

Bank of Canada's workings prove interesting and useful

Ever wonder what the Bank of Canada does that so affects the cost and supply of money?

Explanations of the central bank's arcane manoeuvring tend to put people to sleep. This need not be so. The Bank of Canada's workings are complicated, but they can be interesting as well. It plays a cat and mouse game with financial markets, sitting back and watching market players grow reckless. Then it pounces.

It is useful to understand how the bank works and what it cares about because it can affect your saving, borrowing and spending.

The Bank of Canada is the federal government's banker. It is run by John Crow, governor. Mr. Crow reports to Finance Minister Michael Wilson. Unlike the U.S. central bank, the Federal Reserve Board, the Bank of Canada does not claim to be independent of government.

Lately, the bank has been watching the money supply. Simply put, the money supply measures currency in circulation and money in the bank. When it is growing, people borrow and spend. When it begins to shrink, they cut back: banks have less money to lend, so people have less to spend.

TRICKY MOVES

The bank can influence the money supply in two ways. It can increase or decrease settlement balances - the amount of money that financial



Dianne Maley
Your Business
Thomson News
Service

institutions have available to them at the central bank. Or it can buy and sell Government of Canada treasury bills in the open market.

Financial institutions keep bank accounts with the central bank so they can clear their transactions through it. But the central bank controls the total amount of money available to the banking system. Because it is Canada's banker, the central bank can shift government deposits from the banks' accounts to its own account. This reduces the amount of money available.

It can also drain money from the system by selling T-bills on the open market to financial institutions. The financial institutions have to come up with the money to pay the central bank for the T-bills. When it wants to add money to the system, the bank buys bills from them instead.

All this fancy footwork has an effect on interest rates. If the bank floods the system with money, this puts downward pressure on the cost of borrowing because bankers have more to lend. If it wants to put upward pressure on rates, the central bank reduces the supply of money.

When it does this, bankers find themselves short of money to meet their reserve requirements. They call some day loans, forcing interest rates up on the overnight market. If the pressure is kept up, the rate rise moves along the term spectrum.

Rising rates curb spending. They also prompt people to switch from cash and bank deposits to longer-term investments. So the amount of ready cash in people's hands tends to shrink when interest rates rise.

People might decide to buy T-bills, which, like Canada Savings Bonds, are not included in the money supply.

For the past year or so, the central bank has been trying to slow the economy. So it has been putting upward pressure on interest rates. This has only recently begun to work and money supply growth to slow. By watching its progress, analysts are able to predict the direction of interest rates. Unfortunately, money numbers are not an infallible guide, so analysts are not always right.

Survey Completed Wednesday, August 8, 1990	MORTGAGE RATES ANNUAL INTEREST					
	SIX MONTH	ONE YEAR	TWO YEAR	THREE YEAR	FOUR YEAR	FIVE YEAR
TRUST COMPANIES						
Canada Trust	14.25	14.25	14.25	14.00	13.75	13.75
Municipal Trust	N A	13.75	13.75	14.00	14.25	14.25
CHARTERED BANKS						
Bank of Commerce	N A	14.25	14.25	14.00	13.75	13.75
Bank of Montreal	14.25	14.25	14.25	14.00	13.75	13.75
Bank of Nova Scotia	N A	14.25	14.25	14.00	13.75	13.75
Royal Bank	14.25	14.25	14.25	14.00	13.75	13.75
Toronto Dominion	14.25	14.25	14.25	14.00	13.75	13.75

This survey was prepared to help the Herald Homestyle readers track weekly Bank and Trust Company rates.

Paint gives our homes lasting beauty and value

This article is prepared by local realtors and the Ontario Real Estate Association (OREA) for the benefit of consumers in the real estate market.

Used as protection against the elements for hundreds of years, paint also gives our homes lasting beauty, character and value.

If you're thinking of painting the exterior of your home this summer or fall, but remain apprehensive about the amount of work and time involved, keep in mind that the key to a successful job is a combination of common sense, patience and a little bit of elbow grease.

Before you begin, make sure you have everything you need. Aside from paint and paint brushes or rollers, a ladder and drop cloths are essential. You may also need scaffolding, paint sprayers, heat guns, paint scrapers, shellac, or putty. Before you rent or buy mechanized equipment, make sure you read the manufacturers' directions and know how to use these tools properly.

Once you've got all the tools and materials you'll need for your particular job, it's time to prepare the surface you're going to paint. All areas to be painted should be clean and dry. Painting directly over dirt or old cracking paint won't give you the smooth finish you want and both the old and the new paint will eventually fall off.

A lot of dirt can be removed by wiping with a damp cloth, but if the surface is really dirty, you may want to use a pressure sprayer - which you should be able to rent from your local hardware dealer. If you come across any mildew, it's imperative to remove it before painting, otherwise it will persist and work its way through the new paint

later on. Mildew can be eliminated by rubbing the affected area with a mixture of one part bleach to three parts water.

