

LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
5TH COUNCIL, 32ND SESSION

RECOMMENDATION TO COUNCIL
NO. 4-32

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NORTHWEST TERRITORIES

RECOMMENDATION TO COUNCIL NO. 4
(First Session, 1966)

HOME IMPROVEMENT LOAN PROGRAM

DISPOSITION

Accepted as Read.....
Amended.....See Text
Rejected.....See Text
Deferred.....See Text
Not considered.

HOME IMPROVEMENT LOAN PROGRAM

At the 29th Session, Council discussed the suitability of the Central Mortgage & Housing Corporation Home Improvement Loan Scheme in the Northwest Territories and recommended that a study be carried out to determine whether there was a need for the Territorial Government to undertake the operation of a home improvement loan program. (Raised under allotments, Page 438.)

Background Information

In late 1963, or early 1964, N.C.P.C. sent a representative to Aklavik to check the domestic services, wiring, distribution system, and the power requirements of the settlement. They found that approximately 67 of the 72 private dwellings were unsatisfactorily wired and would not be approved by the Canadian Electrical Code. To remedy this, the Regional Administrator recommended that a form of home improvement loan be instituted to permit the wiring to be brought to a satisfactory standard.

In considering this recommendation, the Commissioner suggested that a home improvement loan on a Territorial basis, companion to the Low Cost Housing Loan, be put into effect. At that time, a C.M.H.C. Home Improvement Loan Program was in effect in the Northwest Territories, but the Department suspected that the existence of this plan was known by only a few residents.

Section 24 of the National Housing Act authorizes C.M.H.C. to give a limited guarantee to banks or approved installment credit agencies in return for an insurance fee paid by the borrower on loans made for additions, repairs, and alterations. A home under this program includes apartment buildings, and housing projects. The borrower can obtain a loan up to \$4,000 for a variety of home improvement projects, at the maximum interest rate of 6% per annum repayable over 10 years.

C.M.H.C. was approached to consider a public information program in the Mackenzie District. There is a need for greater and more effective advertising of the Territorial Low Cost Housing and the C.M.H.C. Program. C.M.H.C. may not have been as active as desired in advertising its Loan Assistance Program; but, in recent talks with their officials, the administration has pointed out the need for an extended service in the Northwest Territories. As a result, there is every indication that the Corporation will extend its activities in the North in the next few years. No scheme set up by the Territorial Council could be operative any earlier. In regard to the Territorial Low Cost Housing Loans, it is expected that a major publicity campaign will be underway by January, 1966,

Arguments for the Separate Scheme

Although a number of persons in the Northwest Territories are now borrowing under the C.M.H.C. Program, the conditions and repayment terms under which these loans are usually granted are too strict for many N.W.T. residents. This prompted the idea of a separate Territorial program on more favourable terms.

Arguments Against a Separate Territorial Program

On the more specific problem of making funds available on an individual loan basis to residents of Aklavik, the administration is doubtful that this kind of approach should be encouraged. The Council could easily become involved in the cost of wiring every house in the North.

Loans for subsidized housing and home improvement are obviously a worthwhile goal, but it should be noted that only one Province, Quebec, offers such assistance. In other words, there is no general

pattern of provincial government aid. The need to borrow money to finance home improvement loans for the Northwest Territories means that the Federal Government would have to be convinced that any proposed program is in the overall interest of northern development. There does not seem to be any conclusive arguments to demonstrate this, and therefore it seems unlikely that the Federal Government would approve loans for such a program.

Existing Conditions

As stated above, C.M.H.C. and the chartered banks already offer a scheme. Since its introduction in 1961, the banks have granted 154 loans for a total of \$317,390 (see Appendix 1). It is in the banks' and approved credit agencies' interest to offer such loans whenever and wherever possible. Any loans refused by them are probably on the grounds of unsuitability of the applicant because of the financial risk involved, lack of equity in the building, or unsuitability of the property. The question is, will the Territorial Council, or the Federal Government, from whom the monies will be loaned, be in any better position to accept greater credit risks, or to contemplate putting public money into substandard private housing which may remain substandard even after the expenditure of \$2,000 or \$3,000 and that perpetuates an already bad housing situation? It is difficult to visualize a more extensive program run by the Territorial Government with a cheaper rate of interest, or a longer repayment term.

It would probably be better to promote public housing programs and extend the use of a Territorial mortgage scheme. For example, the payments on a \$3,000 home improvement loan, amortized over 10 years (the maximum time under the C.M.H.C. Scheme) at 6% interest, amount to \$33.20 per month; the repayments on a \$6,000 Territorial housing mortgage, amortized over 20 years, at 7 1/4% interest, amount to \$47 per month, and for the latter the administration gives a \$1,000 grant. The difference of \$13.80 per month in repayments is hardly worth the trouble of a home improvement grant on a substandard property. A new home has a psychologically beneficial effect on the family and an economical benefit for the community by increased taxes and increased industrial activity.

Many home improvement loans will be for less than \$3,000 and for particular purposes, such as renewing electrical wiring, or providing electrical services. However, loans on the smaller amounts may be obtained under the C.M.H.C. - Banks Scheme. If the administration entered into such low loans, it would have to be involved in the question of what standard of wiring or installation is suitable. The administration would need to establish a technical inspection service and provide suitable building codes.

At present the administration has neither the authority nor the personnel available to handle the clerical and technical work required for such a program. C.M.H.C. already has an adequate, well-trained staff at its disposal. A Territorial program would be an unnecessary duplication of services available under the C.M.H.C. Program.

For those northern residents, who for financial or other reasons find the repayments of the Territorial Program, or the C.M.H.C. Improvement Program beyond their means, the administration is at present exploring the possibility of providing rental housing for non-Indian and non-Eskimo families. This would be in line with public housing projects constructed in Southern Canada with the assistance of C.M.H.C. The administration hopes to have a paper prepared on this for consideration at the next Council Session.

Recommendation

The Commissioner therefore recommends that the Territorial Council does not institute a separate home improvement loan program.