

area on which market values have been established by recent transactions. The third method and the one used under the Act is to estimate the current reproduction value of the property. Through the years we have developed a schedule of basic rates. For each city we have basic rates for bungalows, story-and-a-half houses, two-storey houses and apartment buildings. These rates, which are in terms of dollars and cents per square foot of liveable floor area, are adjusted for the size of house. At each end of the range of floor area the basic rate is lower than it is for more suitable areas. The rate is lower on small areas so as not to encourage the construction of large numbers of houses of absolute minimum area. The rate is lower for houses of large floor area because the building cost per square foot decreases as the area increases.

Standards and inspections

The National Housing Act requires that loans may be made to assist in the construction of a house according to sound standards approved by the corporation and under such supervision as the corporation may prescribe. We have established minimum building standards covering such items as room size, lot areas, window and ventilation areas, construction practices and other related matters. Plans and specifications are checked to see that the proposed dwelling complies with these standards and that the materials to be used have been approved for use in construction financed under the Act. During construction the lending institution makes a minimum of four inspections of the project, at about the following stages—pouring of footings, roofing, plastering and finishing. These inspections are primarily for the purpose of determining the extent to which mortgage money may be advanced and to see as far as is practicable, that construction follows the plans, specifications and minimum standards. The corporation inspection staff makes check inspections during the course of construction. These inspections do not constitute architectural supervision. Unfortunately, many purchasers believe that because a house is financed under the N.H.A., and subject to inspections during the course of construction, the corporation guarantees that in all respects the house complies with building standards and with any representations a builder may make. We have found it necessary to incorporate in our standard forms a warning to purchasers of houses built under the N.H.A. that it is the purchaser's responsibility to satisfy himself that the house he purchases measures up to the standards he expects. The sale transaction is between the builder and the home owner, and the home owner should make certain he has the assurances and safeguards he requires from the builder.

Loans to home owners

Home owner loans are made directly to a person who has made arrangements to have a house constructed to a design selected by him on land he owns. The maximum loan is 80 per cent of the lending value but in no case greater than \$10,000 for a single family dwelling or \$13,200 for a duplex. Under present policy if the cost of the house to the home owner is not in excess of the lending value established by the corporation, the maximum 80 per cent loan will be approved. However, if the cost exceeds the corporation lending value the loan will be limited to 66- $\frac{2}{3}$ per cent.

It is Canadian mortgage practice that the owner's equity must be invested in the property before any mortgage funds are advanced. This frequently causes difficulty for home owner applicants, particularly those who are doing some of the work on their house themselves. The lending institution at all times retains sufficient money in the mortgage account to complete the house. A home owner without resources beyond the equity required has difficulty in meeting his accounts, particularly around the time the first mortgage advance