MORTGAGE FINANCING AND DEFAULT. A CASE STUDY OF HAMILTON, ONTARIO, 1901-1951

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ABSTRACT

Residential financing has enabled many individuals to become home owners, who might otherwise have been forced to rent. The changes that have occurred in Canada's housing policies and the Canadian mortgage market have had a significant impact on how homes are financed today. This thesis examines the impact the Depression has had on home ownership and residential financing. There are two aspects to this thesis. The first sets the context by examining residential financing between 1901 to 1951. The second focuses on the 1930's, and especially the incidence of mortgage default.

Through the use of Registry records and Assessment rolls it is possible to observe the proportion of homes that were mortgaged by age of structure, tenure, and occupation of `head' of household. This analysis uses Hamilton, during the first half of this century, as a case study. During this time, a greater proportion of dwelling units were owned outright as opposed to being mortgaged. However, financing did play a significant role, especially in the 1920's. Private financing was the dominant source of mortgage finance but this decreased in importance from 1921 to 1951 as institutions became more active. The Depression did have a significant impact on the financing of dwellings during the 1930's and indeed into the 1950's. Not only did the Depression affect the ability of home property, it initiated the first real government intervention in the housing and mortgage markets through the introduction of various housing policies and legislation.

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This thesis is dedicated to the memory of my father, Sabatino Ragonetti. A man who taught me that anything was possible with hard work. Ti amo. Finalmente Io o Finito.

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CHAPTER 1: INTRODUCTION

Today, most home owners live in a home that is mortgaged by some form of institutional lending agency. During the first half of the twentieth century, however, it was common for households to save their money and purchase their homes outright. When this could not be done, private lenders, more than institutions, provided households with the necessary funds to secure their residence. The growth and reorganization of residential financing has been one of the most important developments in the housing of Canadians over the past century (Poapst 1992). Arguably, financing has brought home ownership within reach of a large portion of the working class who might otherwise have been forced to occupy rental accommodations (Florida and Feldman, 1988). The importance of residential financing has been recognized by the federal government whose involvement dates back to the DHA (Dominion Housing Act) in 1935, to the formation of the CMHC (Canada Mortgage and Housing Corporation) in 1945, and has remained an important issue to the present.

State involvement was initiated during the Depression of the 1930's when existing mortgage arrangements broke down. Households lost their homes due to their inability to make payments or repay their mortgages, and lenders also suffered

with a decrease in their assets due to loans that had turned sour. These economic hardships helped to induce state housing policies and programs which have influenced the ways homes were financed, and continue to be financed today. Little is known, however, about the actual patterns of financing in this period. We do not know what proportion of dwellings were mortgaged or by whom. Although, foreclosures and other expressions of financial default were evidently quite common, we have no precise statistics. Therefore, the aim of this research is to help fill this gap.

Unfortunately, by comparison with the U.S., Canada has not done a very good job at reporting information on mortgage financing. Instead we have a handful of case studies. Paterson's (1991) article focuses on mortgage data for five suburbs in Toronto from 1911 to 1941. Ragonetti (1992) highlights mortgage and foreclosure patterns for one subdivision in the City of Hamilton during one decade (1930-1940) and Doucet and Weaver (1991) provide mortgage data for selected subdivisions in the City of Hamilton from 1870 to 1955. The evidence reported in these studies is suggestive, both in terms of results and methodology. None, however, offer a clear general picture for even a single city. Building upon this work the present study takes the City of Hamilton, Ontario as a case study, from 1901-1951.

The Depression of the 1930's produced many changes in not only the housing market but also the residential mortgage market. The state tackled the problem of housing, and especially the financing of such commodities, in a substantial way for the first time. The ultimate objective of this research is to determine the impact the Depression had on mortgaged property ownership (chapter 5). In order to address this objective the state of the residential real estate and mortgage markets must be put into a context. The condition of these markets before, during, and after the Depression must be discussed prior to any determination of the impact, of the economy during the 1930's, on residential financing (chapter 4).

There are therefore, two major sections to the research. The first focuses on patterns of residential financing and tries to set the scene during the first half of the twentieth century in relation to these patterns. The objectives of this phase of the research are fourfold: (i) to determine what proportion of homes were mortgaged; (ii) to determine what proportion of mortgaged homes were financed through private versus institutional sources; (iii) to discover what different types of institutions were involved in the residential mortgage market; (iv) and to determine whether there were differences in the nature and extent of

residential financing by occupation of 'head' of household, tenure, age, type of dwelling, and neighbourhood. This objective will address questions that arise out of the first three objectives.

The second phase of the research focuses on financial default during the Depression. The initial objective is to determine the proportion of mortgage borrowers that experienced some form of residential default. There are reasons to believe, however, that default varied by occupation of 'head' of household, tenure, type of dwelling, and neighbourhood, or geographically within the City. Each is examined.

Occupation can give us some indication of class and can show patterns of financing with respect to household occupational composition. One can investigate whether people in certain types of occupations were more apt to obtain mortgages, and from which source. Was the unskilled worker less likely to have a mortgage registered against its property than the skilled worker? Were professionals more likely to get institutional mortgages and were the working class more prone to borrowing funds from private individuals, or vice versa? Residential default can be examined with respect to occupation and will allow us to determine which classes were more susceptible to mortgage defaults during a

certain period of time.

We can also examine whether the housing tenure determined the likelihood of the owner receiving a mortgage and what source of financing did they most likely obtain. For example, did owner-occupiers rely more on financing as means to home ownership than those owning rental structures. This investigation will suggest whether lending agencies discriminated between landlords and owner-occupiers and also determine differences in the levels of defaulting; that were observed by these two groups.

Finally, focusing on the spatial distribution of mortgages and the sources of those mortgages on a neighbourhood basis, I will trace the geographical patterns of residential financing. Were certain areas of the city preferred by lending agencies as a place of investment? Did lenders, and particularly institutional agencies, practice red-lining? In other words did they avoid areas or neighbourhoods of a City because they were considered to be high risk areas in terms of repayment of the loan (Jackson 1980). Did certain areas of the City experience higher rates of default than other portions during certain time periods?

The present study is concerned more with description than explanation. Given our present ignorance about the basic facts of mortgage finance in Canadian cities this is

perhaps inevitable. One cannot begin to explain why something occurs before that something has been identified. Some of the results presented here confirm our expectations; others do not. Together, they raise interesting questions for future research. Some of these are identified, and briefly discussed in the conclusion.

CHAPTER 2: LITERATURE REVIEW

The literature on residential financing and more importantly the incidence of defaulting is sparse with emphasis placed on broader issues of how homes were financed between 1901-51 rather than spatial patterns and patterns of financing by tenure, occupation, age of housing stock, and by sources of financing. By examining what we know about the evolution of mortgages and lending agencies, and state intervention and policies that affected home financing, many questions will arise that will set the framework of this study.

SECTION 1: EVOLUTION OF RESIDENTIAL FINANCING

Trends in residential financing in Canada during the first half of the twentieth century can only be understood in the context of the evolution of mortgage laws, mortgages, and lending institutions. Doucet and Weaver (1991) provide an in-depth account of this evolution in their book, Housing the North American City.[1] In 1795, the Ontario government passed the Registry Act that created a public registry system that would deal with the registration of documents such as mortgages, certificates of redemption (confirmed discharge of

[1]My discussion of the evolution of mortgage laws, mortgages, and lending institutions has relied quite extensively on this account.

a mortgage), and the sale of a property. The Registry Act was governed by Common Law that was adopted from the British system. Common Law held that a mortgage brought about a conveyance of an interest in land to secure a debt. The conveyance gave initial title to the mortgagee (lender) until the debt was repaid by the mortgagor (borrower). It was only then that the borrower gained clear title to the property. If the debt was not repaid by the due date, the lender gained title to the land that was mortgaged. The borrower was still required to pay the balance of the debt and the lender could sue for that amount while possessing the borrower's land. One can see the injustices present in Common Law, where the lender had a commanding position.

In 1837, a Bill was passed concerning the release of mortgages. It was at this time that the injustices of Common Law were dealt with. The act granted borrowers the right to practice equity of redemption which grew out of Equity Law that was also borrowed from Britain. Equity Law was a system serving to remedy the limitations and inflexibility of the existing common law through an equitable jurisdiction known as the court of chancery (Doucet and Weaver, 1991 pg. 248). In chancery, the lender could be restrained from suing the borrower for the debt unless they agreed to reconvey the land to the borrower on payment of the debt. Borrowers were

granted the right of redemption of the equity in the land, and this right was accepted, usually six months from the date that the petition to foreclose was heard in court. As long as the borrower paid the balance of the debt within this time period, he/she would not lose title to their land.

Once the lender disposed of a property he forfeited his right for repayment of the debt. If the borrower failed to pay the balance of the debt after the six month period, the result was loss of equity in the property. In 1849, an act was passed that reformed a process of foreclosed property sales by allowing the county courts to administer sales (Doucet and Weaver, 199 pg. 250). If the sale price was greater than the debts and costs, the surplus went back to the borrower. However, if the sale price was less than the debts and costs, the borrower was responsible for making up the deficiency. Eventually, the lender was given contractual power of sale that could be exercised without direct court action or supervision, through mortgages.

The laws set up in the late nineteenth century concerning mortgages appear to have remained the same with the exception of minor adjustments. For example, in 1879 a property could only be sold six months after the date of default. This remained virtually unchanged until 1970 when a sale could take place within fifteen days after the date of

default (Doucet and Weaver, 1991 pg. 251). The attempt was to create a law(s) that would be just to both the lender and the borrower.

From the mid-nineteenth century until the mid 1930's mortgages took the form of what is known as the balloon mortgage where periodic payments (usually twice a year) were made for interest only. At the end of the contract term (usually five years) the balance of the loan was due (Paterson, 1991 pg. 64). Lending agencies were inclined to lend 50 to 60 percent of the purchase price and the remaining 40 to 50 percent were provided through borrower's savings, or a second mortgage (Hulchanski, 1986 pg. 27).

Wallace (1938) states that approximately two thirds of all United States non-farm mortgage indebtedness in 1929 was represented by balloon mortgages. This suggests that at least one third of these mortgages were different from the balloon mortgage of high interest, short term, and nonamortized payments. This was also the case in Canada though balloon mortgages were still the norm until the 1930's. After the 1935 Dominion Housing Act (DHA) was implemented, however this pattern began to change rapidly. The DHA introduced mortgages that were at a low interest rate (5%), for longer terms (initially twenty years), and that were amortized (monthly payments made on both interest and

principle of the loan) (Hulchanski, 1986, Bacher, 1993). Lending agencies were encouraged to lend up to 60 percent of the purchase price. Twenty percent came from the federal government, and the remaining 20 percent came from the borrower through savings or second mortgages (Paterson, 1991 pg. 64). However, in the United states second mortgage financing or junior mortgages were not permitted during this time. The DHA and later the NHA are therefore credited with having revolutionized mortgage finance in Canada.

