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# News Release

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## HIGH LEVEL CMHC DOCUMENTS IMPLICATE CORPORATION

**OTTAWA**— “Canada Mortgage & Housing Corporation (CMHC) documents reveal the government agency believed in 1981 that moisture induced problems were causing rot and structural damage in newly constructed homes, particularly in coastal areas,” said John Cummins, M.P. (Delta-Richmond East).

The documents reveal: (1) that CMHC was aware there was a problem; (2) that CMHC believed that there was a real danger of defaulting mortgages which they might be liable for; (3) that CMHC believed that recent changes in home construction had led to the problem; (4) that CMHC believed the moisture problem was exacerbated by government energy conservation programs, including the Canadian Home Insulation Program (CHIP), all part of Mr. Trudeau’s National Energy Program; (5) that the cost of correcting the problem would be approximately \$10,000 per unit, (6) that CMHC had a responsibility to inform the public of the problem and undertake research to address the defects in housing construction but (7) that CMHC should exercise caution and avoid any action that would lead to blame being directed at the agency or the government in general.

An August 1981 CMHC Management Committee analysis stated: “The risks associated with the above problem are that structural damage to NHA insured housing may lead to **widespread defaults on mortgages, with CMHC having to repossess these units and then rectify them at an estimated cost of \$10,000 per unit.**”

A Memorandum to Management of the same date stated: “**This condition demands early action by Builders and Homeowners, otherwise, early deterioration by rot of wood frame houses in Newfoundland, and most likely other parts of Canada, will reach major proportions.**”

Management Committee was advised they had a responsibility to inform the public: “**Being aware of the problem, CMHC could be delinquent in not bringing appropriate aspects of it to the attention of others.** Government departments, such as EMR, could unwittingly exacerbate the problems. ...The Department of Energy, Mines & Resources are promoting ‘Super Chip’ and ‘Chip’ programs. Unless informed by a thorough knowledge of the moisture related problems, these programs could lead to the promotion of structural deterioration.”

A July 1981 research proposal went to Management Committee at the same time warning that “**there would be serious consequences for: the owner, the builders, the mortgage insurers, the warranty program, the regulatory authorities.**”

The problem first surfaced in Newfoundland and the Province sought assistance for their homeowners. The documents suggest that CMHC was concerned about liability and sought to reject the request.

The documents were used in the British Columbia Supreme Court in *Dan Healey v. CMHC* and were received from CMHC under the *Access to Information Act*. Copies of the documents are available on request.

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