

For home-owner applicants, these areas include centres with populations in excess of 55,000; and a bona fide builder may apply in any area, regardless of population. Many of the limitations of the agency arrangement have been carried over for the present, including requirement that the aggregate of Corporation loans and loans obtained under the 1957-58 agency arrangement may not exceed 25 units for any one builder. That is, the builder is still under the 25-unit limit put on last September.

Applicants for Corporation loans will be required to obtain refusal letters from at least two approved lenders normally expected to make loans in the area.

In other words, we stand as a residential lender anywhere in the country. If a home owner or builder comes to us with a refusal letter from two approved lenders, we stand in a residual position ready to lend, if he is credit worthy and if the project is satisfactory. In other words, the agency arrangement is for the present cancelled, and we have become a direct lender—not through the agency operation, but directly as a residual lender; and the 25-unit limit is maintained on the builders as at present. It may well be modified by August in preparation for winter work. This may be reconsidered by the Government if there seems to be a demand for rental accommodation, and if it seems advisable to consider augmenting the next winter program; but at this moment there is an adequate flow of mortgage funds going to builders, and we stand ready with part of these new funds we have available to step in every instance where a loan is not available.

The authority of the Corporation to buy and sell mortgage loans is given by two statutes—the National Housing Act and the Central Mortgage and Housing Corporation Act. Under Section 11 of the National Housing Act, the Corporation may purchase an insured loan from anyone who owns one; make loans to an approved lender on the security of insured loans; and sell to an approved lender any obligation owned by the Corporation, insured or otherwise.

Parliament apparently had in mind that these insured mortgages might be given greater liquidity, that they might some day become a kind of mortgage bond to be traded, bought and sold in the secondary mortgage market. A small mortgage market has developed: some \$200 million of these mortgages have been sold over the past three years, mainly by banks selling them to pension funds and institutional bodies of that type. So, there is a small secondary mortgage market already developed.

So far as the Corporation is concerned, we have not been able to engage in the purchase of these mortgages, because the Government has not seen fit to use this instrument. Had the Government seen fit to do so last fall, instead of appointing banks our agents, we could have gone out and bought their mortgage paper from them on the understanding that they would put the new funds into housing.

This would have been another way of achieving the same end; we could have bought the mortgage paper from them, the funds could have gone into housing, we could have held the mortgage paper, and if at any future date the banks were flush with funds again, they could buy the paper back from us. But this kind of market operation has not developed. The sale of mortgages have been bilateral sales like banks to pension funds.

The funds for purchase transactions may be provided from the Corporation's capital or its reserve or out of money appropriated by Parliament under Section 22 of the National Housing Act. The only sales to date have involved the sale to the Bank of Montreal of approximately 200 residual direct loans. By a reciprocal arrangement, the mortgage loans so sold were re-sold to the Corporation's pension fund.