In principle it is possible to identify two main sources of mortgage finance: private individuals and lending institutions. It is generally thought that private finance provided the majority of mortgages on residential properties until the mid-twentieth century (Paterson, 1991, Doucet and Weaver, 1991, Jackman, 1940). This has been confirmed in a study of five Toronto suburbs, Paterson (1991) found that between 1911 and 1941 a large proportion of mortgages held in each suburb came from private sources. For example, Lawrence Park had the lowest proportion of private mortgages with 56.1 percent and Parsons Estate had the largest amount of private financing with 92.1 percent. This study is one of the few Canadian examples of how homes were financed during the first half of this century.

Doucet and Weaver conducted a study that depicted

attributes of the Hamilton mortgage market from 1870-1955. From 1905 to 1930 private individuals provided the funds for between 80 and 100 percent of all mortgages taken out by the households that were sampled. This sample was conducted for different areas of the City during different decades. In each area, twenty to forty mortgages were sampled. Although, suggestive of the general pattern and trend, Doucet and Weaver's analysis was conducted for different time periods for each of the areas making it difficult to compare mortgage attributes between areas.

The individual lenders were mainly trustees of estates or widows who had money that they wanted to invest. Doucet and Weaver suggest that these investments were made with the help of a mortgage broker who, for a fee (usually 2 percent) would obtain mortgages for these individuals to invest in. The broker would arrange short-term loans whose interest would be paid semi-annually and at the end of the term the principal would be paid in full (Doucet and Weaver, 1991 pgs. 288-289). The private lender and broker were not subject to inspection, and lending practices seem to have remained much the same until the mid-twentieth century.

Institutional lending agencies seem to have played a less significant role. Doucet and Weaver state that it was not until World War II that the institutional lender began to

seriously influence the residential mortgage market (Doucet and Weaver, 1991 pg. 253). In the United States, Stone argues that the influence of mortgage lending institutions on housing has not always been present and has grown significantly over the last sixty years as a direct result of government intervention (Stone, 1973 pg. 429). In the first half of this century, the most common types of lending institutions have included savings (building) and loan companies, insurance companies, and trust companies.

Loan and insurance companies have had a continuous history of involvement in mortgage lending in Ontario since the mid-nineteenth century. Trust companies did not enter this field until the 1880's and their preference involved short term loans usually for five years (Doucet and Weaver, 1991). Banks, so important today, did not play a role in residential financing until the mid 1950's, because of the 1871 Bank Act that banned chartered banks from mortgage lending (Doucet and Weaver, 1986 pg. 275). In addition to the major lenders, there were also other, less important, lending agencies that contributed to residential financing during the first half of the twentieth century. These include credit unions, fraternal organizations, and companies whose main business was not lending money but who on occasion provided funds for mortgages (non-financial companies).

In Canada, Jackman (1940) estimates that in 1934, 20 percent of all assets invested in first mortgages came from insurance companies which suggests that they played a significant role in institutional financing. However, in the United States, Ratcliffe (1949) argues that savings and loans supplied 37.9 percent of all residential loans while banks/trust companies supplied 23.3 percent and insurance companies held only 5.2 percent. It is obvious that the major institutional lenders in the United States differed greatly from the situation in Canada. However, there are many aspects of institutional financing, in Canada that are not known. For example, it is not known what proportion of institutional mortgages came from different types of lending agencies and the extent of their involvement into the mortgage market.

STATE INTERVENTION PRIOR TO THE 1930'S

Scholars have agreed that state intervention and policy has played a crucial role in the evolution of residential financing during the first half of this century. The crucial decade, as suggested above, was the 1930's. Then, in Canada as in the United States, the federal government began to play a major role in financing the consumption of housing.

In Canada, government housing policies were almost

non-existent in the early decades of this century. The government's function in residential issues and more importantly in residential financing was that of a regulating body. It passed bills and acts that restricted or permitted certain agencies from getting involved in the real estate lending market; it set interest rates, and created laws concerning mortgages and the rights of lenders and borrowers. It was not until the 1930's that housing policies in Canada were defined and implemented for the first time.

Canada's first implementation of an official national housing policy began in 1918. The federal government approved the allotment of twenty-five million dollars in loan funds to the provinces according to population size. Each province would receive twenty year loans at five percent interest (Oberlander and Fallick, 1992). These loans were to be used for housing construction that would deal with the housing shortages as well as provide employment to many individuals would become unemployed due to the conclusion of the war. This housing program lasted from 1919 to 1923 when the economy of Canada was experiencing an upswing (Anderson, 1993). During this time federal housing programs acted purely as financial agents and did not get involved in other aspects of housing. The government chose to rely on market forces to improve housing shortages rather than directly

intervening with a policy of socialism (Oberlander and Fallick, 1992). This role remained virtually unchanged until the 1930's.

IMPACT OF DEPRESSION ON HOUSING MARKET

State activity during the 1930's was a response to the crisis of the Depression which hit construction more than any other major industry. When the Great Depression of the 1930's struck, all aspects of the housing system in Canada and the United States ceased to function normally (Hulchanski, 1986). Home owners lost their sources of income and had to keep up mortgage payments by drawing on savings. Landlords could not command high rents because tenants could not afford to pay them (Stone, 1973). As the value of real estate fell, borrowers struggled with heavy mortgage payments that would preserve home ownership where their equity was worth less than that of their loan (Ratcliffe, 1949 pg. 255). Institutions were overwhelmed with a large volume of residential mortgages that were of doubtful investment quality (Ratcliffe, 1949 pg. 256). In the United States, there were also financial panics in the early 1930's that initiated an intense liquidity crisis which forced residential mortgage lenders to recall loans they had made (Miles, 1986 pg. 17).

Wallace (1938) argues that in the United States,

there were certain basic defects with the credit system at this time. There was an instability of real estate values resulting in lenders only providing small proportions of the appraised property values. Many potential home owners could not provide from their own funds the difference between the cost of the home and the amount of the first mortgage. These individuals had to rely on second and third mortgages to make up the difference. In may cases these mortgages were costly with higher interest rates than that of the first mortgage. In addition, there were unreliable methods of appraisal which encouraged property values that were vague with respect to judging the risk of a loan. Financial institutions used short-term funds for real estate mortgages which were long-term investments. Many lending agencies were isolated from capital markets and there were fewer mechanisms for interregional transfer of funds, so that institutions were dependent on the local resources of their own communities. This had resulted in an uneven flow of credit for residential financing. Finally, Wallace (1938) states that there had been an attempt to extend home ownership to classes unable to afford it or to sell other properties that were more expensive than households could afford. This resulted in many households acquiring debts that they could not afford to repay in times of economic hardships. These defects in the

home financing system brought with it a collapse of the housing and mortgage markets.

Institutional lending agencies had assets that were frozen in outstanding mortgage loans which led to the foreclosure of these mortgaged properties and lenders were left with homes that they could not sell (Stone, 1973). The housing market was at a virtual standstill and lenders were not providing any new mortgages. Florida and Feldman found that in the United States, two million dwelling units were foreclosed during the 1930's and housing starts declined from 100,000 to 750,000 by 1933 (Florida and Feldman, 1988 pg. 189). Ratcliffe estimates that a peak in foreclosures was reached in 1933 in the United States with 252,400 non-farm mortgages being foreclosed (Ratcliffe, 1949 pg. 245). According to Jackson's (1980) study of St. Louis County two and a half out of every 1,000 non-farm mortgages were foreclosed by 1939 (Jackson, 1980 pg. 430). Lodge presents a mortgage analysis consisting of a 28 year study (1906-1934) into the number of mortgages held by the Home Title Insurance Company that were foreclosed. Out of the 42,217,000 mortgages held by the Home Title Insurance Company on single family dwellings 5 percent had been foreclosed (Lodge 1935). These data show that the United States had problems with the residential mortgage market in the 1930's which account for

its collapse. Evidence that suggests the incidence or the proportion; defaulting on mortgages in Canada is plentiful, but exists in the National Archives in correspondence of mortgage and loan companies with the Department of Finance when the DHA was being drafted. However, there is no reported data that is easily accessible and one can only speculate that the Depression did have an impact on the ability of home owners to maintain mortgages. The federal policies introduced in the mid 1930's suggests that there was a collapse of the mortgage and housing markets in Canada. In this context, the present research is important as the first study that seeks to document the nature and extent of mortgage defaulting during the Depression.

HOUSING POLICIES, 1935-1950

By the mid 1930's, recovery in the housing sector was hampered by housing financing policy, even when other sectors of the economy were improving (Hulchanski, 1986). The federal government remained reluctant to intervene in housing markets because they relied on market forces to improve not only shelter problems but financing problems, rather than to go into a general policy of socialism (Oberlander and Fallick, 1992). Pressure began to be placed on the government to deal with these problems which resulted in the first real housing program in 1935, The Dominion Housing Act

(DHA).

The DHA was introduced in 1935 when housing and unemployment were the major issues (Bacher, 1993, Anderson, 1992, Oberlander and Fallick, 1992, Belec et. al, 1987, Hulchanski, 1986, Doucet and Weaver, 1991). The DHA recommended that further research into housing should be conducted by the Economic Council of Canada. It allocated 10 million dollars to make loans available to builders or owners for housing construction as well as establishing joint-lending for residential purposes. Eighty percent of the purchase price of a property could be mortgaged where the owner or builder provided 20 percent, the lending agency provided 60 percent, and the government supplied the remaining 20 percent. Interest rates were set at 5 percent over a twenty year period and mortgages were now amortized where monthly payments were paid on the interest as well as the principle. As an added incentive the federal government guaranteed a portion of the loan. If a borrower defaulted on a loan, the government would ensure that the lender received a portion of what was lost.

Critics of the DHA felt that very few low income households would be assisted since in order to qualify for a mortgage, one needed a good down payment and secure job. Tenants were neglected. Although the Act allowed houses to

be built that were designed for tenant occupancy, few lending institutions were interested (Hulchanski, 1986). Life insurance and trust companies, and mortgage brokers, who were viewed as major lenders under this act, were not taking part in the mortgage market because of high administrative costs and greater risks (Oberlander and Fallick, 1992).

In response to these criticisms, the DHA was amended and the government took on more risk. The 1938 National Housing Act (NHA) was adopted to replace the DHA. The act consisted of three parts: the first contained the provisions included in the DHA, part two provided for low income housing program, and part three provided a temporary program assisting new home owners with municipal tax payments (Bacher, 1993, Anderson, 1992, Oberlander and Fallick, 1992, Doucet and Weaver, 1991, and Hulchanski, 1986). Part two was never implemented and part three was discontinued ahead of schedule so that what remained was in effect a revised version of the DHA. The amount of government money provided for new housing construction increased from ten million to twenty million. The act also continued the practice of joint lending between lenders and the government but extended operations to include borrowers with moderate incomes. This time all of the lenders' losses on joint loans were guaranteed by the government. Therefore, the degree of risk

associated with mortgage lending would be reduced and this might entice more lenders to provide mortgages to borrowers who had lower incomes. The required equity for potential home owners reduced from twenty percent to ten percent which decreased the down payment required and would bring home ownership into the hands of the lower classes. This however, did not occur; institutions refused to grant mortgages to less desirable neighbourhoods and the major recipients of financing were white collar workers.

