Mr. BATES: It is a do-it-yourself proposition. This is the shack group you see around all large cities; people doing building by flashlight in the evening; some, with a little bit of co-operation, as in Nova Scotia, but that is really the only province doing much co-operative housing. I am referring to the poor man at the lower end of the income scale, that is $3,000 a year and under, who really cannot get into mortgage borrowing he must finance himself, perhaps getting a loan from a bank on the side, but doing it the very hard way often as a do-it-yourself proposition.

One-third of the new houses built are financed by conventional loans. These are provided either by private individuals or credit unions or by lending institutions, such as life insurance companies, trust and loan companies and fraternal organizations. Lending institutions are prohibited by law from making loans for more than 60% of the appraised value of a property. There is, of course, no limit on the amount of loans made by individuals and credit unions, but generally these lenders also limit themselves to a maximum of 60%. Terms of conventional loans, including rate of interest, are not controlled.

The remainder of the new housing is built with some form of participation by the Federal Government. During the last 10 years, this has been the case with between one-third and one-half of all the new houses in Canada. A small number are built for government use or result from direct government investment. Examples of the first type are married quarters constructed for the Department of National Defence or housing built for government employees in remote areas—Department of Transport and so on. In addition, there has been a small volume of public housing, the funds for which are provided partly by the Federal Government and partly by provincial or municipal governments.

Housing is also financed under government lending programmes other than the National Housing Act; these include the Veterans' Land Act and the Canadian Farm Loan Act. The numbers are small.

The bulk of the housing which involves Federal government participation is now built with National Housing Act mortgages, either under the insured loan arrangement or with funds provided by Parliament and advanced to the borrower by Central Mortgage and Housing Corporation. These loans provide for longer terms, lower rates of interest and smaller down payments than would be available elsewhere and many families are thus enabled to acquire a home of their own.

One of the continuing problems of new house financing is the need to ensure a steady and sufficient flow of mortgage money. The principal lenders are also large-scale investors in other forms of securities, such as government and corporate bonds. Thus, when the demand for long-term money by governments or corporations is high, the supply of mortgage money tends to be tight. In such times, rates of interests in the capital market rise. This affects, in particular, the supply of money for NHA insured mortgages since the maximum rate of interest that can be charged on such mortgages is limited by legislation. The rates are established by Order in Council; the government is subject to certain limitations in setting the rates. For example, the maximum rate on NHA insured mortgages cannot exceed by more than $2\frac{1}{4}\%$ the current yield on Federal 20-year theoretical bonds.

By contrast, there is no ceiling on rates of interest charged on conventional mortgages loans and lenders consequently prefer to direct their money into this type of loan, particularly when interest rates are rising. The main brunt of any shortage of mortgage money therefore falls on the National Housing Act sector of the housing program. This, as members of the Committee are aware, was what happened last year. Moreover, it was apparent at the time