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The Dominion Housing Act

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Résumé de l'article

Depuis son début il y a cinquante ans, la Société canadienne d'hypothèques et de logement a joué un rôle dominant dans le développement des modèles d'habitation au Canada. Bien que les mécanismes et les directions de politique aient grandi pendant les années, le rôle principal de la SCHL est resté le même depuis l'année 1946; l'avancement de la possession de maisons en réduisant le risque associé avec les hypothèques aux institutions financières, Cette politique précède la SCHL; en 1935 la Loi du dominion sur l'habitation a commencé les prêts communs pour les hypothèques entre les prêteurs et le gouvernement fédéral Cet arrangement de prêts communs a continué avec la Loi nationale sur l'habitation en 1938 et la SCHL a hérité de sa responsabilité pour son administration. En 1954 un changement dans le mécanisme de la politique est arrivé quand le programme actuel de l'assurance des hypothèques a remplacé les prêts communs.

Quoiqu'on constate souvent que la politique d'hypothèques subventionnées par l'état indispensable à la construction des banlieues au Canada après la deuxième guerre mondiale, il manque d'analyse empirique. Ce compte rendu analyse l'impact socio-spatial de la Loi du dominion sur l'habitation en employant les dossiers originaux des hypothèques. Les prêts d'hypothèque subventionnes par la Loi du dominion sur l'habitation ont démontré des penchants marqués pour la classe et la géographie. Bien qu'une orientation de banlieue soit présente dès le début, les classes moyennes n'ont pas pu participer en général

The Dominion Housing Act

John Belec

Abstract:

Since its inception fifty years ago, Canada Mortgage and Housing Corporation has played a dominant role in the development of Canadian housing. Although the policy mechanisms and directions have expanded over the years, the primary role of CMHC has remained consistent since 1946; to promote home ownership by reducing the risk inherent in mortgage loans, to financial institutions. This policy predates CMHC; in 1935 the Dominion Housing Act (DHA) initiated joint lending on mortgages between lenders and the federal government. The joint-lending arrangement continued with the National Housing Act in 1938 and responsibility for its administration was inherited by CMHC. A basic shift in policy occurred in 1954 when joint lending was replaced with the current programme of mortgage insurance.

Although state-assisted mortgage policy is often cited to have been central to the building of the post-war suburb in Canada, empirical analysis is lacking. This paper analyses the socio-spatial impact of the DHA through use of original mortgage files. DHA-sponsored mortgage lending featured pronounced class and geographical biases. Although a suburban orientation was present from the beginning, the middle classes were generally unable to participate.

Résumé:

Depuis son début il y a cinquante ans, la Société canadienne d'hypothèques et de logement a joué un rôle dominant dans le développement des modèles d'habitation au Canada. Bien que les mécanismses et les directions de politique aient grandi pendant les années, le rôle principal de la SCHL est resté le même depuis l'année 1946; l'avancement de la possession de maisons en réduisant le risque associé avec les hypothèques aux institutions financières, Cette politique précéde la SCHL; en 1935 la Loi du dominion sur l'habitation a commencé les prêts communs pour les hypothèques entre les prêteurs et le gouvernement fédéral. Cet arrangement de prêts communs a continué avec la Loi nationale sur l'habitation en 1938 et la SCHL a hérité de sa responsibilité pour son administration. En 1954 un changement dans le mécanisme de la politique est arrivé quand le programme actuel de l'assurance des hypothèques a remplacé les prêts communs.

Quoiqu'on constate souvent que la politique d'hypothèques subventionnées par l'état indispensable à la construction des banlieues au Canada après la deuxième guerre mondiale, il manque d'analyse empirique. Ce compte-rendu analyse l'impact socio-spatial de la Loi du dominion sur l'habitation en employant les dossiers originauz des hypothèques. Les prêts d'hypothèque subventionnes par la Loi du dominion sur l'habitation ont démontre des penchants marqués pour la classe et la géographie. Bien qu'une orientation de banlieu soit présente dès le début, les classes moyennes n'ont pas pu participer en général.

The date was 5 September 1935 when Wilfred Cude entered the Sun Life Assurance office in downtown Montreal to apply for a mortgage loan on an $8,000 mansion in the Town of Mount Royal. Sixty years later this event seems mundane in the extreme, since repeated by millions of Canadians on the road to homeownership and testimony to the pervasive growth of the mortgage infrastructure in the Canadian housing market. How ever, in retrospect, Cude's application was significant for several reasons. Although institutional mortgage financing was expanding in popularity, it was far from common in the 1930s. Even more rare was involvement by the state in the promotion of mortgage lending; this had been introduced just three months earlier in the Dominion Housing Act (DHA). Archival files record Cude as one of the first applicants to apply for a DHA loan.[1] This chapter draws on several sources of primary data. The most extensive source of information concerning DHA lending activity was obtained through analysis of the complete set of DHA mortgage files. These are held at Canada Mortgage and Housing Corporation, Ottawa. The CMHC collection contains 3,460 applicant files, each of which contains extensive documentation related to the application. All references to *Dominion Housing Act* archival records refer to this collection. A second source of primary data included the personal papers of W.C. Clark for the period 1932–1938. As the Deputy Minister of Finance, Clark was a principal architect of the *Act*. Clark's papers were obtained at Queen's University Archives where a duplicate is held of the originals located at the Department of Finance, Ottawa.Anyone who has since applied for a Canada Mortgage and Housing Corporation insured mortgage loan with a private lender has followed in the well-worn path of Cude and the approximately three thousand others who made use of the DHA in the 1930s.

More remarkable was that *anyone* would be purchasing a house in the depths of the "dirty thirties", let alone the palatial residence that Cude wanted to have built. Part of the explanation is that Cude was employed in an industry that remained largely immune to the economic downturn: he was goaltender with the Montreal Canadiens. Cude's career as a Canadien began during the 1933-34 season when he was traded from Detroit, and continued until his retirement in 1941. Although his team was only mediocre during the depression years, Cude is remembered as an excellent player.

