

# How to Get a Loan Under the National Housing Act

## Timmins Now Under the Provisions of the Act. Low Cost Houses Favoured by Amended Act. Simple Explanation of the Details Necessary to Secure Loan.

The following explanation of how to proceed to get a loan under the National Housing Act was prepared by Mr. R. W. Z. Card, a member of the Housing Administration, Dept. of Finance, Ottawa:

### Seven Things To Do

There are seven things to do in order to obtain a loan under the National Housing Act.

1. Select a lot.
2. Have a set of plans prepared.
3. Fill in the Memorandum Specification Form supplied by the Housing Administration.
4. Have in cash or land, or both, an amount equal to at least 20 per cent. of the total cost of land and building. (If the total cost is under \$3,000 you need only have 10 per cent.)
5. Get tenders from several builders for the proposed home.
6. Make arrangements to have the construction supervised in your own interest.
7. Be prepared to show that the total cost of the house you propose to erect is in proportion to your income.

### The Lot

The Lot—If you do not already own a lot it is advisable to get an option only on it until you are assured that it is one on which a loan can be obtained. It should not be looked upon as a hardship that there is any restriction in regard to location. The future value of your home depends entirely upon the future of the district in which it is built. The finest house in a poorly selected district will depreciate so rapidly as to be unsaleable in a few years. Build in a protected and zoned area if possible.

### The Plans

The Plans—Plans which show the construction and layout to a proper scale (preferably 1/4" to one foot) are essential if you wish to obtain a low competitive price from the builder. Design also is dependent upon a careful scale drawing, without which proportion of detail is impossible. Plans must be drawn so as to comply with the Housing Administration's "Minimum Standards of Construction," folder No. N.H. 21.

### The Specifications

The Specifications—No more useful document than the Memorandum Specifications has been prepared by the Housing Administration. It enables the owner to be sure that he has covered every point necessary to ensure sound construction. It contains a fund of information and advice on sound building methods. Copies can be obtained at a nominal price from any of the Lending Institutions, or direct from the Housing Administration. Such specifications prevent many disputes between owner and builder, and in event of any disagreement from the basis of adjustment.

### The Owner's Equity

The Owner's Equity—It is essential that the owner has his share of the money in cash or land before the application is approved. No mortgage money will be advanced until the owner's share has been expended.

### Supervision

Supervision—Neither the Lending Institution nor the Government is a party to the contract between you and your builder, and nothing contained in any literature or contract between you and the lending institution in any way creates the impression that they are looking after the construction of your house as an inspector for the owner. In fact we emphasize the necessity of employing a reputable builder of experience and also that an architect be retained to protect the owner's interest.

### Cost Ratio to Income

Cost Ratio to Income—It is sound rule that the total cost of your home should not exceed 2 1/2 times your annual income, and that your total monthly payment should not exceed 20 per cent. of your monthly income.

### Special Classes

The foregoing facts relate to the average loan to an owner. There are some variations in regard to houses of the following classes:

1. Houses built for rent or sale.

2. Houses, the cost of which is under \$2,500.

3. Tax assistance in areas where the municipalities have complied with certain conditions, and where the cost of construction does not exceed \$4,000.

### Some Questions

Questions—What is the rate of interest? 5 per cent.

Over what period is the loan amortized. Any period from 10 to 20 years.

How often do payments have to be made? Monthly. The payments are so arranged that the totals of principal and interest remain constant during the repayment period. The principal payments increase as the interest payments decrease.

What is the monthly payment on a twenty year loan? It amounts to \$6.54 for every \$1,000 borrowed.

Does it matter which lending institution I go to? Yes. Every company has districts in which it is more willing to lend. You cannot say that you have been refused a loan until you have tried them all.

What is my absolute first step to obtain a loan? Write to the Director of Housing, Department of Finance, Ottawa; and ask for a copy of folder N.H. 23a, "An Explanation of the National Housing Act"; and for leaflet N.H. 5, an "Application Form to be filled in by the Borrower."

## National Housing Act Helps Homes

(Continued from previous page)

It should of course be understood that the borrower must contribute his agreed equity before any moneys are advanced under the mortgage.

