

ties, and it is sometimes suggested that mortgage lending was one of the prime causes. Careful analysis of United States Bank experience indicates that their mortgage problems arose mainly in connection with industrial and commercial rather than residential mortgages. Moreover, it should be borne in mind that the proposed changes in the National Housing Act will provide a very different kind of investment from the type of housing mortgage which was current in the twenties and early thirties. The insurance feature eliminates any possibility of substantial losses being taken by the chartered banks on their mortgage portfolio. There is the added safety, not present twenty years ago, of principal, interest and taxes being paid by the borrower on a monthly basis.

#### LIQUIDITY

"In addition, provision is being made for liquidity of the mortgage portfolios held by banks. In this legislation provision is made that Central Mortgage may purchase mortgages from approved lenders. In addition the Government has announced its intention of proposing an amendment to the Bank of Canada Act whereby the mortgage portfolio of the banks will be eligible for loans from the Bank of Canada, as is presently the case for Government Bonds.

"As the Prime Minister said in announcing this policy on October 1, the establishment of mortgage insurance will make it possible, by safeguarding savings deposits, to remove a barrier to the natural flow of the people's savings into housing investment. Because the banks have a widespread branch system, the benefits from participation by them in housing finance should be particularly important in those communities where other lending institutions have found it difficult to provide facilities for making and servicing mortgage loans. The introduction of an important group of new mortgage lenders should make more private funds available for home mortgages and better facilities should exist in mortgage lending in smaller communities.

"This brings me to the Bill which is now being considered. I will review it briefly. It is proposed to terminate the joint lending arrangement as presently contained in the National Housing Act and to substitute therefor one under which Central Mortgage will insure mortgages made by approved lending institutions to finance new residential construction.

"It is proposed that the group of lending institutions presently authorized to operate under the National Housing Act will be enlarged to include the chartered banks and the Quebec Savings Banks. The amendment to the National Housing Act will have the effect of permitting the banks to make insured loans.

"There will be three types of insured mortgage loans, firstly, those to assist in the construction of houses for home ownership;

secondly, those to assist in the construction of rental housing; and thirdly, those to finance the conversion of existing houses into multiple housing units.

"The amount of the loan will be based upon a statutory percentage of the lending value and will be subject to a dollar limit to be set by the Governor-in-Council. The National Housing Act now makes loans available up to 80%. The Bill before the House contains provision that there will be an 80% maximum ratio in the rental field, but in the home ownership field the ratios will be on the basis of 90% of the first \$8,000 and 70% of additional lending value. This has the effect that up to lending values of \$16,000 the ratio of loan to lending value will be greater than 80%, with corresponding lesser amounts of equity or down payment requirements.

#### MAXIMUM LOANS

"The proposed legislation contemplates, as in the present legislation, that the Governor-in-Council shall establish maximum loans which may be made in the home ownership, rental and conversion fields. It will be recalled that at the present time the maximum loan is \$10,000 for home ownership. In setting the limit of loan one consideration will be that present costs of residential construction are about 25% higher than they were when the \$10,000 was set...."

The Minister went on to explain that the period of amortization for home ownership loans would be 25 years as a minimum and 30 years as a maximum; Central Mortgage would insure mortgages that were in accordance with the statutory requirements and regulations; and the Governor-in-Council would by regulation determine the maximum interest rate which might be charged. In that connection he said he believed that in the light of the guarantees provided by the legislation a rate of six per cent would be too high.

Debate is proceeding.

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**PHYSICAL EDUCATION SCHOLARSHIPS;** Scholarships valued at \$4,000 for postgraduate study in physical education, recreation and physical medicine are to be awarded this year by the Department of National Health and Welfare, it was announced on January 23 by the federal Health Minister.

Mr. Martin said that such scholarships were established several years ago to help overcome the scarcity of professional personnel with advanced training in physical education and recreation. They are for postgraduate study only and are restricted to Canadians who have had at least three years' full-time experience in physical education or recreation in Canada, including at least one year's experience since obtaining a degree.