institution in the loan. The lending institution's loss on its share of the loan is payable out of the pool guarantee fund. After the fund is exhausted losses are borne by the lending institution.

(b) *Rental insurance*

Under section 8B of the National Housing Act lending institutions are authorized to lend up to 85 per cent of the estimated cost established by the corporation on rental housing projects the rentals of which are guaranteed by the corporation under section 8A. The guarantee, known as rental insurance, is a contract between the builder and the corporation under which the corporation, in consideration of a premium paid by the builder, guarantees for a term of 10, 20 or 30 years that the rental income of the project will be sufficient to meet the principal and interest charges under the mortgage and the estimated operating expenses and a 2 per cent annual return on the equity of the owner. On such projects a maximum rental for the first three years is fixed by the corporation. The builder assigns the benefits of the insurance contract to the lending institution which has the effect of guaranteeing the loan.

(c) *Corporation loans*

The National Housing Act authorizes the corporation to make certain loans without lending institution participation. These are in two main classes: one, loans to specifically-named groups on terms not likely to be attractive to corporate lenders, and two, loans on the same terms and conditions as joint loans in the event that joint loans are not being made available by the lending institutions.

Loans to limited-dividend companies

Under section 9 of the National Housing Act, the corporation may make loans to limited-dividend companies for terms up to 50 years at an interest rate of $3\frac{1}{2}$ per cent up to 90 per cent of the lending value which is generally the agreed cost of the project. Most of the limited-dividend companies which have borrowed under this section are sponsored by service clubs or municipalities for the purpose of providing low-rental housing for particular groups. Other loans have been made to companies providing low-rental housing to their own employees.

Loans to primary producers

Section 9A authorizes Central Mortgage to make loans to companies engaged in mining, lumbering, logging or fishing for the construction of low or moderate cost housing for employees. Loans may be for a term of not more than 15 years at $4\frac{1}{2}$ per cent.

Loans under section 31A

Corporation loans may be made by the corporation under section 31A when joint loans are not available from lending institutions. Lending institutions normally make loans in the larger centres of 5,000 population and over and sometimes in the smaller centres; in order to leave as broad a field as possible for the lending institutions and at the same time make loans available in the smaller centres it is the present policy of the government that loans under this section are available only to home owners in communities of less than 5,000 population. Within this policy exceptions are made for loans on houses which are technically rental housing but have elements of home ownership, such as a manse or residence for a doctor in a small town. There have been two instances where it was considered in the public interest to make a corporation loan in respect to standard rental housing projects.