been further enhanced by enabling the pooling of social housing loans, and the feasibility of developing new products will continue to be examined.

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, up to 50% with provincial concurrence, with 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. Their rent 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 all provinces except Prince Edward Island and the two territories, in 1986. Under these arrangements, 19,598 subsidized housing units were committed and 33,011 units received