limited to 90 per cent of the first $8,000 of lending value, plus 70 per cent of the remainder. When the restriction was lifted at the end of 1957, making it 90 per cent of the first $12,000, there was an immediate pickup in house building. It is hoped that the same thing will happen through the lifting of the present restriction. This, of course, relates to lending value and not purchase price. The amendment would have the effect of both increasing the loan and reducing the down payment. For example, take a house worth $10,000. I am not suggesting that a $10,000 house represents the average home now being built, but it is easy to illustrate with. For a house worth $10,000 the down payment would be lowered by $500; one worth $11,000, by $550; and one worth between $12,000 to $14,000, by $600. There are many families today whose income makes it possible for them to meet the monthly payments on a new home but they have insufficient funds to make the down payment. It is hoped that this bill will overcome that difficulty, the purpose, of course, being to help those families with lower incomes to obtain a larger loan to build or buy a house and thus reduce the amount of down payment required. This has often been substantial, particularly when other expenditures encountered are taken into consideration. It must be remembered that when a young couple build a house they have to furnish it immediately and spend money on other essential matters. Although the legislation is primarily designed to help those in the lower-income bracket, it must be realized that at least half the demand for National Housing Act dwellings is for housing worth $14,000 and above. Since 1954 the maximum National Housing Act loan for single-family dwellings has remained at $12,800. Construction costs have risen during the period and these higher construction costs have forced an increase in down payments.

There is no desire on the part of the Government to force borrowers under the National Housing Act to resort to second mortgages or other forms of financing in order to raise the necessary down payment now required. Limited to the smaller loan now obtainable, many home builders have been forced to obtain second mortgages, and I do not need to explain the rates that are charged for these second mortgages nor to point out that it can become very dangerous once a family of moderate means has the obligation of meeting the conditions of a second mortgage. Therefore, provisions are also being made to raise the present maximum loan, by regulation, from $12,800 to $14,200 for single-family dwellings with three bedrooms or less and to $14,900 for larger dwellings. The effect of increasing the maximum loan should be significant in reducing the incidence of secondary financing, such as in the case of second mortgages.

By making a higher loan available, monthly payments of principal and interest will naturally be increased. To keep these monthly payments within range of the borrower, it is proposed in this bill to allow lenders to extend the permissible repayment period from the present maximum of 30 years to 35 years where the longer period is required by the borrower's circumstances. That would not increase the monthly payments that have to be made now, in spite of the larger loan, if the borrower takes 35 years instead of 30 years to pay. Of course, as honourable senators know, if he does not need 35 years he can take a shorter period. In fact, he can pay the mortgage in full after three years with interest up to date. I think it has been the practice recently, that after one year, if the borrower wishes to pay the whole amount, Central Mortgage and Housing Corporation has accepted interest to the date of payment only.

To keep pace with the changes in home ownership financing, it is also proposed to increase the loan ratio for rental projects from 80 per cent of the lending value to 85 per cent. The maximum loans by regulation for rental housing, including row houses, duplexes and triplexes, will be similarly adjusted.

It is not proposed to change the interest rate at this time; and I think that with the loan companies, the trust companies and the life insurance companies being in the building business to a large extent, as they are now, it would be a mistake to lower the interest rate at this time to increase house building by virtue of being able to make loans from the Government, and at the same time to stifle or kill the loans that are coming from these other approved lenders. It was only when interest was raised to 6¾ per cent last fall that the approved lenders started going into the building industry in a very large way. In the present market, a lower interest rate would curtail the amount of private lending under the National Housing Act and impose new and heavier pressures on the federal Government to meet the demand for mortgage loans. It is not the intention to increase the demand for housing funds, which these amendments would do, and then stifle the incentive of private lenders.

The proposed amendments are also designed to give a wider scope to public housing in a designated urban renewal area and to home improvements. At present, urban renewal studies are going on, or have been undertaken, in almost every major city in Canada, probably with the exceptions of Edmonton and Calgary, which are very new