Amendments to the 1938 NHA were made which created the 1944 NHA which broadened mortgage assistance programs for potential home owners and ignored the issue of low-income housing (Bacher, 1993, Anderson, 1992, Hulchanski, 1986, and Oberlander and Fallick, 1986). There were five parts to this act but only the first, second, and fourth dealt with urban residential mortgages. The first part authorized joint lending between the lending agency and the government. The down payment required by home owners was modified with respect to the amount of the mortgage. For example, a mortgage of $2,000 or less required a five percent down payment whereas a mortgage greater than $4,000 required a 30 percent down payment. The Federal government provided a maximum of 25 percent of the loan at four and a half percent interest amortized over twenty years. The second part of

this act was similar to the first but it supported mortgages for rental dwellings. Part four permitted provisions for home improvements and extensions through lending operations. Despite the many criticisms of the NHA, it remained a fundamental housing policy until 1945 when the Canada Mortgage and Housing Corporation (CMHC) was established.

The CMHC absorbed the crown corporation of Wartime Housing Limited, that was created through the War Measures Act (Bacher, 1993, Anderson, 1992, Hulchanski, 1986, and Oberlander and Fallick, 1992). Wartime Housing Limited was responsible for the construction of temporary housing for war workers and for veterans after the war. The CMHC also took over the administration of the NHA as well as almost all of the government's housing activities, emergency shelter, and home conversion programs. Its main roles were to enforce building codes, disseminate plans, site inspections, and to try not to saturate local markets. The joint loan program continued to experience problems, and indeed lending almost came to a halt during the Korean War. In 1952, a revised NHA, under the authority of CMHC, abolished joint loans, and replaced them with a mortgaged insurance program similar to that of the United States. CMHC was viewed as the lender of last resort because it had the authority to lend directly but it also encouraged institutional lenders to give mortgages at

high-ratios (80%) through a loan guarantee policy. CMHC mortgages were guaranteed against loss for the full amount that the lender provided. The risk associated with mortgage lending was virtually eliminated.

STATE INTERVENTION IN THE U.S IN THE 1930'S

Canadian legislation was influenced by the parallel evolution of the federal involvement in the United States. Much of what we know about residential financing comes from the United States. For example, the majority of the mortgage defaulting data is American and in order to compare it to what was happening in Canada or more importantly in Hamilton, the context of the United States housing policy will be discussed.

In 1930 150,000 non-farm dwellings were foreclosed and this increased to 200,000 in 1931 (Jackson, 1980). Most states (70 percent) passed mortgage moratoriums or other forms of relief for defaulted borrowers which included redemption periods, extensions, retained foreclosure sales, deferred or abolished deficiency judgments (Babcock, 1953). The federal government did not intervene at this point and left the problem of residential financing to the individual states. They did become involved when half of all mortgaged dwellings in the United States were technically in default in that mortgage payments had not been maintained and

foreclosure rates reach a rate more than 1,000 per day (Jackson, 1985). Wallace (1938) estimates that 1,886,693 (one third) of existing non-farm mortgage debt which total $6,172,647,600, at some time applied to HOLC for refinancing (Wallace, 1938 pg. 492). Out of the mortgages that applied to HOLC for refinancing half, or one sixth of the total mortgage debt in the United States, was refinanced (Wallace, 1938 pg. 492). These data suggest that mortgage defaulting was a significant problem in the United States.

In 1932 the government created the Home Loan Bank Board Act which made advances to twelve regional banks that would make advances to savings and loan associations when they had liquidity problems (Weicher, 1980). This would allow these lenders to maintain their businesses until the economy recovered.

The Federal Home Loan Bank Act authorized by the Home Owners Loan Corporation (HOLC) which operated from 1932 to 1936 (Semer et. al, 1986). HOLC was established to protect small home owners from foreclosure; to relieve part of the burden of excessive interest and principal payments incurred during times of higher values and earning power; and declared that it was National policy to protect home ownership (Jackson, 1985). Through long term amortized mortgages HOLC helped those households who were in threat of mortgage

defaulting to maintain their mortgages (Babcock,1953). The corporation also provided a guarantee to lenders, but only insured the interest not the principal of the loan against default (Wallace, 1938).

In 1934 the National Housing Act created the Federal Housing Administration (FHA) which allowed the borrower to get a long term, high-ratio, amortized mortgage (Bryant,1962). This administration also benefited the lender by insuring the total amount of the mortgage against default. This was the type of approach that Canada adopted eventually in 1952. Approved mortgage loans were guaranteed by the FHA against default and the lenders risk was greatly reduced (Stone, 1973). The main purpose of the FHA was to curtail unemployment in the construction industry (Jackson, 1980).

In some respects, these policies were very similar to those introduced by the Canadian government. Both countries promoted the long term, high-ratio, amortized mortgage where a portion of that loan was guaranteed against default by the government. The FHA did not lend any money for residential loans but in Canada, until 1952, the government participated in a joint lending scheme where they provided up to 20 percent of the purchase price (Wallace, 1932).

In contrast with the United States, which intervened earlier and to a greater degree, Canada was slow to react.

In the United States the first housing policy was introduced in 1932 with the Home Loan Bank Board Act whereas in Canada the first evidence of state intervention was the DHA in 1935. This might suggest that the early years of the Depression had a greater impact on domestic home ownership and more importantly on the incidence of mortgage defaulting. The objectives of both the DHA/NHA and the FHA in the United States were to reduce unemployment and increase new housing construction. Therefore, housing policies provided loans to builders and individuals for the purpose of housing construction and did not really help those who had existing mortgages in threat of default. Only in the United States, through the HOLC did the government try to help those households that were in direct threat of foreclosure. This might imply that the United States suffered more severely from the Depression, at least in terms of defaulting mortgages. Therefore, one could speculate that the incidence of mortgage defaulting was higher in the United States than it was in Canada. However, there are no data that show the incidence and proportion of mortgage defaulting that occurred in Canada as a whole or for any city in the country. This present study addresses this issue.

CANADIAN AND U.S. DIFFERENCES IN MORTGAGE FINANCING

If default rates were lower in Canada, it could be

because the system of mortgage financing was different. There are reasons to believe that financing conditions in Canadian cities were different from those in the U.S cities. It seems that there were a larger proportion of dwellings in the United States that relied on financing while in Canada more dwellings were owned outright. For example, in the United States in 1940 and 1950 45 and 44 percent of owner-occupied non-farm dwellings were mortgaged while only 31 percent of dwellings were mortgaged in Canada during the same time period (Harris,1993). Moreover, those Canadian dwellings that were mortgaged appear to have been financed more from private sources than from institutional lenders (Paterson, 1991). In 1937, 55 percent of Canadian non-farm owner-occupied dwellings were privately financed whereas only 32 percent of American dwellings relied on private financing (Harris, 1993). Therefore, it would appear that mortgaged properties in the U.S. have relied more on institutional mortgages than in Canada. Paterson (1991) offers some explanation for these differences. The federal income tax of Canada does not exempt mortgage loan interest and local property tax incentives like the U.S does. This did not provide an incentive for Canadians to acquire home ownership through mortgage financing and therefore, households were likely to purchase homes by cash.

The United States has done a good job at reporting data on mortgage financing. The Statistical Abstract of the U.S in 1937 provides a section on residential financing. A financial survey of 52 cities is provided which gives the proportion of owner and tenant occupied dwellings that were mortgaged, the average ratio of mortgage debt to the value of the property, and interest rates (Statistical Abstract of the U.S., 1937). The Statistical Abstract of the United States since 1936 provides data on HOLC and FHA financed loans which shows the involvement of these programs in the financing of American homes during the 1930's to 1950's. There is also substantial analytic mortgage data on selected U.S. cites with specific reference to Cleveland, in the 1937 U.S. Financial Survey of Urban Housing. Statistics on Financial Aspects of Urban Housing. These data give an insight into the proportion of dwellings that were mortgaged, the sources of financing, and the incidence of mortgage defaulting. There is also information on the proportion of mortgage debt held by private individuals. These data show an irregular decline in the proportion of mortgages that were privately financed from 1925 to 1954 (Federal Home Bank Board, 1955). The Federal Home Loan Bank Administration (1945) recorded information on the proportion of new mortgages that were privately financed for mortgages less than $20,000. These

data collected by federal government organizations provide us with an in-depth account of the residential mortgage market during the first half of the twentieth century and especially during the 1930's.

In Canada, there is very little data available on residential financing. The Canadian Census in 1951 provides the proportion of dwellings, in a city, that were mortgaged and does not tell us what proportion of mortgaged dwellings were privately as opposed to institutionally financed. The data on mortgaged dwellings is only given for owner-occupied dwellings and tends to ignore rental dwellings. Paterson's (1991) article focuses on mortgage data for five suburbs in Toronto from 1911 to 1941. In his analysis he found that there was a large proportion of dwellings that were purchased by cash payments and those dwellings that were mortgaged had a greater proportion of private financing than institutional. His study only provides residential financing patterns for newly developed and built subdivisions but does not focus on the older portions of the city. Although, this helps to fill in some of the gaps in our knowledge of how homes were financed it raises additional questions as to what was happening in other parts of the city and if there were any differences.

Doucet and Weaver (1991) also provide mortgage data

for selected subdivisions for the City of Hamilton from 1870 to 1955. For these subdivisions it was possible to discover the proportion of mortgages held in private hands for certain time periods. This analysis is quite significant in that it provides a comparable analysis to this research but the data presented for each subdivision reflects different periods of time. Therefore, it is difficult to compare not only the differences between the six areas but variations with respect to the City as a whole.

Ragonetti (1992) examined the mortgage and foreclosure patterns for one subdivision in the City of Hamilton during one decade (1930-1940). In her study she addresses many questions regarding the mortgage market. The proportion of dwellings that were mortgaged, the proportion of private and institutional mortgages, and the incidence of foreclosure were presented for the Union Park subdivision during the Depression years. This analysis began to investigate much of what we do not know about how homes were financed but it concentrated only on one neighbourhood in the 1930's. Therefore, questions of how typical this neighbourhood is to what was happening in the rest of the City arise. Furthermore, in terms of mortgage defaulting the focus of this study was only on foreclosures and did not address other forms of distress.

There are four responses to mortgage defaulting which include foreclosures, powers of sale, quit claims, and releases of equity of redemption. A foreclosure is a termination of all the rights of the borrower in the property used as security on the loan (Campbell, 1983 pg. 331). A power of sale is an alternative way of dealing with a mortgage that is in default. The lender has the right to sell the mortgaged property in order to receive that which is due on the mortgage (Campbell, 1983, pg. 611). Once the lender has obtained the necessary amount that will cover the loan, anything left over will go to the borrower; unless he/she has any other debts (or mortgages) that have to be paid. The borrower still maintains his/her right of equity of redemption whereas a foreclosure takes this right away. This allows the borrower the right to redeem the difference in the amount of the mortgage and the value of the property itself (Globe, 1982). A power of sale has been and still is a more common means of dealing with mortgage defaults than foreclosure because it is less costly and time consuming (Goldenberg, 1987). Foreclosures and powers of sale represent involuntary responses to distress by the lender who initiates the action against the borrower.

