

CANADA

MINISTER OF PUBLIC WORKS

December 14, 1960.

Mr. H. H. Hannam,
President and Managing Director,
The Canadian Federation of Agriculture,
111 Sparks St.,
Ottawa, Ontario.

Dear Mr. Hannam:

I acknowledge your letter of November 24th, 1960, in which you make suggestions that the National Housing Act be amended to enable a farmer to secure a housing loan to house farm employees and to secure such loans without having to mortgage his whole farm.

Subsection (1) of Section 7 of the Act indicates the method of appraisal to be undertaken for a farm loan. The value of the land is to be appraised exclusive of the building and to this figure is added the appraised increase in value which is attributable to the buildings. Also, it is required under Section 7(o) of the Act that a first mortgage be taken on the property as security for the loan. The cost of a new house built upon a farm may be many times more than the added value which the new house would give to the value of the total property. In the majority of cases, if it was decided to loan only upon the security of the house to be built, a loan based upon the added value of the house to the property would be quite unsatisfactory to the applicant.

The making of a farm housing loan is somewhat different to that made on a housing unit in an urban area. In the latter case the marketability of the house is ever so much greater than its farm counterpart, and its value can be established in the market place by observing the demand for it. In the case of the farm house, there is little or no demand for it except by the farmer himself, which from the point of view of the mortgagee, decreases its value and increases the risk. Therefore, to obtain a housing loan approaching the construction cost, these two factors must be counteracted by the provision of additional security obtained by a mortgage on the whole farm.

I am cognizant of the difficulties which farmers must face in regard to their housing problems and I appreciate your interest in this matter together with your remarks in regard to amendments which might be made to Section 17 of the Act. I will be pleased to keep them in mind when further amendments to the Act are being considered.

Yours sincerely,

(sgd.) D. J. Walker
David J. Walker.