You may even want to get some mildew-resistant paint, or buy a special paint adhesive which inhibits mildew.

Once you've finished cleaning and the surfaces have dried thoroughly, it's time to scrape off loose and peeling paint. This can be achieved by using sandpaper, a scraper, wire brush, electric scraper or heat gun. For most jobs, sandpaper and a scraper or wire brush will suffice, but if there's a lot to remove, you may want to use an electric scraper or heat gun. An electric scraper helps remove paint by vibration. A heat gun heats the old paint, making it easier to lift off.

When using these tools, it's a good idea to wear safety glasses to protect your eyes from flying paint chips. It's also advisable to put drop cloths on the ground and shrubs to catch the flecks of paint as they fall, instead of trying to rake or pick them up afterwards.

While cleaning and scraping the surfaces to be painted, you'll probably notice a few areas that may require some extra attention - such as cracks and holes or stains.

Putty can be used to fill in cracks and holes and spot primer should be applied to bare wood in areas that are exposed to a lot of weathering. You should also recaulk around windows and doors or any places where water can get in.

If you are working with new wood siding, it will also require special attention, and should be given a spot-coat of shellac before painting.

Otherwise, wood knots will end up showing through the paint.

APPLICATION

After you've given the surfaces a thorough cleaning, you're ready to paint. Make sure you don't paint on a windy day or one that is extremely hot, and spread plenty of ground-sheets or drop cloths over shrubs, lawn furniture, the driveway, your car and anything else you want to protect.

When preparing the paint, mix two or three cans of the same color into a large container to compensate for slight variations of shade between cans.

Start painting at the top of your house and work your way down. If you're working solo, it's better to paint one entire side of your house at a time to ensure consistency of application. It's a good idea to carry a cloth with you to clean up any drips as you go along.

If you get some paint spots on windows, you can wipe them off as they occur, or wait until the paint has dried and then gently scrape them away with a razor blade.

When using a pressurized paint sprayer, you should cover your doors and windows with large pieces of heavy paper or cardboard to protect them. Make sure you apply the paint evenly and wear a breathing apparatus so you don't inhale minute paint particles. It's also a good idea to wear protective coveralls and goggles so you don't become covered with paint. Paint sprayers are excellent for painting items such as shutters.

By following these simple procedures, you'll end up with a job you can be proud of and a finish that should last for some time.

Energy efficiency important to home

Contract Law, Mortgage Law, Law of Agency, Mortgage Financing and Standards of Business Practice: these are but a small sampling of the courses an aspiring real estate practitioner must complete before being licensed by a provincial government body to trade in real estate.

These and countless other courses represent the minimum requirements for licensing, which are updated regularly to reflect an increasingly sophisticated marketplace and to meet legitimate consumer expectations. Real estate practitioners must continually update their skills and training to protect the interests of consumers, and, by the same token, ensure the ultimate in service.

For instance, realtors can explain the benefits of pre-qualifying potential buyers for mortgage financing. This lets the purchaser know precisely the type of home that can be afforded, and assures the seller that an offer to purchase is made by someone who can assume the required financial responsibility.

Most lending institutions, for example, now add the energy costs to the P.I.T. formula (Principle plus Interest plus Taxes) in establishing a potential buyer's debt service ability. This invariably brings into focus a need for the skills to properly assess the energy efficiency of a home and its potential effect on the transaction; this is an area of mortgage financing where realtors can help.

Since the energy crisis of the early '70s, all sources of energy, whether for transportation, manufacture or personal comfort, have gained particular significance, as witnessed by the ever growing environmental concerns in our society. The inclusion of energy factors as a condition of mortgage financing makes it obvious why housing consumers should pay close attention to the structure

and over-all condition of any house.

Through their real estate boards, realtors have access to consumer information on energy efficiency in a program developed jointly by the Canadian Electrical Association, Energy, Mines and Resources Canada and The Canadian Real Estate Association. The purpose of this program is to help such consumers identify these energy factors and their impact on the purchase or sale of a home.

From a marketing standpoint, the energy factor is very important to a residential property transactions. It's therefore wise to follow a simple energy checklist with the help of your realtor, whether you're buying a house, or trying to sell one.

The simplest way to determine the energy efficiency of a home is the feather test: glue a downy feather to a toothpick and run it along window and door frames, wall outlets and exhaust vents, if any. Drafts are the major cause of either heat loss in the winter or heat intake in the summer, which, incidentally, are good indicators of a home's energy efficiency. A careful look at the heating system, its type, the degree of insulation (by looking behind a wall outlet, for example), ventilation, the types of doors and windows, the lifestyle of the actual occupants and of course, the energy bills, will all help in determining the energy consumption factor.

In the home buyer and home seller scenario, this simple energy checklist will serve two important purposes: for the potential buyer, it could determine the overall ability to carry the mortgage costs, and for the seller, it could mean doing a few inexpensive renovations and repairs to increase first, the chances of a trouble-free sale and, by extension, the buyer market base which is so important when putting a house up for sale.