A third alternative, the quit claim deed can be defined as a release of any claim or interest which a person

may have in land. A borrower would quit claim their equity of redemption to the lender when a mortgage is in default (Globe, 1982 pg. 51). A final indication of a financial default is the release of equity of redemption, which is quite similar to the quit claim. This occurs when the borrower gives up or sells their equity on the mortgaged property, or sells the mortgaged property to the lender, thus releasing any equity that he/she may have on the property (Falconbridge, 1949 pgs. 54-55). What makes the quit claim and the release of equity of redemption different from the foreclosure and the power of sale is that this is an act initiated by the borrower not the lender. The borrower realizes he/she cannot repay the loan and releases title back to the lender who gains both claim and equity on the property. These can be referred to as voluntary responses to a mortgage that is in default.

There is no data or research that has been conducted on the various forms of default (voluntary and involuntary) but there is evidence to suggest that differences and preferences in the different types of response to mortgage defaulting did exist. In the United States, prior to the late 1930's many state foreclosure laws were cumbersome, expensive, and time consuming. There was a preference for power of sale over foreclosure because foreclosures took a

long time and, in some states, cost as much as $400 (Federal Home Loan Bank, 1937). Bovard (1936) states that voluntary responses to mortgage defaulting was an easier procedure than involuntary responses because of the time and the legality involved in foreclosures and powers of sale. For example, if the value of a property fell below the amount of the mortgage, voluntary responses (quit claim, release of equity of redemption) would be useful in saving time and expense (Bovard, 1936 pg. 22). He also suggests that voluntary responses may have many problems associated with them. For example, if it could be proven that the lender forced the borrower to voluntarily give up title to a mortgage property, the agreement would not be valid.

Although these three studies have captured some aspect of the mortgage market during the first half of this century, none address the issue systematically. We do not know the differences between private and institutional lenders in terms of the degree of their involvement in residential financing or the incidence of default. When looking at institutional lenders little is known about the different types of lenders and their involvement in the mortgage market. The level of mortgage defaulting for this time period in Canada is quite vague in that we do not know the proportion of dwellings that were affected. A recurring

theme that emerges from the literature is that there are many gaps in our knowledge of residential financing especially in Canada. It is obvious that more research in this area needs to be done and the underlying purpose of this research is to help fill the void in our understanding by examining the situation in Hamilton, Ontario, between 1901-1951.

CHAPTER 3: METHODOLOGY

To document patterns of mortgage financing in Canada, it is necessary to employ registry records. Supplementary information, for example concerning the occupation of household 'heads', must be obtained from other sources, the most reliable of which are property assessments. The first section of this chapter describes the two sources and considers briefly, their strengths and limitations.

Registry records are difficult to use and to sample. Since they are organized by registered plan number and subdivision, some form of clustered sample saves the most time. The second section of the chapter describes the sampling design that was adopted, and discusses its strengths and limitations.

ASSESSMENT RECORDS

Assessment rolls are municipal records that are gathered annually to determine the amount of property tax that a property owner will be required to pay. For present purposes they are useful as a source of information about the name and occupation of owner and tenant, tenure of dwelling unit, and type of dwelling. By comparing one year with another, it was also possible to use the assessments to infer whether a dwelling unit was recently-constructed. Past assessment rolls are available in the basement of Hamilton's

city hall, which is open to the public. Rolls were compiled in one year and used to levy taxes in the following year. In conducting this research, assessment records of the City of Hamilton were consulted for the years: 1902, 1912, 1922, 1932, 1942, and 1952. The information gathered therefore, pertains to the preceding year in each case (1901, 1911, 1921, 1931, 1941, 1951). To avoid confusion, all future references will be made to the years in which the rolls were compiled. The years were chosen in order to make possible a comparison with census data, so as to determine whether data from assessment records were representative of the City as a whole.

Until the 1940's, the assessment records were laid out in a straightforward manner, compatible with most database software programs. Usually, information for each property is contained on a single line. Each line entry was divided into three groups of rows which provide information on the owner, tenant, and the property itself. Figure 1, depicts a sample entry of properties in 1951.[2] The property located at 162 Locke Street North is a good example because, quite typically, it is a single family dwelling with two

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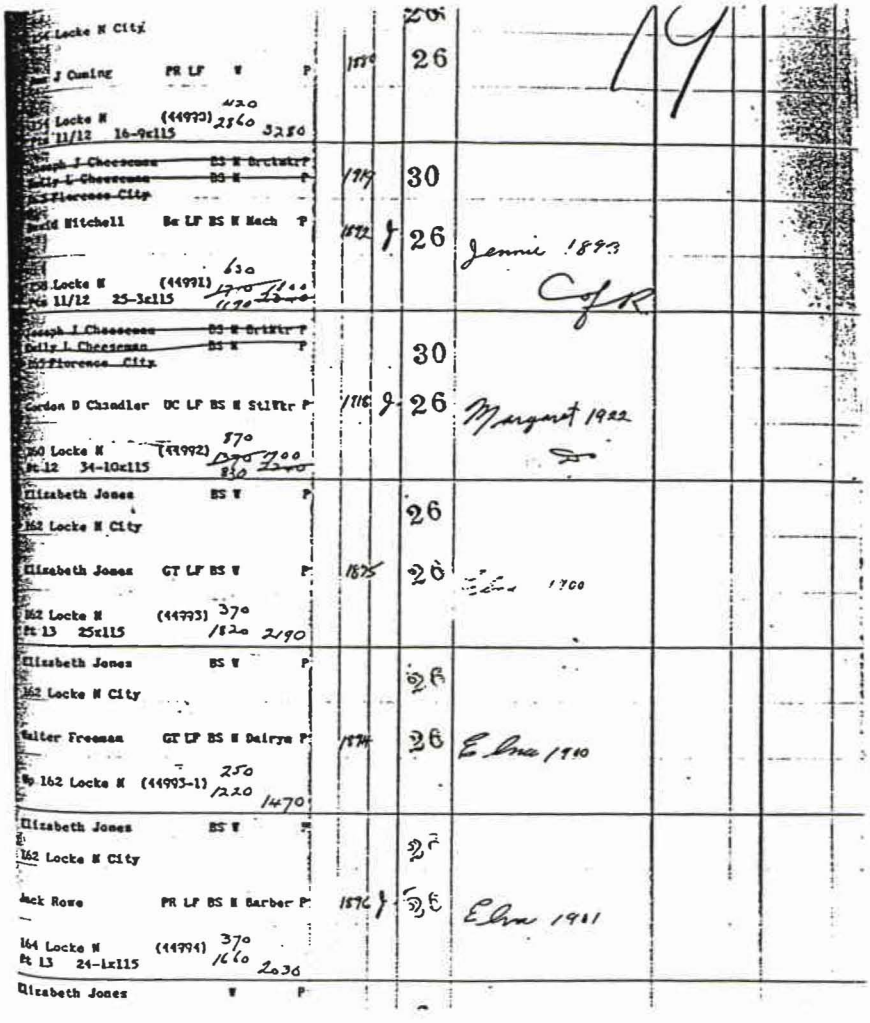
[2]The layout of the 1951 assessment entries differs from those of preceding years but it was only possible to obtain this example from the Assessment Office. The information contained in the assessment rolls are the same in each year but the location of the information is not.

Figure 1: Sample From Assessment Rolls



SOURCE: 1951 Hamilton Assessment Records

residential units located within it. The information available will help to determine what type of dwelling is situated on a parcel of land. The first group of rows contains information about the owner. In this section, one would find the name and address of the owner, the 'head' of household's occupation, religion, type of school supporter, and whether they were British Subjects. For example, in Figure 1, the owner of 162 Locke Street North is Elizabeth Jones who is a British Subject "(BS)", a widow "(W)", and a public school supporter "(P)". She is not only the owner of the residential property but is also the 'tenant' which makes the property owner occupied.

The second row contains information pertaining to the tenant. The same information would be available in this section with the exception of the address, because the tenant lives at the property that corresponds to the entry. The data collected from this section would include the name and occupation of the tenant. In the case of the upper unit of 162 Locke Street North (see Figure 1) Walter Freeman who is a British Subject "(BS)", public school supporter "(PS), married "(M)" and who is employed as a dairyman "(Dairym)" is the tenant of this residential unit owned by Elizabeth Jones. The fact that there are two entries for 162 Locke Street North; one for the owner (Elizabeth Jones) and one for the

tenant (Walter Jones) indicate that this is a residential property with more than one household residing within it.

The final portion of the entry is comprised of information that describes the dwelling and the property. The legal municipal address, the lot number, the dimensions of the lot, the assessment roll number, the building and land values, and the total assessed value of the unit are included in this section. The municipal address is of importance to the research project in that it will help to determine the number of residential units and the type of dwelling located within each property.

Assessment records have a number of strengths that are generally appreciated by historical scholars and have been discussed elsewhere (see Goheen, 1970; Katz, 1975; Levine, 1985). These records are fairly accurate since they are collected by the municipality in order to assess a dwelling for tax purposes. It is to the advantage of the municipality to collect information on a dwelling that is correct, so that they charge the proper tax rate on the property and produce a substantial tax base. Property owners can appeal their excess assessments, and therefore this provides an additional check of accuracy.

The Hamilton Assessment Office collects data for the assessment rolls which it publishes annually. Other sources,

such as the census, are only available at five or ten year intervals. The obvious advantage that the assessment records have over other sources is that one is able to collect information on an annual basis and for specific properties.

A number of limitations/weaknesses associated with the use of assessment records should also be identified. They are very time consuming to use. There is a list of variables for which data must be collected for every property in a sample during certain years. Also, building values are an assessed value and do not necessarily represent the market value of the dwelling. Moreover, the ratio of assessed market values changes over time. At best, assessed values indicate the value/quality of dwellings, at one point in time, relative to other properties. Therefore, one could not derive patterns of building values and assume that those findings represent the true value of a structure. This however, is not a serious limitation for this study because the research does not focus on the values on dwelling units but focuses on other social characteristics. A final limitation associated with assessment records is that information on occupation is given for the household 'heads' and sometimes employed lodgers, but not employed married women. Therefore occupations that contain a large proportion of women will be underrepresented (Harris 1993).

DATA COLLECTION

The methodology employed in the data collection using assessment records was not very complicated.[3] The first task involved formulating a list of property owners, for each of the six study years for each property in each cluster of the sample. Once this was completed, it was possible to use these lists of owners with registry records in order to search for mortgage data. There were four variables that were of particular importance in the assessment data. Tenure, occupation of the 'head' of household for the owner, age of structure, and type of dwelling were determined using assessment rolls as the main source.

Tenure was not explicitly reported in the assessments. To infer this information, the name of the owner and the name of the tenant were compared. If the owner and tenant had the same last name, the property was considered to be owner-occupied; if the last names were different, the property was considered to be tenant-occupied. The address of the owner and of the property in question were also compared in order to account for any discrepancies that may be present. For example, married couples were often listed with the wife as the owner and the husband as the

[3]The assessment data was gathered by other individuals under the supervision of Dr. Richard Harris and were used as part of the present research with his permission.

