

*National Housing Act*

cordance with normal mortgage practice to safeguard the interests of His Majesty and the said lending institution.

Would the minister explain why this new part is being added?

Mr. HOWE: Cases do arise in which it is necessary to make a further loan in order to protect the security. There have been cases in Vancouver where contractors have failed, and where it has been found that the situation could be best worked out by the crown and the lending institution joining to increase the amount of the mortgage. This gives permission for that to be done. It is simply that it may be considered in the best interests of the owner of the property, as well as in the interests of the mortgagee and the federal government, to increase the amount of the mortgage.

The CHAIRMAN: Shall the section carry?

Mr. MacINNIS: No. Has the minister any information with him showing the moneys the government spent to finish the houses, where construction failed in Vancouver?

Mr. HOWE: Is the hon. member referring to the earlier or later ones?

Mr. MacINNIS: At the beginning of 1947.

Mr. HOWE: I have not that information with me. But the situation was worked out. It cost the government nothing. It was worked out by increasing the amount of the mortgage, and the funds were found in that way.

Mr. HACKETT: By the government guarantee?

Mr. HOWE: The usual guarantee, yes.

Mr. HACKETT: No, not the usual guarantee—upon guaranteeing the excess.

Mr. HOWE: It was simply brought into the pool. There is a pool guarantee of all mortgages, and the lending institutions and the government decide to increase the lending value on the house, and increase the amount of the mortgage accordingly.

Mr. MacNICOL: The government sells a mortgage, does the money go into the consolidated revenue fund, or does it go into the fund which pertains to the housing problem?

Mr. HOWE: It goes back into the consolidated revenue fund. The title to the house is in the crown.

Section agreed to.

On section 2—Contract guaranteeing rentals from rental housing projects.

Mr. FLEMING: This is in some respects the principal section of the bill. There are [Mr. Nicholson.]

some features of this section which call for some explanation on the part of the minister. One feature of it which, on its face, I do not like, is the extent of the power and discretion left by the section in the hands of the governor in council.

The purpose of the section, as I construe it, is to permit the corporation to enter into a contract with builders. The purpose of the contracts would be to guarantee annual returns to builders of projects of not less than eight family housing units. The guarantee extends over a period of thirty years. Then, under subsection 5 of the proposed section 8A, it is provided:

The annual return of rentals guaranteed by the corporation under this section shall not exceed 85 per centum of the annual rental of the units of the project determined by the corporation under paragraph (b) of subsection 4 of this section.

The corporation is given power to determine the rents. I think the committee will wish either to have a stipulation of the amount of the return to be guaranteed under subsection 1 of the new section 8A or some clear statement as to the basis upon which the administration is to proceed under the power for which provision is here made.

Mr. HOWE: I shall be very glad to give an explanation. This section of the bill introduces the rental insurance principle which I explained at some length when we were dealing with the resolution. By this legislation, the corporation will be authorized to guarantee a minimum return of rentals from a rental housing project built in accordance with the terms of the section. The guarantee will be given in the first instance to the builder-owner, and may be assigned to subsequent purchasers of the rental housing project. The amount to be guaranteed will be a figure sufficient to pay taxes, debt service, operating expenses, repairs, renewals and replacements, and a two per cent return on the equity investment of the operator. By these provisions, it is hoped to encourage private enterprise to build some of our much needed rental housing, by providing an insurance against loss during the term of the insurance, and particularly against possible loss resulting from the competition of rental housing projects built in the future under more favourable cost conditions.

I should like to outline briefly the statutory limitations contained in the new section.

(a) The project must consist of eight or more units. The section is designed for project investment, and we feel that in order to have an economic operation, the minimum number of units cannot be less than eight. Hon. members will readily see the administrative diffi-