

monthly payments on account of principal and interest and taxes do not exceed 23 per cent of such income.

Under every sound mortgage lending system it is necessary to ensure that home owners are in a financial position to acquire a new home. When I was a small boy there used to be a rough working rule that a man could only afford to pay in monthly rent, or equivalent, about one week's pay. This still is probably a fairly sound rule of thumb measurement. But everyone who has been in the mortgage business knows that there are exceptions to any such rule. Under the arrangements between Central Mortgage and the lending institutions there is no requirement that where the debt service—being payments for principal, interest and taxes—is in excess of 23 per cent, the loan cannot be made. Rather, Central Mortgage says to the approved lenders, "If the debt service is less than 23 per cent, then we are quite happy to have you use your judgement upon the credit-worthiness of the borrower without reference to Central Mortgage. If, however, the debt service is above 23 per cent, then we would like to examine the credit risk with you."

Hon. Mr. Isnor: Whom do you mean by "you"?

Hon. Mr. Macdonald: The lender. Well, it might be the bank. Central Mortgage knows perfectly well that there are credit-worthy borrowers where the debt service is as high as 25 per cent to 27 per cent. In fact, in its operations in 1953 some 12 per cent of the loans approved under the National Housing Act involved a debt service in excess of 23 per cent. Those who have been doing so much talking about this limitation, which is not a limitation at all, seem to feel that reasonable assurance that the borrower can meet his monthly payments is an unreasonable requirement. I have no sympathy for this point of view, because I feel that it would be most unsound and, indeed, a doubtful favour to borrowers if the administration of the National Housing Act placed no check upon loans being made to home owners who cannot afford to own houses.

Honourable senators will notice that, as in the present National Housing Act, Bill 102 contemplates insured mortgage loans on new residential construction only. The important task before us is to increase the supply of housing. I know that a case can be made for the government to assist in the financing of existing houses which are bought by home owners unable to afford new houses. However, the problem at the moment is to find sufficient financing to look after our new-housing program. While this remains one of

our most important problems, I think it would be most unwise to divert funds, required for new housing into the existing residential field. A day may come when such a step is desirable. I do not consider it to be a prudent course at this time.

The bill re-enacts, with minor changes, all the provisions of the National Housing Act other than the joint-loan provisions, which are being replaced by insured-mortgage loans. The provision for high ratio loans for a long period of years, at low interest rates to limited dividend companies is being re-enacted. This section of the act is being used by local groups to provide low rental housing, not only for families but for elderly people. Last year some 1,500 low-rental units were constructed under this section, and present prospects are that the section will enjoy increased use in 1954. Likewise, the provision for federal-provincial partnership in the fields of land assembly and subsidized housing is being re-enacted. Nine of the ten provinces have legislation on their statute books complementary to this provision, and I believe that such a co-operative arrangement is a permanent part of the manner in which housing will be developed in Canada over the years to come. The slum clearance provisions—under a new name not including the word "slum"—are being continued. The section providing for research in the housing field is being re-enacted.

Now let me return to a consideration of the major provisions of this bill by answering three questions:

1. Is this legislation good for Canadians who wish to own a home?
2. Is it good for the economy as a whole?
3. Is it good for our financial institutions?

Dealing now with its effect upon prospective borrowers, I think there can be little argument that high-ratio loans are required for the development of new home ownership in Canada. I think all would agree that long terms of amortization should accompany such high-ratio loans. There can be little argument but that conventional loans on a 50 per cent to 60 per cent basis are inadequate for the average prospective home owner. However, these 50 per cent to 60 per cent conventional mortgage loans are as far as the average lender is prepared to go under a conventional mortgage. In fact, many of our institutions are limited by law to 60 per cent conventional loans. The whole purpose of the housing act, both the present one and the legislation now before us, is for the federal government to bridge the difference between conventional loans, satisfactory to private lenders, and higher loans to meet the requirements of prospective home owners.