

*How Can People of Low Income Obtain Housing
Under the National Housing Act:*

Until recently their chance of obtaining a home under the insured mortgage arrangements in the Act were poor. These loans were made almost wholly by private lenders—banks and life insurance companies—and the Corporation simply acted as the insurer of the loan. Prescribe certain standards of building and on a minimum term for the loan, but the initiative as to whether the loan was made or not rested with the private lender. Moreover most of the new housing built under this section of the Act was put in by builders building for sale, and their judgment of the market influences the type of housing that comes to be financed under the Act.

The average income of borrowers obtaining NHA loans from private lenders has been climbing steadily. In the period 1946 to 1957, the average borrower's income has risen from \$2,428. to \$5,857.

Here is what is happening now. Only about 6% of the loans made by private lenders under the Act are to people with individual incomes of less than \$4,000 and only a fifth of one per cent are made to those with incomes of less than \$3,000. The bulk of these loans are being made to people in the \$4,000 to \$5,000 a year class. This does not mean that the Act does not permit people of lower income to obtain insured loans. It is a question, on the one hand, of the size of mortgage required to finance the type of houses being made available by private builders and, on the other, of the type of house that private lenders are prepared to make loans on.

The direct lending activity of the Corporation prior to May 22nd was confined to centres of less than 55,000 population. This meant, in effect, that an applicant living in an urban centre had no prospect of obtaining a loan were he refused by an approved lender. Although the agency plan made an important contribution by providing Government funds for housing at a time when mortgage money was short and ensuring that this money was used for housing for persons of modest means, it in no way altered the fact that the decision whether to lend or not still rested with the approved lender.

At the present time, an applicant of low income can obtain a loan, however modest, to build a home—provided it conforms to the Housing Standards. The introduction of the agency arrangement had the stated motive of providing mortgage funds for more modest homes. The success of this plan can be seen in the drop of \$900 in the average applicant's income, compared with the insured loan borrower. Indeed nearly 60% of all borrowers under the agency plan, during the first quarter of 1958 had incomes below \$5,000 and, of these, one quarter had incomes below \$4,000.

Following the termination of the agency arrangement, the Corporation announced, in May of this year, that it would make direct loans in any centre, regardless of population.

If a borrower shows that he can build a modest home for a figure down as low as \$7,000 or \$8,000, exclusive of land, the Corporation will make a loan if he cannot obtain one from an approved lender. In fact approved lenders are making loans on just such properties as these in several parts of the country. Where land costs \$2,000, for example, a borrower with an income of \$3,200 can afford to pay \$8,000 for the structure.

Facilities are already available, under the National Housing Act, for the financing of low-cost housing, whether it be for rental or for sale.

Short of the Federal Government, through its housing agency, entering the field of direct construction, however, we must rely upon influences and persuasion in reducing the market prices of housing.