THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, July 31, 1958.

EVIDENCE

The Standing Committee on Finance, to which was referred the report of the Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957 met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, the hour of 10.30 has arrived and we have a quorum. We have with us this morning two of the officers of the Toronto Metropolitan Homebuilders' Association. We also have with us this morning Mr. Stewart Bates, President of Central Mortgage and Housing Corporation, the Steering Committee having decided that it would be wise to have Mr. Bates present at this last meeting of the committee to sort of tidy up and wind up the proceedings.

First of all I will introduce Mr. Louis A. Rice, president, and Mr. W. G. Clements, secretary-manager, of the Toronto Metropolitan Homebuilders' Association.

Mr. Clements will deliver the brief on behalf of the Association.

W. G. Clements, Secretary-Manager, Toronto Metropolitan Homebuilders' Association, Toronto, called.

Honourable senators, the Toronto Metropolitan Home Builders' Association has been continuously active since its incorporation in 1921. It has a membership of approximately 600, consisting chiefly of merchant builders but also including supply and service firms and sub-contractors in the house building industry. This organization is an affiliate of the National House Builders Association which has already appeared before you. However, we appreciate the privilege of presenting information on matters affecting house building costs and financing, particularly as they apply to a rapidly growing area such as Metropolitan Toronto, for which we speak.

Firstly, may we say that at the centre of today's housing problem is the need to bring costs down within the grasp of the maximum number of wage earners. As an Association we built some demonstration low rental units in 1954 which, with government co-operation in regard to land acquisition, our members hoped to be able to produce in quantity to rent at $58 monthly. Over 6,000 cards expressing a desire to rent such accommodation were received from visitors to the houses. The project did not materialize, but the response did further convince us of the need for lower cost accommodation.

To reach the average wage earner, every housing dollar that can be saved without impairing structural or financial soundness must be saved. A house selling at the average NHA price of $14,362, and with a mortgage of $12,527, requires an annual income of $4,452, on the 27% debt ratio basis. In other words, every $1,000 of mortgage means a difference of approximately $7.00 in the weekly pay envelope required to qualify for the mortgage.

While builders were highly pleased with CMHC's recent change to a 27% debt ratio basis, we might point out that some lending institutions refuse to recognize it and still insist upon the old 23% basis. At least one company will accept the 27% on direct loans only; not on regular NHA insured mortgages. Where the 23% basis is used, every $1,000 of mortgage means a difference of