As their involvement in the housing market expanded, so too did the power of institutional lenders to mould the social and built environment of Canadian cities. The success of Cude's application, as with all others that have followed, depended on a positive credit assessment, both of himself, and the estimated future value of the residence. And so, in the true spirit of standardized bureaucratic methodologies, the Canadien's manager was approached as the applicants "employer" to provide information on the "employee's" future prospects with the club. After all, the world of hockey and the passions it inspires come and go with the seasons but houses and financial obligations live on for decades. Such was the perceived power of the lender that Sun Life probably knew that the goaltender was unlikely to be traded before Cude did. Ultimately, Cude got the loan.

All mortgage applications read like mini-dramas, played out on a set of bureaucratic rules and regulations devised by lenders, in collaboration with the state. In the aggregate, the outcome of these individual "dramas" result in the distinct social and built geography of the Canadian suburb. By the post-war period the suburban detached house increasingly became the residence of choice by Canada's expanding home-owning population.[2] The level of homeownership has risen throughout the twentieth century from 30 per cent of Canadian households in 1900 to 60 per cent in the early 1980s. (Richard Harris and Chris Hamnett, "The Myth of the Promised Land: The Social Diffusion of Home Ownership in Britain and North America," *Annals of the Association of American Geographers* 77, no. 2 (1987):173–190.The state's role in this trend was central: design and support of the essential infrastructure of mortgage lending[3]. To a large extent, Canada simply followed the example of the United States. In any case, the modern era of housing policy in Canada began with the creation of the Dominion Housing Act in 1935.

It is difficult to imagine an outcome at greater odds with what was being demanded by the expanding body of social reformers in the depths of the depression, as was the DHA. Throughout the period, municipal surveys in some of Canada's largest cities documented the extent of housing decay. A variety of reform groups presented proposals for massive federal building programs. What they wanted was social housing; what they got in the DHA was the promotion of home ownership and the associated values of individualized consumption.

This study of the DHA will explore its significance in the context of Canadian housing patterns. In numerical terms, the DHA was inconsequential; only 3,263 loans were granted during its lifetime, 1935–1938. Moreover, as will be shown, the houses that *were* constructed tended to benefit well-to-do households in a small number of cities. However, because of its significance in the larger spectrum of Canadian housing policy, the Act merits detailed scrutiny. The DHA emerged from a vigourous public debate on housing policy. Its appearance signaled a decision by the Federal government to support and promote homeownership through assistance of mortgage lending infrastructure. This approach would have its greatest impact on the way in which housing was consumed.

The DHA Legislation

The Dominion Housing Act was amongst the final legislative initiatives of R.B. Bennett's Progressive Conservative government and it had the appearance of expediency. The final form of the legislation reflected the wishes of two dominant players: W.C. Clark, Deputy Minister of Finance and T.D'Arcy Leonard, solicitor both for the Dominion Mortgage and Investment Association and the Canada Permanent Mortgage Corporation and secretary of the Ontario Mortgage Companies Association. The transcripts of committee hearings to formulate the 1935 housing legislation confirms the dominant role of these two and their collaboration in finalizing the details.[4] The example of American housing legislation, that had established the principle of state assisted mortgage infrastructure several years earlier, was also influential.

The DHA bill was brief and consisted of two parts: 1) a proposal for continued study of the housing "problem" by the (also proposed) Economic Council of Canada, and 2) a plan for the federal state to combine with lenders in the provision of joint mortgage loans to buyers and builders of new homes. The DHA joint mortgage differed from conventional financing by covering 80 percent of house value. At the time lenders were restricted by statute to lending approximately 60 per cent.[5] The high ratio mortgage was split between private lenders and the state: lenders provided 60 per cent and the Dominion provided 20 per cent. In effect the Dominion was functioning as a source of second mortgage funds.

An additional innovation of the joint-mortgage was long term ammortization. DHA loans were designed to be repaid over a term of twenty years and this contrasted sharply with the three to five year terms then common. In addition, payments were made monthly whereas standard practice was quarterly or biannual. The impact of these changes was to reduce the *yearly* cost of home-ownership while lengthening considerably the term of indebtedness. DHA loans were also attractive to consumers for their low interest rate, limited to five per cent. This was obtained through the willingness of the state to effectively subsidize the rate received by the lender (close to six percent) and accept a lower rate on its contribution (three percent).

To be eligible for a DHA loan, prospective borrowers had to assure the Dominion that their proposed construction met rigid building standards. These were included as part of the DHA legislation and represented the forerunner of the National Building Code. Lenders were required to conduct periodic inspections of construction to ensure that standards were being met.

Administration of the DHA

Given the minimal intrusion by the state into the operation of the housing market, it is remarkable that many in Canada's building and lending industries had to be cajoled into accepting it. For this group, *any* state involvement was too much. The response by the Department of Finance was to point out that the DHA was far better than the alternative: social housing. In a confidential memo to a group of protesting industrialists and financiers, Charles Dunning, Minister of Finance, argued, "that the temper of public opinion with regard to housing is such that if the present [Dominion Housing] Act is not made much use of, any successor to it which comes from Parliament is very likely to drastically change the whole mortgage field in relation to housing from the point of view of the lending institutions."[6]

Selling the DHA was principally the responsibility of the Deputy Minister of Finance, Clark[7]. The administration of the Act was also handled by Clark's office. Initially Clark himself single-handedly reviewed applications. Canada's earliest housing bureaucracy was created when Clark began to hire staff; these included David Mansur, hired to evaluate applications, and

F.W. Nicolls, the first "Director of Housing". With his involvement in the DHA beginning in 1935, Mansur was perhaps the first housing bureaucrat in federal history. As the first president of Canada Mortgage and Housing Corporation upon its inaugeration in 1945, Mansur's influence in federal housing policy would continue to grow throughout the post-war era. Mansur was sought by Clark for his actuarial skills in real estate mortgage lending, developed during his years as Chief Inspector of Mortgages with the Sun Life Assurance Company.

