

vision and inspection of construction from the time the contract is awarded until the completed buildings are turned over to the Department of National Defence.

11. In addition, under the Central Mortgage and Housing Corporation Act provision was made that the Corporation might provide rediscount facilities to the lending institutions—the purchase of mortgages and debentures and loans on pledged mortgages.

It is to discharge our responsibilities under each one of these eleven activities that our administration has been developed. We have not subdivided our organization for each one of these activities but rather into five major divisions to look after the type of function contained in each one of the eleven responsibilities. For instance, our real estate division looks after the management of all real estate which has come from six of the eleven responsibilities which the corporation has assumed.

It is the operations of these five divisions which I would now like to discuss.

II Operational functions of the corporation—

1. Lending operations

(a) Joint lending

Procedure

The principal lending operation under the National Housing Act is carried out jointly with approved lending institutions. Joint loans are shared 75 per cent by the lending institution and 25 per cent by the corporation. Lending institutions are approved as joint lenders by the Governor in Council if the Governor in Council is satisfied that the company is in a sound financial position and has the necessary facilities and staff to carry out the process and inspections required by the National Housing Act and the regulations under the Act. The corporation is the junior partner in National Housing Act joint loans not only in the extent of financial participation but also in the selection of risks and administration of loans. The agreements with the lending institution provide that applications for joint loans will be received by the lending institution. If after examining the proposal the lending institution is prepared to join in a loan, it forwards the application, plans and specifications, to a corporation branch office stating the lending value which it has placed on the project and the amount of loan in which it is prepared to join. The proposal is then appraised by the corporation and a lending value determined independently of the lending institution. If the corporation is satisfied to make the loan, the corporation advises the lending institution that it is willing to join in the loan based on the lower of the two lending values. From that time on the lending institution is responsible for the administration of the loan. It is their responsibility to advise the borrower that the loan has been approved and make the necessary arrangements for the preparation and registration of the mortgage, to carry out progress inspections, make advances on the loan, set the interest adjustment date and collect payments on the loan as they become due.

The lending institution gives an accounting on a bulk basis to the corporation for joint loans under its administration. Advances and repayments are netted down by the lending institution which remits or draws on the corporation as required. Quarterly, each lending institution reports loans which are three months or more in arrears, and takes foreclosure action when necessary.

In determining lending values, there are three general approaches to appraising real property. One is by capitalizing the rent earning capacity of the property, another is by comparison with similar properties in the same