'tenant'. In this case, it would not be adequate to compare the last name of the owner and tenant because they constitute the same household. If the two addresses were different, the property was considered tenant-occupied and if they were the same, the property was viewed as owner-occupied. A coding system was created to indicate properties that were owner versus tenant occupied.

Occupation of owner's 'head' of household was explicitly reported in the assessment records. In conducting the research, the specific occupation corresponding to each owner for each property was recorded using an occupational classification system developed by Harris (1993). These categories were constructed in an attempt to identify socio-economic classes, distinguished primarily in terms of ownership or control of means of production. The broad categories that were used were: self-employed; professional; managerial; clerical; skilled blue collar; unskilled blue collar; self-employed (building trade); unclassifiable occupations; unclassifiable individuals; and the construction trades. A number range was assigned to each of these classifications. For example, self-employed occupations comprised the 1-99 range whereas the construction trades were assigned a value from 900-999. As an occupation was identified through the assessment, a number was given to that

occupation based on its category and the order in which it appeared. For example, a labourer was coded 510 which denoted an occupation in the unskilled blue collar category (500-599 range) that was tenth in order of appearance. Occupations were recorded for the tenant and owner for every property.

Data on the type of dwelling was also implicit in the assessment records. The type of dwelling was inferred by looking at each property in the assessment records. If a property was comprised of only one residential unit, it was labelled as a single family dwelling. There were many cases where a single family dwelling housed more than one unit in it. In these cases it was necessary to consult further information in order to classify it as single family dwelling. The municipal address would give some clues such as the word upper and lower to signify an additional unit rather than separate apartment number which would suggest an multiple-family or apartment type dwelling. If a property consisted of many residential units and those units were listed with an apartment number, that structure was classified as a multiple-family dwelling. A third type of dwelling, more easy to distinguish in the assessments was that which combined residential with some commercial use. Examples include, a store owner living above his/her

establishment, or apartments located over a row of stores. For these cases, the name of the business or commercial use appeared as one of the units of the property but since it did not have anything listed under the number of persons per household column, its non-residential character was evident. In principle, it was important to distinguish these types of properties in order to determine whether their mortgage status differed between the three.

REGISTRY RECORDS

Before discussing the use of registry records it is useful to review some of the mortgage terminology that they employ. A broad definition of a mortgage is a form of contract specifying the manner in which funds are to be repaid (Fallis, 1985 pg. 20). Narrow definitions of mortgages are the ones used most often in residential financing research.

> A mortgage is a conveyance of land as a security for the payment of the debt or the discharge of some other obligation for which it is given, the security being redeemable on the payment or discharge of such debt or obligation (Goldenberg, 1987 pg. 6).

In Canada, a mortgage is a pledge or security of a specific property for the payment of a debt or the performance of some other obligation and is regarded as a conveyance in effect (Campbell, 1983). Maisel (1965) views a mortgage as a contract which pledges a property as security for repayment

of the debt. The three definitions presented by Goldenberg, Campbell, and Maisel regard a mortgage as a conveyance or pledge of land as a means of securing a loan. Land is the key component of their definitions and it is land which sets a mortgage apart from a loan. Alternatively, Fallis (1985) provides a simplistic explanation of this term. There is nothing in his definition that makes a mortgage distinct from any other loan. Thus, it is important to note that a mortgage is a distinct type of loan which uses land, and the structures located on it, as the key to securing the loan. In this research the narrower definition of a mortgage was adopted.

There are usually two parties to a mortgage contract. On the one side is the mortgagee, or lender, who is the person/party that takes or grants a mortgage (Campbell, 1983). On the other side is the mortgagor, who is the one who has all or some part of title to property that is used for security for a debt (Campbell, 1983). I will refer to the mortgagor as the "borrower" in the mortgage agreement. There are different types of mortgages. A first mortgage is the first in right or time of a series of mortgages dealing with the same dwelling (Campbell, 1983 pg. 524). In other words, it is the mortgage first in seniority, in terms of repayment. A second mortgage is observed as the mortgage

that is second in time or priority to an existing first mortgage (Goldenberg, 1987 pg. 7) and which takes rank immediately after the first mortgage in the case of a default (Campbell, 1987 pg. 524). Any other ('junior') mortgage would follow with a lower priority.

There is an important distinction that should be made between amortized and non-amortized mortgage since prevailing practice changed so much during the study period, and especially after 1930's. Prior to the Dominion Housing Act (1935), most mortgages in Canada were non-amortized, 'balloon' mortgages, where periodic payments were made on the interest only. At the end of the mortgage term the balance of the loan was due (Paterson, 1991). The DHA introduced amortized mortgages where payments were made on a monthly basis and these blended payments covered both interest and principal of the loan (Fallis, 1985). The large lump sum payment is no longer required but the borrower pays off the mortgage by the end of the term of the loan.

Mortgage funds can come from a variety of sources. According to Morrison (1979), four different types of lenders can be identified. The first are financial institutions, a collective term used to refer to chartered banks, trust companies, mortgage and loan companies, insurance companies, and building, savings and loan companies. Second, financing

can be provided by private individuals who are single investors or vendors (sellers of their own dwelling), and may include individuals who are skilled in the market such as, real estate agents and lawyers. Third, mortgages can also come from the public sector. This category includes mortgages provided by Municipal, Provincial, and Federal agencies such as the Canada Mortgage and Housing Corporation (CMHC). The last category recognized by Morrison was one he called 'Other' which included credit unions whose collection and disposal of funds is heavily influenced by shareholders whose particular demand for funds have be met. For the purpose of this research, this category was integrated into the financial institution category. Although, Morrison identifies four different types of lenders, financial institutions and private individuals are the two main sources of financing utilized by households.

The records contained in the Land Registry provide a variety of data on mortgages: type, duration, and amount of mortgage; whether a mortgage was discharged or repossessed based on either involuntary (power of sale, foreclosure) or voluntary (quit claim, release of equity of redemption) responses to residential distress; any other encumbrance upon land such as a lien or right of way, etc.. These encumbrances are legal documents.

The Registry office for the City of Hamilton is located on the fourth floor of the Ellen Fairclough building and is open to the public. It contains information on all land transactions that occur within the city. There are two systems used by the registry office. One is the Land Titles which deals only with subdivisions that have been registered after 1973 (Globe, 1982 pg. 99). It is therefore not relevant to this research. The second system is the Land Registry which deals with the registration of documents that affect land in subdivisions created prior to 1973, and will be most applicable to the research. The documents that are registered in the Land registry system include: mortgages, agreements of sales, assignment of mortgages, rights of ways, liens, powers of sale, quit claims, releases of equity of redemption, and certificates of order of foreclosure. To achieve the objectives of the research project that deal with mortgages and residential financial difficulties, the registry system was utilized.

As Paterson, one of the few historical geographers to have employed this source, has noted:

> The registry system has entries for each lot of a plan that is recorded in an abstract book. Two types of abstract books exist which summarize land transactions before and after subdivision. These are respectively, concession books and plan books. Thus the abstract books of deeds represent, one of the few historical sources of information on

mortgage financing (Paterson, 1991 pg. 65).

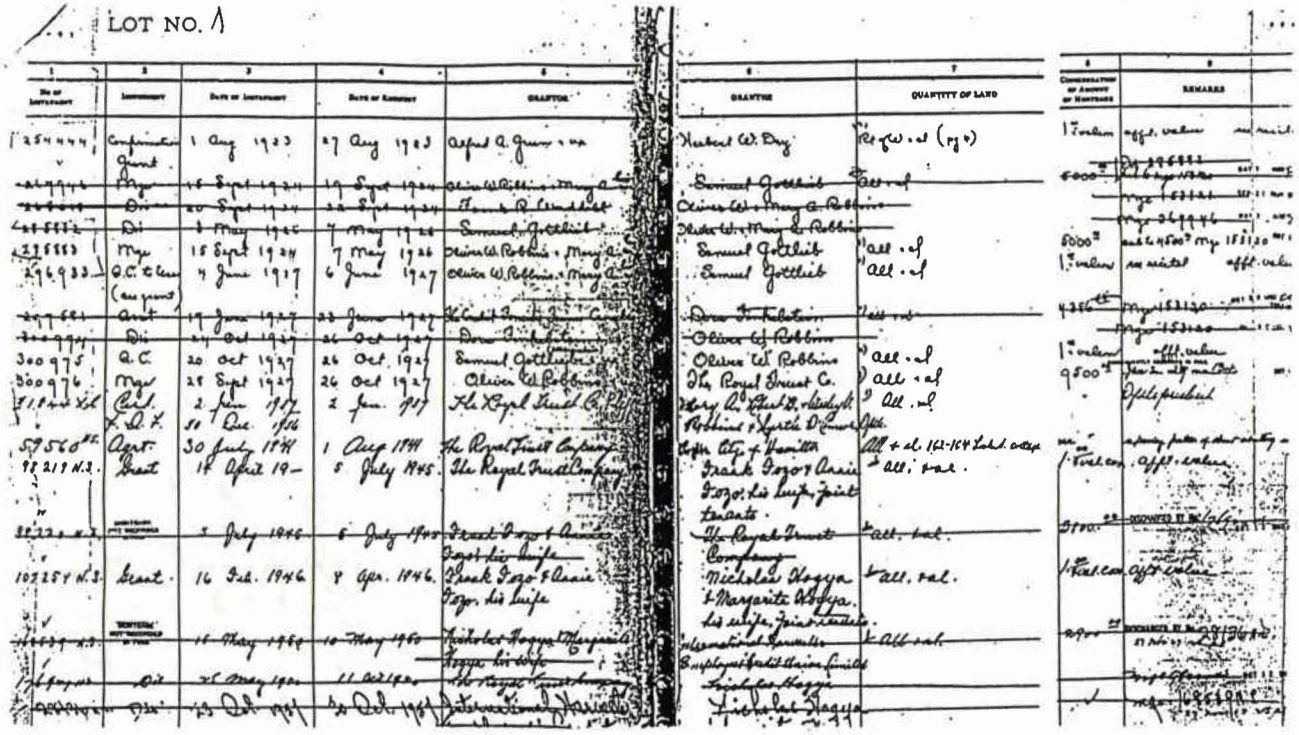
For the purpose of the research, plan abstract books that summarize land transactions after subdivision of land has occurred were consulted, rather than the original mortgage documents, and for two principal reasons. Mortgage documents are written by lawyers in legal terminology. It is difficult for someone without training in this field to decipher the information presented in the document. Plan abstract books summarize all transactions on land without most of the legal terminology attached to it. Therefore, the use of plan abstract books not only alleviates the frustration of trying to understand the original documents, it also reduced the risk of some of the information being misinterpreted because of the language used. A second reason for using the abstract books was the time factor. Abstract books contain summaries of all land transactions for all lots in a plan. In contrast, mortgage documents deal with only one property and one mortgage at a time. In order to obtain mortgage information using the original documents, one would have to check the abstract book first to get the instrument number and then requisition that instrument. Once the instrument has been retrieved, one would have to look for the necessary information. By using abstract books, this laborious task has been eliminated. The only thing that would have to be

done would be to locate the appropriate abstract book for the corresponding plan; locate the lot that is of interest and then record the necessary residential financial information.