Mansur confirms the major influence that Clark had in all aspects of federal policy development throughout the MacKenzie King years after 1935: "If Cliff said 'Yes, I think this is the thing to do', well you knew damn well it was going to happen because [Prime Minister] MacKenzie King had tremendous faith in Clifford Clark."[8] Mansur together with his employer, Sun Life, were early supporters of the DHA and sought to promote it amongst fellow lenders, without much success. Lenders believed that administrative charges would increase as a result of the fact that payments on DHA mortgages were to be made monthly rather than quarterly. Ultimately, according to Mansur, "all financial institutions abhor change."

As the first hurdle in the DHA mortgage approval process, institutional lenders exerted a powerful influence in the programme. Some lenders wrote to Nicolls of certain policies that influenced their lending activities. In Kitchener, for example, Waterloo Trust and Savings were reticent to lend to builders of "foreign extraction" who, in their opinion, "were quite ignorant...and required outside assistance for the preparation of the plans and specifications in accordance with the requirements of the Act."[9]

Of far more significance to the success of the DHA was the geographical bias practiced by lenders. The absence of DHA lending in the Prairies and Maritime provinces was apparent to all and of grave concern to Clark. Others wrote to the Department of Finance to complain about their inability to obtain DHA mortgage loans in "undesirable" areas of particular cities.

A financial agent in Hamilton, H.J. Bath, complained that four of his clients were refused DHA loans by lenders due to the location of the proposed construction. Although convinced of the urgency to overcome spatial biases in DHA lending, Clark inevitably upheld the freedom of institutions to lend where they liked due to their greater financial stake in DHA mortgages "...as the lending institutions advance approximately three times as much of the funds as we do in the case of any Dominion Housing Act Loan, it is impossible for us to insist that they should make loans which they consider unsound."[10]

The same argument was used to defend the lack of lending in entire regions. A Winnipeg lawyer, R.B. MacInnes wrote Clark about the inactivity of the DHA in Manitoba. The same sentiment was contained in another letter from the Winnipeg buidler, Schutz and Sutherland. Whereas MacInne's firm certified 3,000 to 4,500 loans annually before WW1 and approximately 2,100 thereafter, the number had declined to less than 20 per year after 1933. Lenders were fearful of debt adjustment legislation, particularly in the west. During the 1930s the Prairie provinces had suspended or reduced mortgage interest and principal payments on farm properties. The prairies were considered to have both the most extensive default rate and the strongest debt adjustment legislation, to the disadvantage of lenders.

The essence of these various complaints was therefore that the DHA did nothing to overcome existing spatial and class biases of conventional mortgage lending in Canadian cities. Nor did it stimulate construction, particularly for low or medium income earners. Rather, institutional lenders were simply continuing their previous practices, as condoned by the Department of Finance.

Lending Patterns in the DHA

The analysis in this section concentrates primarily on the geographical distribution of DHA lending. The involvement of lenders and characteristics of DHA houses and borrowers, is also examined. The descriptive summaries and tables that follow were compiled from the data set of original DHA mortgage documents on file at Canada Mortgage and Housing Corporation. The CMHC documents include 3,460 separate applicant files, each consisting of the original application, correspondence and evaluations.

DHA Tenure and Geographical Distribution

Although the DHA permitted the finance of housing for *either* ownership or rental tenure, the vast majority (90 percent) of the 3,263 approved mortgage applications were initiated by private households for owner-occupation (Table 1). In most cases these applicants consulted a builder to obtain the required technical information on construction details and cost estimates, and then approached a lender.

The geographical distribution of DHA construction exhibits both a regional and urban bias. Approximately one-half of all accepted projects were constructed in Ontario (1,390). Together, four provinces accounted for 95 percent of all DHA construction: Nova Scotia, Quebec, Ontario and British Columbia. DHA activity was minimal in Manitoba and New Brunswick, virtually non-existent in Prince Edward Island and entirely absent in Alberta. This geographical pattern largely reflected the existing investment practices of lenders and their avoidance of debt moratorium legislation in the Prairie provinces during the depression years.

Given the great variability of local housing markets, due partly to the vast geographical expanse of the country, the ensuing study of DHA construction will occur within the context of the localities in which it occured. The overall distribution of DHA lending by city also shows a distinct locational bias. Although DHA construction was spread amongst 182 separate municipalities, activity was concentrated in a few.

Together, ten cities accounted for approximately fifty percent of all DHA construction: Vancouver (527), Halifax (211), Montreal (201), Hamilton (130), Mount Royal (111), Ottawa (111), North

Table 1
Distribution of Dominion Housing Act Loans by Province and Intended Use, Accepted Applicants

	Intended Use								
Province	*Owner Occupation*	*Sale by Owner*	*Rental by Builder or Other*	*Occupy and Lease*	*Sell and Lease*	*Occupy and Office*	*Missing*	*TOTAL*	*Percent*
Ontario	1162	127	78	11	9	1	2	1390	42.6
Quebec	268	145	125	17	63	1	0	619	19
B.C.	704	14	13	1	0	0	1	733	22.5
N.S.	264	73	5	0	1	0	0	343	10.5
Manitoba	65	17	3	0	1	0	0	86	2.6
N.B.	64	11	3	0	4	0	0	82	2.5
P.E.I.	9	0	0	0	0	0	0	9	0.3
Sask.	1	0	0	0	0	0	0	1	0.03
CANADA	2537	387	227	29	78	2	3	3263	
Percent	77.8	11.9	7	0.9	2.4	0.06	0.09		

Source: Compiled from Canada Mortgage and Housing Corporation, Dominion Housing Act *files.*

York (102), Brantford (91), Toronto (69), West Vancouver (62) and Kitchener (61).

