private financing of houses for Canadians. The basic principle of the major changes is to introduce an insurance system which will encourage private lenders to make insured mortgages. It is true that the bill provides that if loans for homes are not available, then Central Mortgage may make loans on the same terms and conditions as they would have been made by private lenders. During the last eight years the need for such residual lending power has been very evident. There were certain areas in which the present group of private lenders were unwilling to operate, even under the terms of the National Housing Act. It is the government's view that loans under the National Housing Act should be available for every credit-worthy home owner in every part of the country. We would greatly prefer that these loans would be made by private lenders, but if such is not possible, then the government has no hesitation in entering the field, but only after every avenue has been exhausted in trying to get such financing from private sources.

The insured-loan technique introduced by this legislation is not an experiment, nor is it an untried system. In many respects it follows the procedure in the United States under the Federal Housing Act, but there are important modifications to meet Canadian needs. The principle of the payment of an insurance premium by a borrower is the same, but, under our legislation, takes the form of a single premium capitalized into the mortgage, whereas in the United States there is a rather cumbersome procedure whereby the insurance premium takes the form of one-half of one per cent of the annual reducing balances. The equivalent premium being charged in Canada is considerably lower than in the United States. The loss settlement payable to approved lenders is on a more favourable basis than in the United States. Under our proposals there is provision for the ownership of insured mortgages by individuals who are not approved lenders. These and other modifications are designed to meet our circumstances.

Perhaps as important as any change in the legislation is the widening of the group of approved lenders to include the chartered banks and the Quebec savings banks. Honourable senators will appreciate that by far the largest pool of savings of the Canadian people is in the savings accounts of these banks. Up to the present, under the provisions of the Bank Act, there has been a prohibition against the use of these savings to finance residential construction. Under the terms of this legislation such prohibition is being removed.

The provision to make it possible for individuals other than approved lenders to own insured mortgage loans is an important one. It is hoped that by such provision it will be possible to interest not only private individuals but estates, pension funds, and other groups anxious to invest money on a long-term basis to buy insured mortgage loans. Should any success attend our efforts in this respect, then we will find still another pool of savings to assist in the financing of our residential construction program.

It will be noticed that the bill contains important provisions to ensure marketability and liquidity of insured mortgage loans. Honourable senators who, like myself, have had something to do with the investment of funds of individuals and estates, appreciate that one of the great difficulties of mortgages as an investment has been elements of non-liquidity.

This marketability and liquidity are most important provisions for the benefit of the new group of lenders—the chartered banks and the Quebec savings banks. It seems to me that, having taken the decision to allow savings deposited with these institutions to be used for financing residential construction, then it is most important not only that the greatest of security be provided for the banks, but also that marketability and liquidity be beyond question. A combination of the facilities provided in the amendments now being considered to the Bank of Canada Act, together with clause 11 of this bill, whereby Central Mortgage is empowered to purchase and lend against insured mortgages, does this very thing. I am sure honourable senators will agree that real doubts might have existed about legislation which did not contain these important provisions.

Under the new legislation loan ratios have been increased, resulting in a lower level of down payments required from the average home owner. By this step the government is attempting to widen the band of prospective home owners and to make it easier for the average Canadian to own his own home.

Likewise, the period of amortization is being increased. Under the National Housing Act in its present form the period of amortization has been generally twenty years. Under the new legislation the usual period will be twenty-five years, with provision that the amortization may be as high as thirty years. This will have the result of reducing the monthly payments due on the mortgage. By this means also the band of potential home owners will be considerably widened.

During the last few weeks there has been a lot of discussion and even more misunderstanding of a so-called rule of the National Housing Act that is said to require the new home owner's income to be such that the