

Mortgage loans, of course are also available for the building of rental property, both under the federal scheme as well as through conventional channels. Conventional mortgage loans also can be obtained for the purchase of used houses.

### Federal Aid to Housing

Federal Government aid to housing consists primarily of a system of mortgage loan insurance to new construction. This programme is operated by the Government's housing agency, Central Mortgage and Housing Corporation, which administers the National Housing Act. In addition CMHC itself also makes loans in certain circumstances.

### Mortgage Insurance

Under the Federal Government's mortgage insurance plan a home-owner or builder can obtain a loan from a lending institution on somewhat easier conditions than on a privately-arranged basis, because of the reduced risk involved.

There are several advantages to the borrower.

The down payment, or the amount of cash the borrower has to find, is smaller than on a mortgage outside the National Housing Act. This equity must amount to at least 10 per cent of the cost of the property. The loan is for a period of 25 to 30 years and the maximum rate of interest is set by the Government. The rate is altered from time to time to take account of changed market conditions, but it is always lower than the interest rate charged for other types of mortgages. The maximum rate in 1957 was 6 per cent. Central Mortgage and Housing Corporation also requires that all houses built under this scheme must meet certain minimum construction standards, so that in effect the purchaser is given some protection as to the equality of the house he is buying. The maximum loan for a single-family home is \$12,800.

Lenders find the scheme attractive because of its insurance feature. When the loan is made the borrower pays the Government housing agency an insurance fee equal to two per cent of the amount of the loan and, in return, CMHC undertakes to pay the lender up to 98 per cent of the principal and interest outstanding in the event the borrower defaults. The property in such cases, of course, is turned over to Central Mortgage and Housing Corporation.

Virtually no defaults have occurred since the scheme was started in 1954. Prior to that time the Government shared with the lending institutions in making mortgage loans by itself providing 25 per cent of the loan.

### Direct Loans

Central Mortgage and Housing Corporation may also make direct loans to home owners who are unable to get a National Housing Act loan from a lending institution. There are some restrictions, but in general they are made on the same terms as would be available from a private lender. In addition there are special lending programmes for defence workers, for companies engaged in primary industry who want to provide housing for their workers, and for groups building low-rental housing.