Most of the remaining analysis is focused on six large metropolitan areas that represent aggregations of municipalities: Halifax, Montreal, Ottawa, Toronto, Hamilton and Vancouver. The metropolitan boundaries are those employed in the Dominion Bureau of Statistics 1941 Metropolitan Housing Atlas Series. The six districts include 48 individual municipalities and represent approximately one-quarter of the cities in Canada in which DHA mortgages were granted, and approximately two-thirds of all DHA loans.

The Affordability of DHA Homes

With the DHA, the federal state embarked on an active campaign to promote home ownership amongst a broader base of the Canadian population. Although this did not succeed on a large scale until the 1950s, the DHA can nevertheless be evaluated as an experiment in reducing the cost of homeownership.

As Harris has shown, drawing on the work of Greenway, the affordability of housing by the working-class in Canada varied significantly across the country in the 1930s," ... for the working class, homes were least affordable in Toronto and most affordable in the western cities, especially Vancouver and Calgary, where the average family could afford about fifty per cent of the housing stock. Halifax and Quebec cities fell between the extremes."[11]

The distribution of DHA financed houses according to lending value is provided in Table 2. It is apparent that values in Montreal, Toronto and Ottawa tended to be higher than in Vancouver, Halifax and Hamilton. With each of the former three cities, over ninety per cent of DHA homes were valued at $5,000 and above. By contrast, the distribution of lending values in Halifax, Hamilton and especially Vancouver show many more homes in the mid-ranges. Whereas Toronto had the greatest number of DHA homes in the most expensive categories ($5,000 and above), Vancouver represents the opposite extreme: 42.9 per cent were valued in the $3,000–3,999 range and only 19 per cent were above $5,000.

To what extent do these variations in value reflect the conditions of each local housing market? An exact comparison is not possible partly because the years for which federal census information on market values were produced (1931 and 1941) do not coincide precisely with the years of the DHA (1935-1938). With this qualification in mind, the comparison is presented in Table 3.

A comparison of the distributions for the beginning and end of the decade, 1931-1941, indicates that house values in all six metropolitan areas declined, illustrating the impact of the depression. Furthermore, DHA house values in all six cities are higher than either 1931 or 1941 distributions. However, there appears to be a systematic variation in the extent to which the DHA distribution exceeds that of the market as a whole. Toronto, Montreal and Ottawa had relatively larger proportions of their *total* housing stock in the highest two categories ($5,000 - 9,999 and $10,000 and over) than did Vancouver, Hamilton and Halifax, for both 1931 and 1941. Similarly, DHA lending values in Toronto, Montreal and Ottawa were concentrated in the higher categories compared with the previous three.

In the absence of data on *new* constrtuction only, the census distributions for 1931 and 1941 provide the best available com-

Table 2
Lending Value of Dominion Housing Act Construction, Percentages

Metro Area	*$0–999*	*$1000–1999*	*$2000–2999*	*$3000–3999*	*$4000–4999*	*$5000–5999*	*over $10000*
Ottawa	0	0	0	3.1	5.2	73.2	18.6
Hamilton	0	0	0.7	18.2	48.3	29.4	3.5
Halifax	0	0	0	10.5	36.1	47.6	5.8
Vancouver	0	0	6.7	43.2	31	17	2.2
Montreal	0	0	0	1.5	4.4	60.3	33.8
Toronto	0	0	0	1.4	8.1	66.7	23.9

Source: See Table 1

parison for DHA construction. Given the dilapidated nature of a large proportion of the depression era housing stock, it is likely that new construction was of signficantly higher value than that for the entire market. Nevertheless it is clear that DHA housing was not inexpensive for its time.

Amortization and Affordability

A major innovation of the DHA mortgage instrument was long-term amortization; debt was spread over a period of twenty years. Although this practice was not unheard of in the 1930s, it was rare. In the political rhetoric that accompanied its introduction, the DHA was touted as a solution to the high cost of home ownership. By lengthening the repayment period to twenty years, the monthly cost of ownership was reduced. One method to evaluate the effectiveness of the Act in this regard is to compare monthly rental costs with monthly DHA mortgage payments. In Table 4, a distribution of monthly rents for 1941 as derived from the census is compared with the distribution of DHA mortgage payments for the six study cities.

Table 3
Comparison of House Values, 1931–1941, Percentage Distribution

	Montreal			*Toronto*			*Ottawa*		
Value	*1931*	*DHA*	*1941*	*1931*	*DHA*	*1941*	*1931*	*DHA*	*1941*
less than $1000	2.5	0	5.8	0.3	0	1.4	1.9	0	8.3
$1,000–2000	9.3	0	20.5	1.6	0	6.9	8.5	0	16.3
$2,000–2999	11.8	0	22.4	5.3	0	17.7	10.9	0	16.2
$3,000–3999	15	1.5	11.9	14.2	1.4	26.5	12.1	3.1	14.8
$4,000–4999	9.9	4.4	7.9	21.3	8.1	18.4	11.1	5.2	12.4
$5,000–9999[1]	29.1	60.3	23	44.4	66.7	25.5	42.3	73.2	28.3
$10000 and over[1]	21.9	33.8	8.5	12.9	23.9	3.6	12.7	18.6	3.7
not stated	0.4	0	0	0.1	0	0	0.5	0	0
	Halifax			*Hamilton*			*Vancouver*		
less than $1000	3.6	0	8.5	1	0	1.6	4.3	0	10.2
$1,000–1999	9.9	0	13.5	9.1	0	12.8	15.3	0	29.3
$2000–2999	16.3	0	15.1	18.7	0.7	25.4	23.3	6.6	24.6
$3000–3999	17.5	10.5	21.2	20.9	18.2	23.9	21.6	42.9	17.3
$4000–4999	13.9	36.1	13.5	17.3	48.3	16.8	12.7	30.8	8.1
$5000–9999[1]	29.7	47.6	25.7	26.9	29.4	18.2	17.3	17.5	9.5
$10000 and over[1]	8.5	5.8	2.5	5.9	3.5	1.3	5.3	2.2	1
not stated	0.7	0	0	0.2	0	0	0.2	0	0

[1]*Note: In 1941 the highest two categories are "$5,000–10,999" and "$11,000 and over".*

Sources: 1931 Census, Volume V, Table 72, p. 1060; Canada Mortgage and Housing Corporation, DHA files; 1941 Census, Volume IX, Table 34, p. 171.