Plan abstract books are arranged according to the lot numbers of a corresponding plan. Since they are a vital, and yet unfamiliar source, it is useful to examine a sample page in detail. Figure 2, shows a summary page for lot one of the Macklin survey, that corresponds to 164 Locke Street South. This page is divided into nine columns. The first provides the number assigned to the registered instrument. The Registry Office assigns a chronological number to each document registered regardless of the plan or lot number; it is based on the order in which a document is registered. This number is the reference for the original documents. The second column supplies the name of the instrument that has been registered. For example, under column two of Figure 2 we find the following abbreviations: "mge", "dis", "grant", "Q.C.", and "cert. F.O.F" stands for mortgage, discharge of mortgage, transfer of title of land, quit claim, and certificate of order of foreclosure, respectively. This column describes what is occurring on a parcel of land at a certain time.

Column three yields the date the instrument was drawn up and column four shows the date the instrument was

Figure 2: Sampe From Registry Abstract Page



SOURCE: Hamilton-Wentworth Registry Records, Macklin Survey

registered with the registry office. The dates entered in columns three and four are sometimes the same but they can differ, usually by as little as a few days but sometimes by as much as many months. The differences represent the time between the date the instrument was created and the date the it was registered through the Registry Office. The latter proves to be most useful to the historical researcher because it provides the actual data an instrument was legally registered against a property or a parcel of land. For example, when investigating the duration of a mortgage this date becomes very important. The date of the registration is also useful when trying to discover temporal patterns of financing. When investigating residential financing patterns for the sample during the 1930's these dates are essential because they enable mortgages, and cases of default that occurred during this decade to be identified. For example, in Figure 2 there is a certificate for order of foreclosure registered against Oliver W. Robbins who had taken out a mortgage from the Royal Trust Company on October 26, 1927. This borrower was defaulted on the mortgage and it was subsequently foreclosed on January 2, 1937.

Columns five and six represent the grantor and grantee respectively. A grantor is seen as the person who makes a grant and the grantee is the person to whom the grant

is made (Globe, 1982). For example, in the case of a transfer of title on land, the grantor is the seller of the property and the grantee is the buyer of the land or property. Confusingly, in the case of a mortgage, the grantor becomes the borrower and the grantee is now the lender. In the example used in the above section Oliver W. Robbins was the grantor who borrowed funds from the Royal Trust Company who was the grantee (see Figure 2). A final example would be a discharge of a mortgage where the grantor is now the lender and the grantee has become the borrower.

The seventh column describes the quantity of land that is involved in a certain instrument or transaction. Usually the words, "All &al." appear in this column which means that the entire lot is involved. Sometimes one sees a legal description of part of a lot which signifies that a lot has more than one municipal property located on it. This section of the summary page is significant when investigating anything concerning a parcel of land. When examining a lot, the quantity of land must be carefully observed because sometimes a lot is divided into more than one municipal address. When tracing a specific property through time, it is very important that the correct information is gathered for the corresponding property, and this column ensures that.

The last two columns also provide useful information

for residential financing research. Column eight states the amount of the mortgage or consideration. This information can prove to be helpful, if one is interested in discovering the patterns of the monetary values of mortgages during certain time periods. It is not always reliable, in that some transactions give nominal values like "$1.00 & val. con." which means one dollar and the value considered. In order to get the true value the original document must be consulted (see Figure 2). The last column is set aside for any additional remarks that need to be made in order to understand a specific instrument. For example, this section will tell whether a mortgage has been discharged or not and will provide the instrument number of the document discharging the mortgage so that the duration of the mortgage can be determined. This section will also tell whether a mortgage experienced some form of distress. For example, the case of Oliver W. Robins and the foreclosure of his mortgage, under the remarks section of this entry the words "Dfdts" (defendants) foreclosed appear which states that indeed this mortgaged property was foreclosed.

There are many strengths associated with using registry records as a major source of data collection. The data collected are comprehensive and accurate. Entries are made in the abstract book as soon as an instrument is

registered against it and there is no lag time between when a document is registered and when it appears in the book. Registry records are legal documents that affect the ownership of land. Therefore, it is imperative that all the data be accurate. These records enable one to gather information on residential financing on a very small scale (household). For example, the 1951 census provides information on the proportion of dwellings mortgaged in the city of Hamilton. Although this information is very useful, it tells us nothing about what occurs at the neighbourhood or individual scale. The final strength associated with this source is that it provides residential financing information that is not available anywhere else. There is simply no other source that can tell us whether a specific property has been mortgaged, who granted the mortgage, the duration of the mortgage, if there was a default in the repayment of that mortgage, etc.. For the purposes of this research, registry records are indispensable.

They do, however, have their limitations. Firstly, they can be very expensive to use. There is a $5.00 cost for every abstract book requisitioned from the front counter. When dealing with 5,700 residential units over a long time period (1901-1951), the cost can quickly become a deterrent in whether to choose this source as a means of data

collection.[4] Collecting data through registry records is also very laborious. Apart from locating the proper abstract book for each plan and lot in the sample; one must review each entry of a lot's summary page. Many lots have more than one municipal address associated with it, so it is vital that data for the right parcel of land be chosen. It is also essential that when tracing home ownership and mortgage information that one goes beyond the time period that is being researched. Many times, transfers of land and mortgages have occurred sometime before the initial year of study. Therefore, in trying to collect accurate information, it is important that every registered instrument entered in a summary page be reviewed. Another disadvantage of this source is that the language can become confusing. For example, as discussed earlier in this section, the words grantor and grantee change and even reverse meaning with respect to the type of encumbrance that is registered against title. A final limitation of registry records is the fact that they do not provide information about the home owner or the residential unit. For instance, there is no information on the home owner's occupation, tenure of the property, age

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[4]I would like to thank the Land Registrar, Ginni Matuzzi and all the staff at the Hamilton-Wentworth Registry Office for their generous cooperation and assistance in gathering the mortgage data, specifically regarding the fee waiver.

of dwelling, or type of structure. If one is interested in only residential financing patterns, the use of registry records alone is acceptable, but if one is interested in linking mortgage data to the social characteristics of the people and buildings within the sample, this information must be taken from other sources such as assessment rolls or city directories. Registry records are the only source that provide such detailed data on mortgage financing and must to used despite these difficulties.

DATA COLLECTION

To achieve the objectives of the research, the following methodology was employed. The units of analysis for the research are individual dwelling units in each of the study years. Data gathered on a residential unit began with the owner of the unit in 1901 and concluded with the data on the owner of that same unit in 1951. The research began with getting the list of residential units that were created when the sample was constructed. With this list, the relevant lot and plan number were located. Maps in the registry office provide plan and lot numbers for every municipal address in the city. Each residential unit was located on one of those maps and the lot and plan number(s) associated with each was recorded. Although tedious, the sample design made this task much easier. Prior to the actual data collection, a list of

home owners for each residential unit, in each target year was needed. This information came from the data that was collected through assessment records. At this point, the necessary background information was available and the collection of mortgage data began.

Entries for each residential unit were examined in the corresponding plan abstract book. These plan abstract books are set up in a very confusing manner. One must go to the front counter and requisition the appropriate plan book. For a cost of $5.00, access to any abstract book is possible. If these books are collated, with all entries for a given lot and plan being gathered together, data can be collected using just one book. If the abstract book is not collated, however, then the process becomes more difficult. Entries in uncollated books may extend over more than one volume. It is possible to have a lot where you must consult three or four books in order to collect necessary data. In order to find the appropriate book(s) in uncollated plans, it was necessary to first requisition the most recent book from the front counter. This book would give information as to where past abstract books were located. These older books were either behind the counter or shelved to either side of the office. The books behind the counter would require another $5.00, fee whereas those shelved at the sides were available at no

charge. This procedure would have been prohibitively expensive except that, all land registry offices are under instructions to permit legitimate researchers who have no commercial interest in the information to carry out research without cost. As soon as the proper abstract book(s) were located the next stage in the data collection commenced.

The first step involved locating the year in which an owner of a residential unit in 1901 gained title to the property followed by a search in title until 1951 to determine whether a first mortgage was held on that property in 1901. If there was no mortgage held in 1901, no further research was conducted; but if a mortgage was present, further research was necessary.

Each recorded first mortgage held in 1901 was examined in order to ascertain the type of financing it received. The numbers 1 (male) and 2 (female) were used to indicate the sex of those holding private mortgages, and a separate coding system was created for institutionalized mortgages. The method involved in creating the coding system was similar to that used for the occupational coding system. Institutional lenders were placed in one of the following categories; banks, trust companies, mortgage brokers, building, savings, and loan companies, credit unions, insurance companies, assurance companies, and non-financial

companies. Each of these categories were given a number range. For example, banks were assigned the one hundreds and insurance companies were assigned the six hundreds. As institutional lenders were discovered in the data collection, they were given a chronological number based on their category number. For instance, credit unions were assigned the five hundreds and if the Teacher's Credit Union was the first credit union to appear in the data collection, it would be given the code 501 (500 for the category and 1 for the order of its appearance).

The next step involved checking the mortgage to see whether a foreclosure, power of sale, quit claim, or release of equity of redemption was registered against it. If one of these documents was registered against a property, it meant that the owner had lost legal title due to failure to maintain mortgage payments. If a mortgage was held on a property in 1901, it was investigated to see whether it had been discharged. Evidence of a discharged mortgage in the abstract book is a red line that is drawn through the entry that represents the mortgage. There is also a comment under the remarks column that says discharged and an instrument number of the document that discharged the mortgage is included. If there was no indication that the mortgage had been discharged, it may have denoted a default in the

repayment of the mortgage. Each mortgage that had not been discharged was investigated for evidence of nonpayment of the loan. Columns two and nine of the summary pages of the abstract book, disclosed the type of instrument that was being registered. For example, if there was a foreclosure on a mortgage, "Cert. F.O.F" would appear under column two and the words "defendants foreclosed" would appear under column nine. In other words there would be clear evidence of a foreclosure, power of sale, quit claim, and release of equity of redemption on a property. This information was recorded, as well as the year in which the instrument had been registered so as to be able to identify temporal changes that occurred throughout the study.

This procedure was repeated for the remaining target years. Mortgage searches were conducted on all units in the sample for 1911, 1921, 1931, 1931, 1941, and 1951. This involved recording whether there was a first mortgage held on a property in any of the target years; and if there was, what source provided the funds, as well as whether the mortgage experienced residential default using the same methodology.

