

Mr. Hignett: The chartered banks, the life insurance companies and the trust companies make loans to builders, to rental entrepreneurs, and to individuals, for very large quantities of housing each year, and these loans are insured under the National Housing Act by the mortgage insurance fund. Those loans are made at market rates of interest which vary from time to time depending on the capital market. The direct loans made by CMHC in very large part are loans that would not be made by the private lending institutions under any circumstances. They are loans for highly special purposes directed mainly at older people and low income people in the country. Those are made at the lowest rate that can be achieved, having in mind the cost of borrowing money by the Government of Canada.

Senator Denis: There could be a difference of 2 per cent.

Mr. Hignett: At the moment there is a difference of about 2 per cent.

Senator Inman: Is there any difference between securing loans in the city and in rural parts of Canada? If a farmer want to borrow money to upgrade his holdings, would it be more difficult for him to get a loan than for someone living in town?

Mr. Hignett: It is rather easier for him, senator. The reason is that he has not only the National Housing Act, but more importantly he has the Farm Credit Corporation, and their deal is much better than ours. Very few farmers ever come to CMHC or ever take advantage of the National Housing Act, because the lending arrangements under the Farm Credit Corporation are much superior.

The Deputy Chairman: You mentioned earlier about grants to individuals for low-cost areas. How are these grants made? Is there a limit on the grants? Do you take security on the house? Is it an outright free grant? What criteria would you use in making a grant to an individual in a low-cost area?

Mr. Hignett: Well, in low-cost areas, at the beginning of this year at least, the cost of housing ranged from about \$15,000 to \$18,000. Now to own such a house would require the payment of principal, interest and taxes in a given amount, and there are many families who just cannot afford to pay that amount. So the idea is that for lower income families who are prepared to pay 22 per cent of their income for housing the actual monthly payments will be tailored to that income; and to the extent that the monthly payment that they can afford to pay is short of the monthly payment that is required to amortize the house, that short-fall will be forgiven, and written off the books of CMHC. The grant is made in that way. It is not made as a cash transaction as between the lender and borrower.

Senator Denis: It is dependent on his monthly payment?

Mr. Hignett: It has to do with his monthly payment, on whether he has the ability to pay.

The deputy Chairman: Only for new homes?

Mr. Hignett: Oh no. For single family dwellings, for condominiums, both new and existing.

Senator Inman: If the farm corporation refuses the loan, so would the CMHC.

Mr. Hignett: There are a number of reasons why an approved lender may decline to make loan. Approved lenders tend to have their mortgage offices in the big cities in the country. We are building, these years, about 250,000 houses a year. The approved lenders, one way or another, account for about 160,000 of these. So they are very active, and there is a strong demand for all of the money that they have available for investment in the cities and towns of Canada.

These companies do not generally maintain arrangements in very small places, in the rural areas or in the frontier places where new communities are developing, and they often decline to make loans in these areas mainly because they are in no position to service them. Not that they have any doubts about the ability of a borrower to pay, but because it is just too expensive for them to take it on. We take those happily. But if a borrower seems on the point of buying or building a house that he simply cannot afford, and they decline him for that reason, then we would talk to the borrower along the same lines and say, "You really cannot afford this house". We go over it with him very carefully to endeavour to show him what part of his income will be devoted to it. This sometimes leads to a more modest house.

There are other occasions where a borrower has incurred debts of a wide variety. There is just nothing left to let him borrow for a new house, and we have to decline for that reason, as would an approved lender.

Senator Bourget: A very important amendment has been brought into the bill which has to do with land assembly. Some people are raising doubts about the amount of money that is being put aside. The amount is \$100 million a year for the next five years. According to your experience, do you think that amount of money will be sufficient to meet the requests and demands that will be made by provinces or municipalities?

Mr. Hignett: I think Mr. Basford would be delighted if it proves not to be enough. Quite apart from the \$500 million to be used for this purpose over the next five years, there is also the loans and grants available under the sewage treatment facilities to build sewage treatment plants and trunk sewers to service new land assembly areas. Potentially this could also require \$500 million over the next five years.

Up to this moment in time, one way and another the land assembly provisions have been in the act for some years, although not the same and not as generous as these. We have not yet come anywhere near the \$100 million, despite the encouragement, the lobbying, the selling we have tried to do. Our best year has been about \$70 million. So, based on our experience in the past, we thought that \$100 million a year, at least in the first year or two, would prove to be optimistic. We hope this will not be the case.

Senator Bourget: I ask this question because doubts have been raised in many quarters, even in the two houses of parliament. For the record, this amount may be sufficient, but if not the minister said he is ready to make more money available to meet the needs and demands.

Mr. Hignett: Certainly it will be a much bigger program than we have been able to generate in the past.