Table 4
Monthly DHA Amortized Mortgage Payments, Single-Family Occupancy
Percentage Distribtion

	Monthly Mortgage Payment in Dollars								
Metro Area	*0–9*	*10–19*	*20–29*	*30–39*	*40–49*	*50–59*	*60 plus*	*Missing*	*TOTALS*
Halifax	0	3.2	65.4	19.4	5.8	2.6	1.6	1.6	100.1
Montreal	0	1	15.7	29.9	21.6	13.7	16.2	2	100.1
Ottawa	0	2.1	19.6	42.3	9.3	11.3	10.3	5.2	100.1
Toronto	0	0.7	15.8	31.9	23.2	10.5	15.1	2.8	100
Hamilton	0	11.9	76.2	4.1	4.1	1.4	1.4	0.7	99.8
Vancouver	0	36.7	51.1	7.9	2.4	1.1	0.8	0	100

Source: *See Table 1*

Monthly Rent of Tenant-Occupied Dwellings, 1941
Percentage Distribution

	Monthly Rent in Dollars							
Metro Area	*0–9*	*10–19*	*20–29*	*30–39*	*40–49*	*50–59*	*60 plus*	*TOTALS*
Halifax	5.9	27.1	28.1	17.1	10.4	6.5	4.9	100
Montreal	2.4	42.7	29.9	10.5	6.4	3.8	4.3	100
Ottawa	4.9	22.8	40.6	23	13.1	6.9	6.7	100
Toronto	1.9	12	31.1	29.7	13	6.5	5.8	100
Hamilton	2.3	24.1	39.5	23.7	7.1	2.4	0.9	100
Vancouver	11	30.1	31.4	16.4	6.8	2.6	1.7	100
CANADA	3.5	30.7	30.8	18.2	8.9	4.3	3.6	100

Source: *1941 Census of Canada, Volum IX, Housing, Table 35.*

It is evident that for some cities, notably Halifax, Hamilton and Vancouver, DHA monthly mortgage payments were generally in line with monthly rental payments. For all three cities over half of the rental stock cost less than $30 per month. Similarly, the majority of DHA monthly payments in these three cities were less than $30. By contrast, the distribution of monthly rental payments in Montreal and Ottawa differ from the relatively high DHA mortgage payments for each city. In Toronto, both distributions are relatively high. According to these crude comparisons it appears that the DHA did have partial success at bringing the monthly cost of homeownership at least in line with the rental market.

DHA Recipient Households

The pattern of inter-metropolitan variation in DHA house values is further reflected in the type of households that received loans. A distribution of such households according to income is provided in Table 5. Compared with the DHA distribution for the entire country, Montreal, Toronto and Ottawa had a larger percentage of DHA mortgage recipients in the highest categories compared with Halifax, Hamilton and Vancouver. Furthermore, although "white-collar" occupations were over-represented amongst DHA mortgage recipients in all six cities, it was accentuated in Montreal, Toronto and Ottawa (Table 6).

As noted above, the validity of comparisons made in this section between the DHA and the wider market/population, is limited due to the nature of the census data. Most problematic is the fact that the dates of the DHA (1935-1938) do not exactly correspond with the 1931 and 1941 census years. As a result, the figures will express the impact of economic conditions that changed substantially during the 1930s.

Published data on the decline of real estate values during the 1930s are scarce. For the Toronto market, Firestone[12] has published statistics on the number and value of real estate transfers during the period 1921-1949. With this data it is possible to extrapolate an annual average value of real estate transfer. These data indicate that Toronto values fell rapidly after the 1929 "crash" and reached a trough in 1935. After a slight recov-

Table 5
Distribution of DHA Mortgage Recipients According to Household Income

	Household Income in Dollars										
Metro Area	*0–399*	*400–799*	*800–1199*	*1200–1599*	*1600–1999*	*2000–2399*	*2400–2799*	*2800–3199*	*3200–4999*	*5000 plus*	*TOTALS*
Halifax	0	0	3.3	20.4	23.2	18.2	11	8.2	9.9	5.5	99.7
Montreal	0	0	0	2.2	7.3	6.7	9.6	10.7	32	31.5	100
Ottawa	1.1	0	1.1	8.9	6.7	11.1	21.1	11.1	28.9	10	100
Toronto	0.9	0	0	5.7	7.6	16.1	11.4	13.7	23.7	20.9	100
Hamilton	0	0	0	17.3	31.7	19.4	16.5	5.8	5.8	3.6	100.1
Vancouver	0	0	3.6	23.6	31	15	10.8	5.3	7.4	3.3	100
Canada	0.3	0	2.7	18.9	20.8	14.3	12.1	8.3	13.6	8.9	99.9

Source: ***See Table 1***

Table 6
Distribution of DHA Mortgage Recipients by Occupation

Metro Area	*Proportion of DHA mortgage recipients in the occupational class:* "Owners and Managers"	*Proportion of all city residents in the occupational class:* "Owners and Managers"	*Proportion of DHA mortgage recipients in the occupational class:* "Professional"	*Proportion of all city residents in the occupational class:* "Professional"
Halifax	30.0	7.2	13.6	8.7
Montreal	40.0	6.3	25.0	7.1
Ottawa	36.3	7.0	36.3	12.2
Toronto	41.1	7.4	26.9	8.7
Hamilton	20.8	6.1	18.3	6.5
Vancouver	20.3	8.2	14.6	7.3

Source: ***See Table 1.***

ery in 1936, the decline continued from 1937 to 1940. By 1941 the average value in current dollars ($3,281) had recovered close to that of 1936-38. Comparisons between DHA house values and the 1941 census must therefore take into account that values were slightly lower in 1941 compared to the period of the DHA, at least for the Toronto market. The implication is that the absolute value difference between DHA housing and conventional housing is somewhat overstated by comparing DHA construction with 1941 census figures.

