

Senator Bonnell: In the province of Prince Edward Island, where I happen to live, you do not have any graded lumber. All lumber consequently must be imported. We are surrounded by trees and we cannot use them, unless they are stamped. This might have changed in the last year. What about the interest rate charged on these loans? Is there any specific rate of interest, and is there any subsidization of interest for low income groups?

Mr. Hignett: You will notice that every program that is in this bill is at what we call in CMHC the beneficial interest rate. The beneficial interest rate is regarded as being the lowest interest rate is regarded as being the lowest interest that CMHC can charge, having in mind the cost of borrowing money from the federal government. It has been customary for CMHC to lend money at one-quarter to three-eighths above the rate at which it borrows money from the government. This helps to pay the cost of placing the loan, which is substantial, and the cost of administering the loan. One of the series of amendments made in this bill, to make sure that we stay honest, is to put a limit on the interest rate that CMHC can charge to borrowers. It is set in this bill, for almost every program, at not more than one-half of one per cent above the yield on long-term government bonds.

Senator Bonnell: It seems to me that you had at one time an almost subsidized interest rate for low-income people who become involved.

Mr. Hignett: The rate at the moment is seven and five-eighths. That is the lowest rate we can achieve. At the moment we are borrowing from the government at seven and five-eighths and lending at seven and five-eighths; so it is not a very profitable thing to do. But that is the present circumstances.

Senator Inman: Is there any time limit? What is the time limit on repayment of those loans?

Mr. Hignett: They vary a good deal. Generally for home ownership the act provides for loans of up to 40 years. In practice, amortization periods tend to be shorter than this. Certainly we advise borrowers within their capability not to extend the term too long, because this becomes quite expensive. The majority of loans made by the approved lenders are for 25-year terms. CMHC generally makes loans between 25 years and 35 years. That is for home ownership. For non-profit corporations and these kinds of institutional loans that develop, the term is generally 50 years.

The Deputy Chairman: What is your average loan in each province? Do you have a set-up by provinces? Can you give the average loan?

Mr. Hignett: I am sure one of my colleagues can get it for you. The maximum NHA loan for home ownership, that was passed by regulation last summer, is now \$30,000. So for a house that costs less than \$32,000 the loan is 95 per cent. For houses costing above \$32,000, the maximum NHA loan is \$30,000 and, of course, the equity is the difference between \$30,000 and the cost of the house.

As you know, there has emerged in this country private loan insurance corporations where loans made by lenders are insured by private companies. Their loan limits tend to be much higher than those of NHA. They run as high as \$60,000. But since our interest is in the kind of housing

required by lower and middle income people in the country, \$30,000 seems to us to be appropriate under the present circumstances, and it stops us from getting into the very expensive housing, and that we like.

Senator Walker: Mr. Chairman, may I ask the retiring president a question? Loans to non-profit corporations are dealt with on page 3 of the bill, clause 7, which is the new section 15.1. Not only do you make a loan equal to the total value of the project, but, in addition, you make a grant up to 10 per cent of the value of it under certain circumstances.

Firstly, are you not afraid that this is going to give the opportunity to the do-gooders to get aboard without putting up any money of their own; and, secondly, as opportunity for those who are inclined to make fraudulent deals? I think this would be a wonderful opportunity for that type of individual to get in there and make an easy buck, and put it all over you people. How are you going to police this type of provision where you are advancing the full amount of the lending value—and that, too, can be fraudulent—and, in addition to that, give them a 10 per cent grant, all in the guise of a charitable organization, of course? But that does not mean that you have to lend your money with any greater facility than you do under ordinary circumstances. Have you any safeguards in this respect?

Mr. Hignett: I think, mainly, good judgment, Senator Walker.

Senator Walker: Well, in my experience, good judgment has not been the greatest of all the attributes of all the personnel of all the departments of CMHC. That may be yours, of course.

Mr. Hignett: First of all, the function of the legislation is to take advantage of the strength and willingness of non-profit housing corporations to provide housing for the elderly people and low income families. It is a deliberate attempt to do just that. The legislation restricts us to dealing with charitable organizations, as defined in the Income Tax Act, and with municipalities, and with cooperative associations. Every one of these, with the possible exception of municipalities, will be required to obtain and present a provincial charter to form and operate a non-profit housing corporation. Unless they can get the provincial charter, we will not be prepared to deal with them.

Senator Walker: So you are passing the buck, then, to the provincial government?

Mr. Hignett: If they can get a provincial charter, we will be prepared to consider their proposal. But that is only one of the requirements. The legislation provides that the loan shall be 100 per cent of the lending value, and the lending value is determined by CMHC. I think we have sufficient experience, Senator Walker, to know when we are being taken on the difference between the fair lending value of the project and some costs that are being submitted to us. I think we are capable of doing that, and the legislation is careful enough to say that it is 100 per cent of the lending value, which is to be determined by CMHC. The 10 per cent grant is given to non-profit corporations once the project has been completed, and it is given by simply writing down the loan by 10 per cent.