

National Housing Act

probably indicate that there are many foreign lenders who cannot make loans if they are exposed to a loss of a part of the principal and that, by increasing the coverage from 98 per cent to 100 per cent, additional funds will be made available for mortgage lending that would not otherwise be available. I think it is reasonable to say that the wisdom of extending this coverage must, for the present at least, be a matter of opinion. We will have to live with it before its true worth will be apparent.

Subclause 2 of clause 3 makes it clear that this change in coverage applies only to loans made after the coming into force of the proposed amendment. This would seem, therefore, to divide insured loans into two categories, those covered for 98 per cent and those covered for 100 per cent. I would hope that the establishment of this second class with 100 per cent coverage will not mean the cutting down of the amount lent on the security. Again, we can only be sure after the legislation has been in force. Lenders have always been conservative in their lending under the National Housing Act. One of the most persistent difficulties since the very beginning of the National Housing Act has been the tendency not to make a realistic valuation of the security. Lenders have consistently placed lower valuations on the land than the price currently paid and they have tended to value the buildings at less than their actual cost. Practically every borrower in Canada will bear out this contention. I will have more to say on this aspect later.

I can fully appreciate the desire for caution but there has always been a consistent tendency to be conservative. An examination of the statistics published by Central Mortgage and Housing Corporation shows that only rarely does the loan made reach the limit prescribed by the act. May I emphasize that this is not a new development. In my opinion it has always been one of the great weaknesses of national housing legislation, the unwillingness of the lender to take chances of any kind. An examination of the records will show that lenders have preferred to lend less than the act permitted rather than to go the full limit.

I would hope that the 100 per cent insurance will not have the effect of increasing the degree of caution that has prevailed up to the present time. On the other hand, the proposed change may well have the opposite effect and make lenders more generous. Without in any way opposing the change, may I suggest that this might well have been achieved without a change in the act if Central Mortgage and Housing Corporation would encourage lenders to make more realistic valuations of the security.

The third principle involved in the bill is the increase in the amount which may be advanced to Central Mortgage and Housing Corporation out of the consolidated revenue fund. This is a serious matter involving not only the \$250 million by which we are increasing the fund in this legislation but also the purposes for which these funds may be used in the future. In this context we are considering not only the \$250 million but the purposes for which \$1 billion of public money may be used.

However, at the resolution stage we had an interesting discussion on housing and it is not my intention to speak at any length on this particular aspect. Certain aspects demand the attention of the government. Despite the large number of starts in 1958 the government's own figures prove that the current program is not meeting the housing needs of the lower half of the income scale. These are the people who should be benefiting from our housing legislation. I am sure the minister will agree with that.

Means must be found to narrow the gap between the amount of the loan and the cost of the dwelling. I think the whole story can be found in a table on page 16 of the report of the corporation. Taking the second quarter of 1958 we see that the average amount of loans was \$11,609 against an average cost of dwellings of \$14,985. In the third quarter of 1958 the average amount of loans was \$11,545 and the average cost of dwellings was \$14,937.

The same thing is true to a lesser extent in the small home loans category. I shall not detain the house to give those figures but there is the proof that this gap must be narrowed. I think that the government should try to narrow that gap rather than cheapen the construction of houses.

Means must be found to counteract the ever-rising cost of housing through the use of new materials and new technical know-how. The best brains in the construction industry should be enlisted for this purpose, and I think the government can show great leadership in this type of study and research.

The ever-rising cost of serviced land should receive the most serious attention by the government as this continues to be the most serious contributing factor to the ever-rising cost of housing.

There is another matter I should like to say a word about before I finish. I think the time has arrived when consideration should be given to the lengthening of the amortization period and I believe that consideration should be given at this time for several reasons. There is the obvious effect that it would have in making houses available to more people. In addition, in view of the