

Section 14 of the National Housing Act authorizes the Corporation, under certain conditions, to guarantee for a premium, returns of private investors from moderate rental housing projects. While this section is technically operative, the related loans under Section 15 are rarely available through approved lenders and the Government has instructed the Corporation that "direct" loans are not to be approved in this category.

The Corporation is also authorized to offer guarantees to life insurance companies for low cost or moderate cost rental housing projects or to institutional investors for land development. There has been no activity under these headings in recent years.

A third function of the Corporation is to make mortgage loans on low and moderate rental housing projects to prospective home-owners unable to obtain loans from private NHA lenders; and through agents of the Corporation to borrowers for low cost housing.

Under Section 16 of the National Housing Act, the Corporation, with the approval of the Government, may make a loan to a limited-dividend housing company to assist in financing the construction of a low rental housing project. A loan under this section may not exceed 90% of lending value. The present interest rate is 4½%. The period for repayment may not exceed the useful life of the project and, in any case, may not be for more than 50 years. The borrower enters into an operating agreement, with the Corporation fixing rentals, income ranges of eligible tenants and the establishment and use of reserves.

Section 40 of the National Housing Act authorizes the Corporation to make any type of loan that may be made by an approved lender under Part I of the Act where, in the opinion of the Corporation, a loan is not available to a satisfactory applicant through an approved lender. These loans are made on the same terms as if they had been made by approved lenders. This refers to parts of the country where there are no lenders, such as small towns and rural areas.

In 1957, a shortage of mortgage funds from approved lenders under the National Housing Act developed and, in spite of a substantial increase in the Corporation's direct lending operations, the volume of new residential construction declined and the building of smaller and lower priced homes suffered the most. A reduced rate of approvals also forecast a drop in construction during the winter of 1958.

To meet this situation, the Prime Minister announced on August 21, 1957 that the Government would make available about \$150 million for small home loans in all parts of the country. This amount was augmented by an additional \$150 million in December. The funds were made available to borrowers through the approved lenders acting as agents of the Corporation. In other words, federal Government funds were used to supplement the flow of private mortgage financing but the loans were placed by approved lenders for a fee. Loans were approved for home-owner applicants, builders and rental investors. Builders were limited to 25 loans in each area in which they were bona fide operators and rental investors were restricted to 100 units each. The so-called agency arrangement was suspended on April 10 because the funds provided by Parliament were virtually exhausted.

As members of the Committee will recall, a further amount of \$350 million was recently provided by amendment to Section 22 of the National Housing Act. It is the Government's intention—and the Corporation has been so instructed—that these funds be placed directly by the Corporation on a residual basis—that is, we are now concerned primarily with supplementing the supply of mortgage money for low cost housing in areas where normal lending facilities are not considered to be adequate.