In sum, the characteristics of DHA construction and recipients varied across the country. The working class had greater access to DHA housing in Vancouver than in Toronto, with the remaining study cities falling somewhere in between. However, as Harris[13] has shown, the working class in Vancouver enjoyed an absolute affordability advantage over Toronto for *all* housing. The conclusion to be drawn therefore is, given that the price characteristics of DHA housing were closely tied to the wider trends in each market, the *affordability* of DHA housing was similarly tied. In some markets, notably Vancouver, the DHA would have clearly promoted the expansion of working class homeownership. This was *not* because this housing was cheaper than the rest but rather because the market as a whole featured lower prices. Most significant was the impact of long-term amortization on the monthly cost of home ownership; in some markets it compared favourably with the rental market.

Intra-Metropolitan Variations

Variations in the characteristics of DHA housing were also evident at the metropolitan level. Again, DHA construction "blended into" the landscape in the sense that it reflected the characteristics of the housing stock in the wider sub-market. In Toronto, for example, although DHA sponsored construction occured in all of the metropolitan municipalities, it was concentrated in North York (91) with secondary clusters in Etobicoke (36), the City of Toronto (36), Forest Hill (24), Leaside (24), York Township (24) and Scarborough (19) (Figure1).

There was marked variation in such characterisitics as house and lot cost. Housing structures were relatively expensive in Forest Hill (10 of 24 units were valued at more than $9,000) and inexpensive in Scarborough (9 of 19 units were valued in the $3,000-4,999 category). The cost of housing lots also tended to be highest in Forest Hill where 10 of 24 lots were valued at more than $2,099. Such prices for a *lot* by itself exceeded the annual salary of three-quarters of Toronto's population in 1941, without adding in the cost of housing structure.[14] The greatest concentration of inexpensive lots was found in Leaside where 16 of 24 lots were valued in the range $300-899.

Comparison of other characteristics reveals that DHA-financed housing in Toronto spanned the spectrum from mansions in Forest Hill to more modest bungalows in Scarborough. Given the relative expense of Toronto housing in general to the working class, it is clear that the DHA did not significantly improve access to housing. Rather, DHA housing reflected the characteristics of the housing market which existed in each municipality. Forest Hill stands out as the neighbourhood with the most expensive and largest homes combined with wealthy occupants. By contrast, DHA housing in Scarborough, Leaside, the City of Toronto and York Township were relatively less expensive and smaller, together with occupants of lower income. How ever, whereas "inexpensive" in the context of Toronto DHA housing meant values in the range "$4,000-4,999", in the wider market this housing was of average price according to the 1941 census ($4,661).

Residential Mobility of DHA Recipients in Toronto

The DHA had minimal impact within the individual housing markets of study. Beside the fact that the number of DHA houses was low relative to conventional construction, it would appear that most recipients could have obtained conventional loans in that they, and their houses, were good risks. Thus it is reasonable to speculate that the houses built under the DHA would have been built regardless. The benefit of low monthly payments, the hallmark of the DHA, therefore accrued largely to the wealty and upper-middle classes.

Had the DHA *not* been renewed in 1938, history would have recorded it as a short-lived folly, if it received any notice at all. Given the record of the program, it is remarkable that the out come was different: the approach was perpetuated in its successor, the National Housing Act and, after 1954, mortgage insurance replaced joint-lending. Insurance represented an alternative route to the same end rather than a fundamental change in policy. Clearly, the full impact of the legacy of the DHA would not be felt until the post-war era. Nevertheless we can begin to look for clues as to the impending role such legislation would soon play in the development of urban Canada.

As the DHA was limited to the financing of *new* houses, we can expect that it promoted a migration of households to the margins of the city, to new suburban neighbourhoods. The suburbs were attractive from a lender's perspective as they were far removed from the declining and blighted housing stock that comprised the core of many large cities in the 1930s. New suburban residences would therefore naturally score high in the methodological assessment of neighbourhood "value".

The promotion of a "suburban orientation" through 1930s federal housing legislation has been thoroughly documented in the United States literature. Given the fact that the DHA drew on the American example, it is reasonable to expect a similar result in Canada. Indeed, given that the DHA was applicable to new houses only, whereas the American legislation included resales, a more pronounced suburban bias should have occured in Canada. The conclusion of American scholars is that the U.S. Federal Housing Act promoted an out-migration from the core cities.[15] This was the result of state-sanctioned mortgage underwriting practices that favoured the suburbs as a safe environment for financial investment. In effect, the practice of "redlining" inner city neighbourhoods occurred through the programme of mortgage insurance, initially introduced under the Federal Housing Administration in 1934. Redlining was effected through techniques and methodologies of appraisal and underwriting that originated in the work of such academics as Homer Hoyt and Ernest Burgess in the 1920s and 1930s. These lending practices then became instituted in the granting of federal mortgage insurance.

At the core of this argument is the idea that federal mortgage insurance, when put into practice, was a selective mechanism that enabled white middle - class households to escape the inner-city for the developing suburbs. The selectivity was present to the extent that the state evaluated the financial risk of prospective insured mortgages and practiced this in collaboration with institutional lenders, through a systematized appraisal methodology.

A preliminary assessment of the role of the DHA in this regard was made with a focus on metropolitan Toronto. I located origin and destination locations of DHA recipients in order to chart the direction of mobility, and used the 1941 federal Housing Atlas[16] to provide contextual information about neighbourhoods. Street addresses of recipients were sought from the original file of mortgage applications. Unfortunately, there were a substantial number of missing observations either because the addresses as recorded in 1935-38 could not be located on current street maps, or because incomplete information was present in the original files. I was able to locate approximately fifty per cent of the 285 single-family homes financed in Toronto through the DHA.

