

Senator WALL: I wonder, Mr. Chairman, if I could come back to this problem of low cost housing. The brief mentions, on page 4 that the Government will have to devise an adequate financing plan with as much practical application for lenders as for builders. I wonder whether Mr. Joubert would comment more specifically on what I think are interesting generalizations. For example, the brief says:

It is believed that such a plan should offer:

(1) Additional incentive for the lender, perhaps in the form of an increased guarantee.

Suppose we specify that a little bit.

Mr. JOUBERT: We realize the lender is in a difficult position but it is not our role to speak in his name. We realize that the managers of lending departments in any of the mortgage companies have to be careful with the money put in their hands and it is normal for them to place the money where it is best guaranteed and where it brings in the best revenue for the clients of the company. If the lenders are reluctant to lend on smaller houses then there has to be some means of helping them out and guaranteeing in some way that the money will not be lost.

Senator WALL: Right.

Mr. JOUBERT: We find that experience in the United States and Canada in regard to loans to low wage earners in appropriate communities indicates that the losses on such loans are not very big.

The CHAIRMAN: This may not be helping you, Mr. Joubert, but already there are guarantees provided by the Government for housing loans.

Senator WALL: Yes. What additional guarantees are you in favour of?

Mr. JOUBERT: We mention that in our brief because we realize that the lender has his own apprehensions, and some plan has to be devised to help erase those apprehensions. It is not our role to say what mechanism should be made use of or to say how he may be relieved of such apprehensions.

Senator WALL: But there have been no suggestions or wishes expressed by lenders on which you are making these generalizations?

Mr. JOUBERT: No.

Senator WALL: What about point No. 2?

It is believed that such a plan should offer:

(2) Supplementary assistance to the house purchaser with respect to his down payment.

Mr. JOUBERT: That might relate to the second mortgage market. The second mortgage for some people is a very bad thing and yet we know that the second mortgage market exists. Usually second mortgages are sold at very large discounts and there really should be a fluid market in all aspects of the mortgage market. The second mortgage market is not established, it is not public, and many second mortgages are sold privately at large discounts, and this causes quite a loss sometimes to builders and sometimes to the home owner.

Senator METHOT: If second mortgages were guaranteed then the second mortgage would become a first mortgage.

Senator WALL: What would be the purpose of a guaranteed second mortgage? Would you not attain the same purpose by accepting a lower down payment?

Senator BRUNT: May I point out Mr. Chairman, that in Ontario at one time the Government was in the second mortgage business. They bought thousands of second mortgages and it worked out very well.

Senator LEONARD: As far as the National Housing Act is concerned there are not supposed to be any second mortgages. Are you discussing conventional mortgages now?