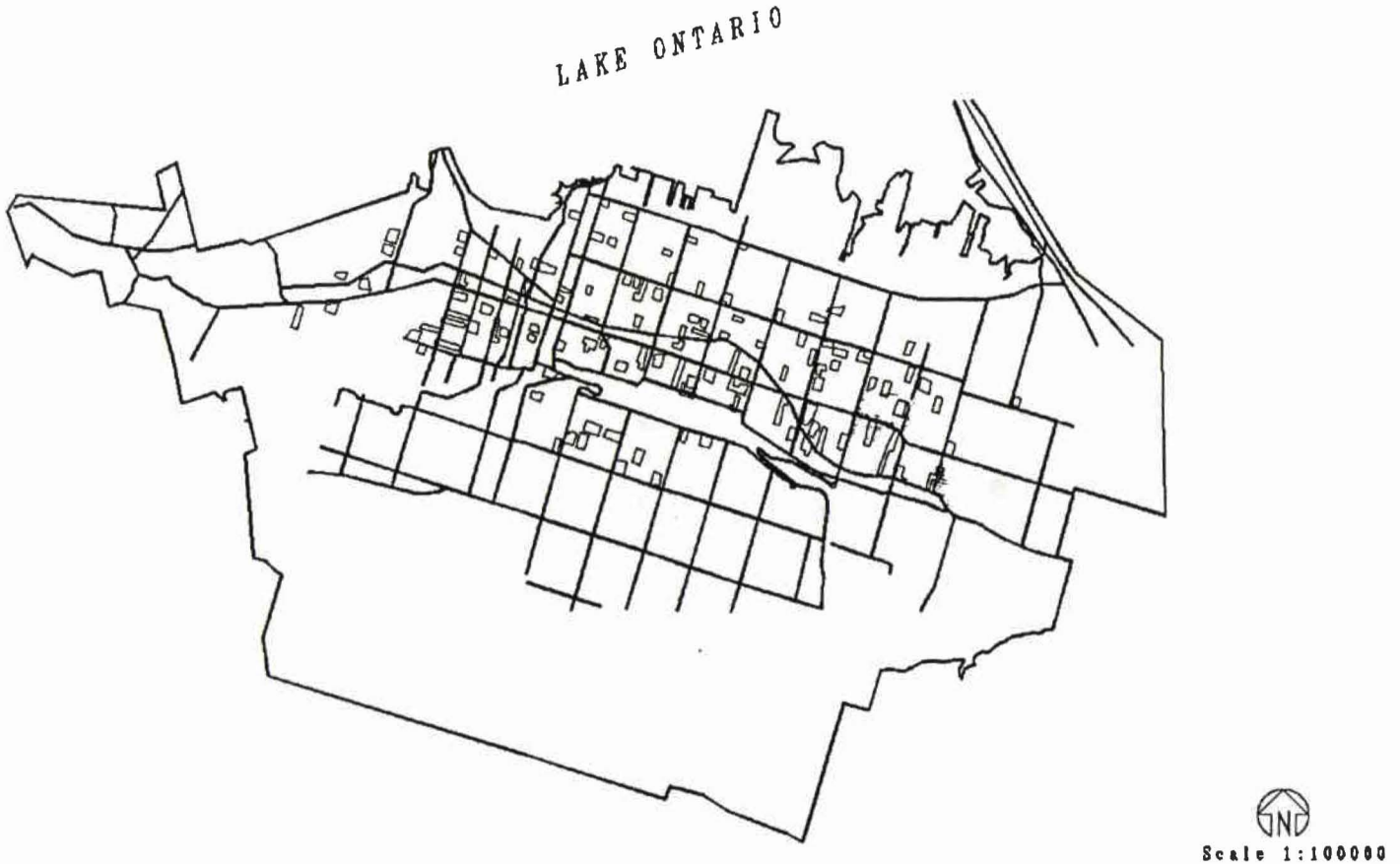
SAMPLING DESIGN

It was impossible to gather information on residential financing in Hamilton for every property in the City for every year from 1901 to 1951. It was therefore

necessary to take a sample. The sample chosen was a systematic, random sample which consisted of 114 clusters, each containing fifty residential units (see Figure 3).

The sample was systematic in that every thousandth residential unit was chosen for the initial sample. The sample was derived from assessment records in 1951. The assessment rolls for the city of Hamilton in 1951 are divided into eight wards. The procedure that was employed to arrive at the initial sample involved counting occupied residential units in the order they appeared in the books, from ward one to ward eight. Every thousandth property was chosen for the initial sample, 114 in all. Once that was completed, maps available at the registry office, that include information on municipal addresses and corresponding lot and plan numbers for each property, were consulted in order to identify the lot(s) and plan number for each residential unit in the initial sample. The next step involved viewing each subdivision plan in order to identify a cluster of fifty residential properties surrounding each unit in the initial sample. The standard procedure for arriving at a fifty residential unit sample for each cluster involved locating each initial unit on the corresponding plan and counting in a clockwise fashion until 100 lots in the plan were identified. The initial sample was collected to include more

Figure 3: Location of Clusters in the Sample For the City of Hamilton, 1901-1951



than fifty residential units to ensure that fifty residential units were in each clusters. A lot may have been divided to include more than one residential unit, a residential unit may have extended over more than one lot, or a lot that may have contained a non-residential land use (eg. industrial or commercial).

Once that was completed, they were checked against the 1951 city directory to determine which units were residential. Only residential units were included and this search stopped once sixty residential units were gathered for each cluster. At this point, ten extra residential units were included in the sample to account for vacant units or units that were not constructed at the time the city directory collected its information. When assessment data were gathered, the size of each cluster was reduced to fifty occupied residential units. It is important at this point to distinguish between residential units and residential properties. This study is interested in residential units because residential properties may include more than one unit and the study is attempting to investigate patterns of financing for all residential units of a property, not just one unit.

Although laborious to construct, this type of sample was chosen because it was much easier to utilize the registry

records with a cluster sample. The registry system is set up by plan or concession number. All mortgage data for each property in a plan is usually located in the same abstract book. It is far easier to gather mortgage data for thousands of units grouped in clusters than for thousands of individual units dispersed throughout the City. The sample also allowed for part of the objectives of the study to be addressed. One of the objectives is concerned with determining whether there were differences in the nature and extent of residential financing by neighbourhood. The cluster sample will allow for differences in residential financing by neighbourhood to be determined. Although this is also true of a pure random sample, a cluster sample may help to identify very small-scale effects that may be missed by using a random sample.

Some problems may arise from using such a sample. One major problem pertains to the methods used to arrive at the sample. This method was not always appropriate for all properties in the initial sample. There were residential units in areas that were extensively commercial or industrial such as the CBD (central business district) or the industrial area of the North End. Here it was difficult to follow the usual method of arriving at the fifty unit sample for the cluster. It was sometimes necessary to extend over larger areas and more than one subdivision plan in order to arrive

at the sample requirements of the research. This method could have introduced a possible bias against apartments.

DATA ANALYSIS

The data analysis stage was an integral part of the methodology utilized in this research project. This section will discuss how assessment and registry data were examined. Data collected through the Assessment and Registry Offices were entered into a Reflex 2.0 database. During the data collection phase, utilizing registry records, data only on first mortgages were recorded. Due to the nature of registry records, it was more efficient to collect mortgage data in this manner, rather than recording all mortgages that occurred on a given property. It would have been too difficult to keep track of all the mortgages that occurred, especially in cases where a lot was divided into more than one property. First mortgages were chosen because they typically represent a large portion of the debt, and are superior to all other mortgages in that they would receive repayment before other mortgages and legal action can be taken against a default prior to others. Once this was completed, tabular and cartographic analysis was possible.

One of the advantages of constructing a longitudinal data file is that it is possible to determine in which time period each dwelling unit was built, and therefore to

distinguish between the occupancy and mortgage characteristics of 'recently built', as opposed to 'old' units. A recently-built property was defined as one that had been built within the previous ten years. For example, in the 1921 sample, a recently-built dwelling unit would be one that did not exist in 1911. An older property is defined as one that was at least ten years old. This made it possible to determine whether there were differences in the proportion of mortgaged dwellings, the sources of financing, and the incidence of residential default by age of dwelling.

Spatial patterns of residential financing were also investigated. The original database was aggregated through the SPSS computer program. The program took each cluster and provided an average value for each variable. For example, SPSS would give the average proportion of units in a cluster that were owner-occupied instead of separate tenure for each property in the cluster. Another computer program was utilized in order to provide a visual illustration of these spatial patterns. ARCINFO is a computer program that allows one to combine numerical and graphical data. In order to utilize ARCINFO, a map of Hamilton outlining each of the 114 clusters, was digitized into the program. Once that was completed, the aggregated database was brought into ARCINFO so that maps showing spatial trends of mortgage financing

could be generated.

A question that arises in using any sample is that of representativeness. In order to address this concern, and where possible, assessment and registry data collected for 1931, 1941, and 1951 were compared to the census data for the same years (Table 1). The variables used to compare the census data to the sample were: average number of persons per household, proportion of owner-occupied dwellings, proportion of tenant-occupied dwellings, proportion of dwellings with first and second mortgages, and the proportion of single family dwellings in 1951 and 1931 presented in the census data are very close to those proportions present in the sample. The difference between the two range from a low of 0.2 (average number of persons per households) to three percent (proportion of owner-occupied, tenant-occupied, and single family dwellings). In most cases, the differences are small, indicating that the sample does represent quite accurately the city of Hamilton as a whole during the same time periods.

The main exceptions to this are the proportion of dwellings that had a first mortgage, the proportion of dwellings that had no mortgage, together with the proportion of single family dwellings in 1941 (Table 1). Of these variables represented, there were greater differences between

TABLE 1: COMPARISON OF CENSUS DATA TO SAMPLE DATA FOR THE CITY OF HAMILTON, 1931-1951

	VARIABLE	CENSUS DATA*	ASSESSMENT/ REGISTRY DATA**
1951	Average number persons per household	3.7	3.5
1951	Proportion of Owner-occupied dwellings	65%	62%
1951	Proportion of dwellings with first mortgages	44%	34%
1951	Proportion of dwellings with no mortgages	51%	60%
1951	Proportion of dwellings with with first and second mortgages	5%	6%
1951	Proportion of single family dwellings	65%	68%
1941	Proportion of Owner-occupied dwellings	44%	42%
1941	Proportion of single family dwellings	75%	81%
1931	Proportion of Owner-occupied dwellings	48%	50%
1931	Proportion of single family dwellings	71%	70%

*Source: Canadian Census 1931-51.

**Source: Hamilton Assessment Records 1931-51 and Hamilton Registry Records.

the sample and the census data. For example, the census show that out of 36,055 dwellings in the City of Hamilton in 1951, 44 percent had only a first mortgage and 51 percent had no mortgage held on title. Out of the 5,700 sampled units, 5,673 units fit into one of the three categories.[5] Thirty-four percent had first mortgages only, and sixty percent had no mortgages registered against the property (Table 1). This ten percentage point difference between the census and sample data is appreciable. An explanation to this variation can be offered. The census may have included mortgages that were not legally registered whereas the sample could not have done that. For example, there is something known as a deed deposit mortgage that was not required to be registered with the Registry office. The census would simply have asked people whether they held a mortgage and recorded that data. However, the sample would only have included mortgages that were registered with the Registry Office and therefore, the discrepancies between the sample and the census data may be accounted for.

The census defines a mortgage as

> If there were debts secured by mortgages, agreements of sale, deeds of trust, judgments, or any other legal instrument

[5]The remaining 27 properties had more than two mortgages registered against title. Since they did not fit into any of the categories used by the census they were excluded.

> partaking of the nature of the mortgage (Canadian Census, 1951).

The sample only collected data for mortgages and not agreements of sale, deeds of trust, judgments, etc.