The 1941 Atlas shows population distribution for metropolitan Toronto to have been concentrated in the City of Toronto. Population had started to spill over the city's boundaries, into neighbouring suburban municipalities, along the major transportation arteries: Dundas Street to the west, Kingston Road to the east and Yonge Street to the north. The pattern of DHA origins indicates a broad band, generally on an inner fringe of Toronto's built up area and in some of the adjacent municipalities. According to the Atlas, the neighbourhoods of origin were relatively affluent in that they featured a *low* incidence of crowding, doubled-up families and low rents. These areas showed relatively *high* levels of family earnings and housing quality and "conveniences".

The pattern of destinations displays two prominent spatial properties: the pattern is more concentrated than that of origins and even further removed from the city core. The greater concentration is likely a reflection of where suburban development projects were occurring at the time. The *direction* of movement indicates that most households were trading a good housing bundle for a better and newer one. The pattern of DHA-sponsored residential mobility has also been studied by Harris[17]. His origin-destination map of movers to Forest Hill in Toronto generally supports the interpretation noted above (Figure 1). The Toronto DHA experience was therefore one where an exclusive segment of the homeowning public sought to maintain their exclusivity by leading the charge out to the fringes of the expanding metropolis. This was somewhat different from the American experience where there was a clear racial element and greater out-migration from the core. It will be the task of future research to document how quickly and by what means the Canadian pattern changed to include an expanded social spectrum of mortgage recipients and the extent to which they were drawn from the urban core.

Summary

The data presented in this chapter suggest that the cost of DHA housing varied widely in the context of individual metropolitan housing markets of the late 1930s. In general however DHA housing was relatively expensive. In the absence of data on conventional *new* construction of the time it is not possible to evaluate whether or to what extent DHA housing compared with this segment of the housing market. It is clear however that

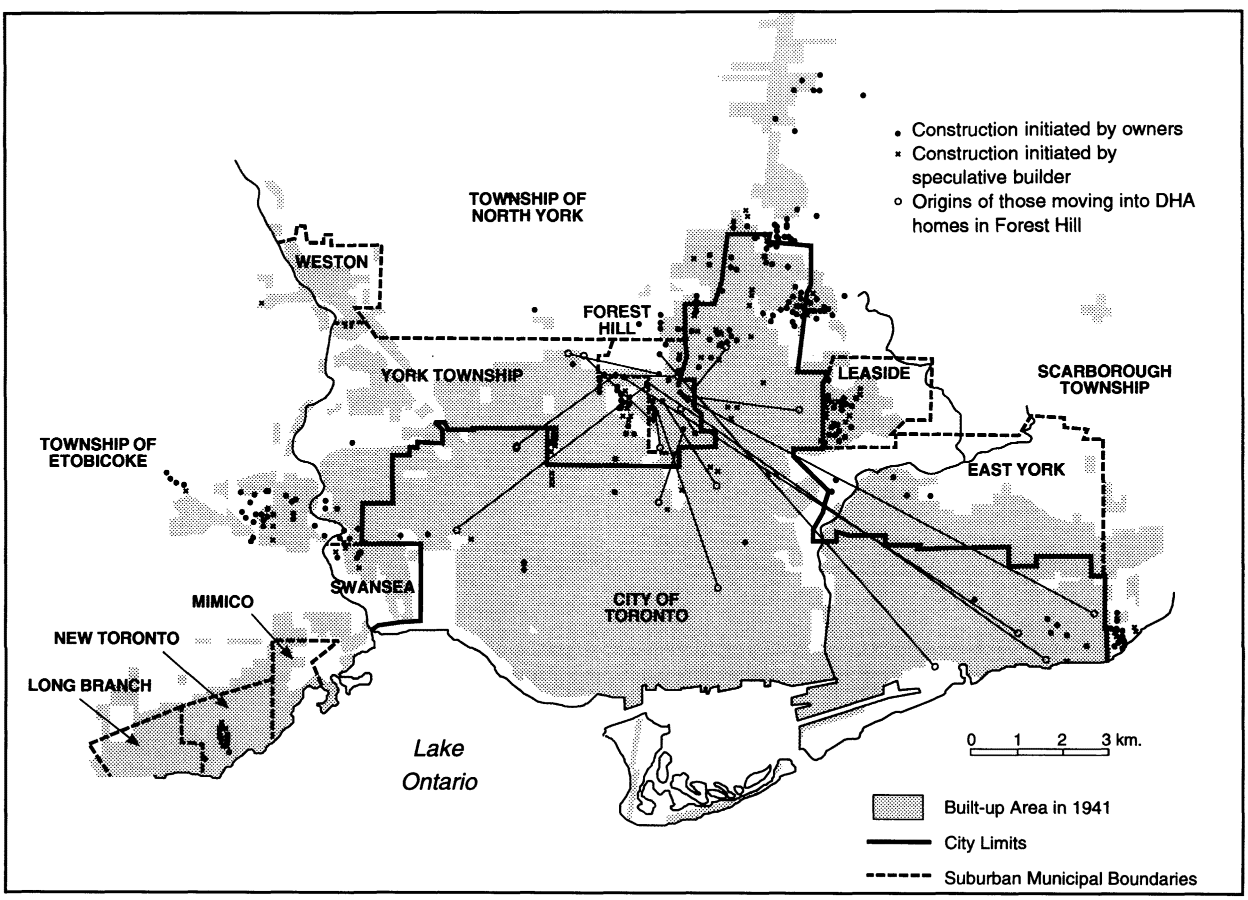

Figure 1: ***Homes Financed Under the*** Dominion Housing Act ***1935–38.*** Source: ***Richard Harris,*** Unplanned Suburbs: Toronto's American Tragedy, 1900–1950 ***(Baltimore: Johns Hopkins University Press, 1996), p. 258***

much DHA construction occurred in Canada's most exclusive and wealthiest suburban districts of the 1930s, including Forest Hill in Toronto, and Outremont and Westmount in Montreal. In this respect such DHA housing was accessible only to an exclusive social and economic population group. Moreover, the Toronto DHA origin-destination analysis indicates that the *Act* supported the relocation of households already in well-off suburban districts, to more expensive residences in more remote suburbs. The DHA operated virtually exclusive of the inner-city.

