

National Housing Act

to continue the powers of the minister to make grants in aid of housing redevelopment and for other matters necessary for the proper administration of the act.

Motion agreed to and the house went into committee, Mr. Robinson (Simcoe East) in the chair.

Mr. Winters: Mr. Chairman, it is a very pleasant privilege to sponsor such a popular resolution as this one appears to be, judging from the applause.

This resolution precedes a bill which, if and when enacted by parliament, will effect substantial changes in the financing of residential construction under the National Housing Act. It is important not only that the proposed measure be given careful and detailed attention, but also that it receive royal assent as soon as possible. It is during the winter months that prospective home owners and builders plan their programs to start at the beginning of the next construction season. Moreover, any arrangement new to lending institutions, home owners and builders will take some time to get into full operation. For these reasons I am anxious for hon. members to have the opportunity of studying the bill during the Christmas recess. On second reading, I propose to move that the bill be referred to the standing committee on banking and commerce.

I hope we may have the debate on second reading immediately after we reconvene, and that the bill can be referred to the standing committee on banking and commerce as soon as possible. Because the second reading debate will be deferred until after the recess, I will for the benefit of hon. members make a few remarks now upon the more important features of the bill, notwithstanding the fact that it is usual at this stage to limit remarks to the resolution which confines itself to those features of the bill which require the expenditure of public funds.

There are two main provisions in the proposed legislation. First, it is proposed to widen the group of lending institutions to include the chartered banks and the Quebec savings banks which will be empowered to make loans on the security of insured first mortgages on residential property. Second, it is proposed to abandon the present form of joint loans under the National Housing Act and to substitute a system of insured mortgage loans. Although our supply of new houses in 1953 is greater than ever before, our population and number of families keep growing.

This growth requires continued expansion of housing.

For reasons which I will discuss in more detail at the time of second reading, we feel that the present sources of mortgage money

[Mr. Winters.]

are not likely to be sufficient to support a housing program equal to or greater than the 1953 volume. The main object of the legislation is to broaden the supply of mortgage money by making that form of investment more attractive, increasing the number of lenders and making more funds available for mortgage lending.

The principle of mortgage insurance is that the mortgage lender receives an insurance payment upon the transfer of the mortgaged property to Central Mortgage and Housing Corporation. Under the proposed amendments Central Mortgage will have the power to buy insured mortgages from approved lenders. Later in this session my colleague, the Minister of Finance (Mr. Abbott), will place the Bank Act and the Bank of Canada Act before the house for revision, when it is proposed to make insured mortgages eligible security for Bank of Canada advances to chartered banks, as is the present position in respect to government bonds.

As was mentioned by the Prime Minister (Mr. St. Laurent) in his announcement of October 1, it is by these measures that the introduction of the chartered banks into the mortgage field will be accompanied by safety and liquidity so necessary to our banking system.

In addition, it is proposed to reduce the down payment from the 20 per cent now required under the National Housing Act. The amount of the loans will be 90 per cent of the first \$8,000 and 70 per cent of the balance of the lending value, subject to maximum loan limits as will be determined by the governor in council. For a \$10,000 house, for example, the down payment under the proposed arrangements will be \$1,400 as compared with \$2,000 under the present legislation.

Steps are being taken to increase the period of amortization so that under the proposed arrangement loans with a 25-year period of amortization will be the general rule, rather than the 20-year amortization presently under the National Housing Act.

It is proposed that the borrower shall pay a single insurance premium which may be capitalized into the mortgage loan and amortized during the life of the loan. The bill will contain a provision that this insurance premium will be 2 per cent in the case of home ownership and 2½ per cent in the case of rental property, for loans with construction advances. This premium payable by the home owner approximates 40 per cent of that which is paid on annual reducing balances under the federal housing act in the United States, which operates under a comparable arrangement.