### An Example

It has already been shown that in the case of a house which has a lending value of \$3,750, an 80 per cent. loan would amount to \$3,000. The monthly payment required to pay interest and principal on a 20 year basis would be \$19.62.

To the monthly payment would have to be added one-twelfth of the estimated taxes on the property, which, of course, will vary in various communities in accordance with the local assessment practice and tax rates.

A typical financing statement for a house with a \$3,750 "lending value" and an 80 per cent. mortgage is as follows:

Owner's Equity	\$ 750	20%
N.H.A. Mortgage	3,000	80%
	\$3,750	100%

The National Housing Act Mortgage:	
Dominion of Canada's Share	\$ 750
Lending Institution's Share	2,250

Borrower repays \$3,000 (at an effective rate of 5 per cent per annum)

A monthly payment of \$19.62 with interest credited each month will, at the end of each half year, amount to \$118.90. The following table, therefore, shows how monthly payments of \$19.62 equivalent to a half-yearly payment of \$118.90 will completely pay off a \$3,000 loan in 20 years; it shows the amount of the half-yearly payment which represents interest and the amount which represents principal as well as the amount of the principal of the loan which will remain outstanding at the end of each half-year period:

End of 1/2 year	Principal Outst. (1)	Princ. (2)	Int. (3)
1	3,000.00	44.81	74.09
2	2,955.19	45.92	72.98
3	2,909.27	47.05	71.85
4	2,862.22	48.21	70.69
5	2,814.01	49.41	69.49
6	2,764.60	50.62	68.28
7	2,713.98	51.87	67.03
8	2,662.11	53.16	65.74
9	2,608.95	54.47	64.43
10	2,554.48	55.81	63.09
11	2,498.67	57.19	61.71
12	2,441.43	58.60	60.30

13	2,382.88	60.05	58.85
14	2,322.83	61.53	57.37
15	2,261.30	63.05	55.85
16	2,198.25	64.61	54.29
17	2,133.64	66.21	52.69
18	2,067.43	67.84	51.06
19	1,999.59	69.52	49.38
20	1,930.07	71.23	47.67
21	1,858.84	72.99	45.91
22	1,785.85	74.80	44.10
23	1,711.05	76.64	42.26
24	1,634.41	78.53	40.37
25	1,555.88	80.47	38.43
26	1,475.41	82.46	36.44
27	1,392.95	84.50	34.40
28	1,308.45	86.58	32.32
29	1,221.87	88.72	30.18
30	1,133.15	90.91	27.99
31	1,042.24	93.16	25.74
32	949.08	95.46	23.44
33	853.62	97.82	21.08
34	755.80	100.23	18.67
35	655.57	102.71	16.19
36	552.86	105.24	13.66
37	447.62	107.84	11.06
38	339.78	110.51	8.39
39	229.27	113.24	5.66
40	116.03	116.03	2.87
Totals	3,000.00	1,756.00	

### Detailed Information

This outline is intended to cover the necessary information regarding the working of Part I of the National Housing Act which is of interest to the borrower. Further details or more specific information will be furnished by any of the approved lending institutions or by the Housing Administration, Department of Finance, Ottawa, Ontario.

### MEASURING BY TOOL HANDLES

Have you sometimes been working in the garden and wished to make some measurement such as the distance between plant rows? I mark every tool having a long handle. When marking the tools, I begin at the tip of the handle and make a small notch with a saw at each inch and a larger notch at each foot. The notches are so small that they do not weaken the handle.—Edward R. Cogswell.

### Putting a New Spring Dress on the Porch Floor

If the porch floor is new, it should be given a good priming coat, then two coats of a spar varnish or durable outside paint. If the floor is concrete, a paint made especially for concrete surfaces should be applied. Be sure the concrete surface is not only dry, but has had no contact with rain or other moisture for several days, and is absolutely clean.

If you are about to repaint the porch floor, go over those boards and other portions where the paint has peeled with a blow torch in one hand and a putty knife in the other, scraping up the old paint as needed. If the surface on some boards is free from scaling, it may be left as it is.

Sharpen the putty knife as you would a wood scraper, grinding it square across the edge of the blade.—Dale Van Horn.

"The beauty of the house is order."



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