There were some notable exceptions to these general findings on the expense of DHA housing and the wealth of occupants. Among the six metropolitan areas studied, DHA residences in Vancouver were accessible to the broadest base of population. In Toronto and Montreal, communities with the most expensive DHA housing on average, relatively inexpensive DHA construction could be found in certain municipalities. Moveover in some communities studied, notably Halifax, Hamilton and Vancouver, the monthly cost of DHA homeownership closely resembled that of the rental market. However only with the later result could the DHA take some credit.

Quite apart from the construction it sponsored, the DHA was important for inaugurating the modern era of Canadian federal housing policy. This policy was initially directed towards the promotion of home purchase through design and support of the financial infrastructure of residential mortgage lending. Currently, at a time when slight mortgage rate adjustments, which themselves result from the weekly setting of the Bank of Canada lending rate, have direct and massive impacts on levels of home purchase, construction and indirectly on much of the Canadian economy, it is remarkable to realize that the long-term, amortized mortgage was still novel as recently as the 1930s. As such financing became more prevelent, the role of institutional lenders in the development of the Canadian city expanded.

This study of the Dominion Housing Act has provided a glimpse of the transition years in the evolution of modern home finance infrastructure in Canada. The DHA was a concession *to the lending industry* and represented a decision by the nascent federal housing bureaucracy to make homeownership the centrepiece of its policy development. Although, in time, the DHA was replaced by the National Housing Act and joint loans by mortgage insurance, the objective of federal policy remained the same. By the time of post–war suburban expansion in the 1950s, the value of NHA insured mortgages eventually surpassed that of conventional lending.

The joint mortgage represented a classic partnership between the state and finance capital in Canada. This was not an abstract relationship where impersonal bureaucracies and institutions operated in concert due to a vague perception of mutual advantage. Rather it was a highly personal collaboration where individuals, including the deputy-Minister of Finance, W.C.Clark and T.D'Arcy Leonard, representative of the lending institutions, together wrote the precise terms of the Dominion Housing Act. Ultimately, it was a partnership that supported a transformation in housing consumption patterns in Canada.

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Notes

1. This chapter draws on several sources of primary data. The most extensive source of information concerning DHA lending activity was obtained through analysis of the complete set of DHA mortgage files. These are held at Canada Mortgage and Housing Corporation, Ottawa. The CMHC collection contains 3,460 applicant files, each of which contains extensive documentation related to the application. All references to *Dominion Housing Act* archival records refer to this collection. A second source of primary data included the personal papers of W.C. Clark for the period 1932-38. As the Deputy Minister of Finance, Clark was a principal architect of the *Act*. Clark's papers were obtained at Queen's University Archives where a duplicate is held of the originals located at the Department of Finance, Ottawa.
2. The level of homeownership has risen throughout the twentieth century from 30 per cent of Canadian households in 1900 to 60 per cent in the early 1980s. (Richard Harris and Chris Hamnett, "The Myth of the Promised Land: The Social Diffusion of Home Ownership in Britain and North America,") *Annals of the Association of American Geographers* 77, no. 2(1987): 173-190.
3. See John Bacher, *Keeping to the Marketplace: The Evolution of Canadian Housing Policy* (Montreal: McGill-Queen's Press 1993) and Albert Rose, *Canadian Housing Policies* (Toronto: Butterworth 1980).
4. See Bacher, *Keeping to the Marketplace*; John Belec, John Holmes and Tod Rutherford, "The Rise of Fordism and the Transformation of Consumption Norms: Mass Consumption and Housing Canada, 1930–1945," in Richard Harris and Geraldine Pratt (eds), *Housing Tenure and Social Class* (Gävle, Sweden: National Swedish Institute for Building Research 1987).
5. H. Woodard, *Canadian Mortgages* (Toronto: Collins 1955).
6. W.C. Clark Papers, 26 Feb. 1936, Box 5, H-1-3, Vol 2.
7. Clark's career is thoroughly documented in Bacher, *Keeping to the Marketplace*.
8. Personal interview, May, 1984, Ottawa.
9. Waterloo Trust and Savings to F.W. Nicolls, 28 April 1936, DHA 342.
10. W.C. Clark to H.J. Bath, 5 June 1936.
11. Richard Harris, "Working Class Home Ownership and Housing Affordability Across Canada in 1931," *Histoire Social / Social History*, 18–19.
12. O.J. Firestone, *Residential Real Estate in Canada* (Toronto: University of Toronto 1951).
13. Harris, "Working Class Home Ownership".
14. Humphrey Carver, *Houses for Canadians: A Study of Housing Problems in the Toronto Area* (Toronto: University of Toronto Press 1948).
15. See C. Bradford, "Financing Home Ownership: The Federal Role in Neighbourhood Decline," *Urban Affairs Quarterly* 14, 3 (1979): 313–335; Kenneth T. Jackson, "Race, Ethnicity and Real Estate Appraisal: The Home Owners Loan Corporation and the Federal Housing Administration," *Journal of Urban History* 6, 4 (1980); 419–452; H.K. Kuklick, "Chicago Sociology and Urban Planning Theory," *Theory and Society* 9 (1980): 821–845.
16. The atlas for Toronto was produced by the Dominion Bureau of Statistics and was one of several produced for major cities across the country. It includes eight maps with information on housing quality, cost and occupant characteristics. The data was collected in a ten per cent sample for wage-earner headed households, taken as part of the 1941 census. At the time, such households comprised 75.1 per cent of all households in the metropolitan fringe and 65 per cent of all city households.
17. Richard Harris, *Unplanned Suburbs. Toronto's American Tragedy, 1900–1950*. (Baltimore: Johns Hopkins University Press 1996), pp. 256–257.