

GOVERNMENT



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WEEK'S EVENTS IN REVIEW

NEW HOUSING LEGISLATION: The chartered banks of Canada are to be permitted to enter the residential mortgage field under legislation now being discussed in Parliament. The Minister of Public Works, Mr. Robert H. Winters, explained the impending changes in the House of Commons on January 21, in moving second reading for his bill to amend the National Housing Act.

After a review of housing legislation and accomplishment to date, Mr. Winters dealt with the main principle of the new legislation as follows:

"It is quite clear that if there is to be an increase in private lending, additional funds must come from somewhere other than the present sources of institutional mortgage funds. The only other source of significant size stems from that part of the personal savings of individuals which year by year flows into savings deposits with the chartered banks. It is realized that at the present time these deposits are rather fully employed in other directions but we must remember that in conditions of normal growth in Canada there should be a substantial annual increase in savings deposits.

"Under our present laws these funds cannot move into the housing sector because the Bank Act prohibits bank lending on the security of real estate mortgages. It is important to remember that the chartered banks perform in Canada a function with respect to savings that

in other countries is performed not only by the banks, but also by building societies, mutual savings banks and savings and loan institutions. Because of the dominant position of the chartered banks in the savings field in Canada, and because mortgage lending is prohibited by the Bank Act, the housing sector is denied access to a large part of the funds which in other countries are available to finance home building.

"This situation in Canada is unique. In the United States the commercial banks, the mutual savings banks and the savings and loan institutions who are the chief holders of the public's savings deposits have been an important factor in the residential field and between them are providing about 60% of all new money in mortgage financing. In Australia the banks are a larger source of mortgage funds than the life insurance companies. In contrast, in Canada the life companies provide approximately 80% of all institutional mortgage financing.

"It is these circumstances, together with the wide geographical distribution of the branch banks in Canada, that have led us to believe that with proper safeguards it should be made possible for the chartered banks to enter into the new residential mortgage lending field.

"Honourable Members will recall that the banking system in the United States encountered certain difficulties in the early thir-