An agreement of sale is a contract between the owner of a property and a potential buyer. The buyer agrees to purchase the property under certain conditions but he/she has not officially purchased the dwelling. Such agreements last one year and at the end of this time the contract expires and the agreement dissolved (Globe, 1982 pg. 60). Therefore, it cannot be considered a mortgage because there is not an actual transfer of title or any payments made. Agreements of sales were quite common. Although I did not record them, I would estimate that they could account for at least a 3 to 4 percentage point difference between the sample and the census. A deed of trust is where a trustee is the registered lender of a mortgage that is made up of various lending agencies that combine their resources together to provide large sums of money to borrowers (Globe, 1982 pg. 54). My impression is that deeds of trust and judgments were very uncommon and only represented a handful of cases. The exclusion of agreements of sales as a type of mortgage would help to account for a portion of the difference of the proportion of dwellings with first mortgages between the census and the sample.

In 1941, the census reports that 75 percent of residential properties were identified as single family dwellings. The assessment records report that 81% of all residential structures were single family. This six percentage point difference may also introduce a bias into the research but can be easily explained. There may have been differences in the way the census and sample defined different types of dwellings. For example, a single family dwelling with more than one unit was considered single family in the sample but it could have been defined as some other dwelling type in the census. This could be a plausible explanation because in 1931 there was only a one percent difference between the proportion of dwellings reported as being single family for the census and the assessment records. Overall, then, the sample is broadly representative of Hamilton's housing, and discrepancies with the census can be explained in large part by differences in definition.

CHAPTER 4: TRENDS IN MORTGAGE FINANCING, 1901-1951

SECTION 1: THE LEVEL OF MORTGAGE FINANCING

At any time in the first half of the twentieth century fifty percent or less of all residential dwellings in the Hamilton sample were mortgaged (Table 2). A steady increase was evident from 1901 (37 percent) to a high in 1921 (50 percent). From this point there was a decrease until

TABLE 2: PROPORTION OF DWELLING UNITS WITH FIRST MORTGAGES REGISTERED AGAINST TITLE FROM 1901-1951

YEAR	Number With First Mortgages	Proportion of Occupied Dwellings With First Mortgages	Total Number of Dwelling Units Sampled
1901	289	37	775
1911	576	42	1383
1921	1394	50	2792
1931	1745	47	3700
1941	1532	37	4134
1951	2135	37	5700

SOURCE: Hamilton Land Registry Records (5% sample)

1941, when it stabilized at about 37 percent. An important trend that can be noted is the increase in the level of financing observed prior to the Depression which can be attributed to the sound economic environment of the City as well as the country at the time. During the Depression a ten percent decline was observed in the level of financing. This

decrease can be explained by the uncertainties individuals had with respect to the economy. Jobs and therefore income were not secure which led to a decrease in the borrowing of money for the purpose of purchasing a home.

Recovery in the real estate market was not evident by 1951. The proportion of dwellings that were mortgaged remained at the 1941 rate. Potential home buyers were not reliant on borrowed money in order to buy a home despite the increases in housing construction. Perhaps home owners were building their own homes or were paying cash and owning their properties outright. This trend can further be explained once we look further into the social characteristic of City with respect to the proportion of mortgaged dwellings.

The experience of Hamilton seems to have been very similar to that of other Canadian cites. The proportion of urban owner-occupied non-farm dwellings with mortgages in Canada in 1940 was 36 percent (Harris, 1993) compared to the estimated rate of 37 percent in Hamilton. The figures for 1951 were equally close being 38 percent and 37 percent respectively. Both contrast with the situation in the United States, where in 1940 and 1950 45 and 44 percent of owner-occupied non-farm dwellings that were mortgaged (Harris, 1993). It seems that Americans relied more on financing, whereas Canadians were more apt to purchase their homes

outright. Alternatively, it might be that Canadians paid off their mortgages more rapidly. To check which of these explanations is valid, it is useful to examine the mortgage situation of new, as opposed to older homes.

LEVEL OF FINANCING BY AGE OF STRUCTURES

The data collected through the assessments and registry records did not explicitly report on the age of residential dwellings units but, by using the longitudinal assessment sample, it was possible to distinguish between recently-built dwellings and those that were older.

At the beginning of the century, recently-built dwellings were not more likely to be mortgaged. This changed significantly after about 1911 (Table 3).[6] Recently-built dwellings had anywhere from 7 to 16 percent greater proportion of dwellings that were mortgaged than did old dwellings at any time. New dwellings would have a higher price than existing properties because of the costs associated with building a new structure. There is also a tendency for older properties to deteriorate and decline in value and likely experience filtering. Therefore, new dwellings usually cost more than those that have been in existence for some time. Potential owners of new dwellings

[6] 1901 has been excluded from this analysis because the research began with this year and it was not possible to identify which dwelling units were recently-built as opposed to old.

TABLE 3: PROPORTION OF RECENTLY BUILT AND OLDER DWELLING UNITS WITH FIRST MORTGAGES, 1911 TO 1951*

YEARS	Number of Recently-Built Dwellings Mortgaged***	Numer of Older Dwellings Mortgaged**	Proportion of Recently-Built Dwellings Mortgaged***	Proportion of Older Dwellings Mortgaged**
1911	309	267	36	36
1921	822	572	56	43
1931	634	1111	52	45
1941	321	1211	51	35
1951	796	1339	47	33

NOTE: * 1901 was omitted from this table because there were no data for 1891 and therefore there was no way to determine which dwellings were recently built and which were older.
** Older dwellings were defined as those that were at least ten years old.
*** Recently-built dwellings were those that had been built within the previous decade.

SOURCE: Hamilton Land Registry and Assessment Records (5% sample)

would have to pay more for their property and would have to look to other means of financing more often than owners of old structures. Legislation created during the late 1930's (DHA) concentrated on improving the situation in the housing construction market. Programs focused on newly constructed residential structures and tended to ignore those dwellings that already existed. Also, owners of older homes have probably had more time to pay off their mortgages. Therefore, it would make sense to see a higher proportion of recently built dwellings with mortgages.

LEVEL OF FINANCING BY TENURE

Owner-occupied dwellings had a higher proportion of mortgaged properties than tenant-occupied dwellings had

during this time (Table 4). Tenant-occupied dwellings were more likely to be owned outright than were dwellings occupied by their owner. There are many possible explanations for

TABLE 4: PROPORTION OF ALL DWELLING UNITS WITH FIRST MORTGAGES BY TENURE, 1901-1951

YEAR	Number of Owner-Occupied Dwelling Units Mortgaged	Number of Tenant-Occupied Dwelling Units Mortgaged	Proportion of Owner-Occupied Dwelling Units Mortgaged	Proportion of Tenant-Occupied Dwelling Units Mortgaged
1901	125	157	43	33
1911	304	248	46	37
1921	851	459	55	45
1931	886	799	50	44
1941	708	731	42	32
1951	1417	717	40	33

SOURCE: Hamilton Land Registry and Assessment Records (5% sample)

this. Many tenant-occupied dwellings were probably investments made by wealthy individuals who had enough money to purchase them outright. Also, lenders may have found this type of investment a higher risk because usually repayment of this type of loan relied on the rental payments made by tenants. If these tenants did not pay their rent, it may have led to a default in the mortgage. Therefore, lenders may have been hesitant in granting mortgages for dwellings that housed tenants.

There was anywhere from a six to ten percentage point

difference in the proportion of mortgages that were held on owner and tenant occupied dwellings during this time. The 1930's and 1940's illustrate the greatest difference in the proportion of tenant and owner occupied dwellings that were mortgaged. Government housing policies such as the Dominion Housing Act focused upon owner-occupied dwellings and considered dwellings for rental purposes to be too high of a risk. Lenders under government jurisdiction would probably shy away from this type of investment because of the risk factor. It is quite possible that the changes experienced in the Canadian mortgage market benefitted those households interested in mortgaging residential properties to inhabit themselves, rather than for rental purposes.

LEVEL OF FINANCING BY OCCUPATION

Occupation can be used as a reliable indicator of class or of socio-economic status of a particular household. Determining patterns of financing by occupation may show the likelihood that a household within a certain socio-economic group will take out a mortgage on their property. There does not appear to be consistent differences between occupations in terms of the proportion of households that held mortgages. Professionals, and managers had different levels of financing throughout this time period (Table 5). Households 'headed' by professionals relied quite heavily on financing until the

TABLE 5: PROPORTION OF ALL DWELLING UNITS WITH FIRST MORTGAGES BY OCCUAPATION OF PROPERTY OWNER, 1901-1951

Occupation Group	1901	1911	1921	1931	1941	1951
SELF-EMPLOYED*	43	48	49	50	56	46
PROFESSIONALS	54	40	55	55	39	33
MANAGERS	36	62	52	45	40	46
CLERICAL WORKERS	36	38	49	51	47	46
BLUE COLLAR WORKERS**	39	47	55	52	42	42
UNCLASSIFIABLE	54	54	51	59	29	43
MISCELLANEOUS	24	26	39	38	29	23
BUILDING TRADES	47	39	51	46	32	44
TOTAL	37	41	50	47	37	37

* Includes self-employed in building trades.

** Blue collar workers includes both skilled and unskilled occupations.

SOURCE: Hamilton Land Registry and Assessment Records (5% sample)

1930's where a significant decrease occurred. This suggests one of two things. For example, in 1901 professionals relied more heavily on financing than did blue-collar workers; by 1951 the pattern had reversed. Professionals might have had the income to pay off their mortgages quickly and therefore, many mortgages were discharged. Secondly, perhaps this group of individuals were greatly affected by the Depression. I will return to this issue in the following chapter (note the high rate of default).

In contrast, Blue collar workers (skilled and

unskilled workers) experienced a constant increase in the proportion of dwellings that were mortgaged until 1921, when it reached a high of 55 percent followed by a continual decrease. Individuals employed as blue collar workers could have either practiced owner building or relied on savings as opposed to financing as means of acquiring housing. The levels of financing experienced by blue collar workers were similar to those observed for professionals and managers at some point in time which indicates that class and more importantly income were not major factors in whether a household obtained financing or not.[7]

Among those who bought/owned property, there was no consistent difference in the extent to which people in different occupation groups were likely to use financing. It does provide a background into and set the context of analysis that have yet to be discussed and are quite important to discovering how the Depression affected domestic home ownership.

SECTION 2: TRENDS IN SOURCES OF FINANCING

Lenders can be divided into two main categories: private individuals, and institutions. Within the

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[7]An analysis was conducted to determine the proportion of dwelling units that were mortgaged by type of dwelling. This proved to be inconclusive in that there were no major differences between the type of dwelling and the incidence of first mortgage financing.

institutional category it is important to distinguish between those whose business was essentially financial and those whose main function was not lending money on real estate (Non-financial Companies). This section will examine how these various types of lenders differed in terms of the type of properties, and persons, to which they loaned money.

OVERALL PATTERNS OF SOURCES OF FINANCING

Throughout the first half of this century, most mortgages were held by private individuals (Table 6). From 1901 to 1921 the private lender provided nine out of ten mortgages. It was not the 1920's that the dominance of the private sector began to weaken falling to 79 percent in 1931, and eventually to 61 percent in 1951.

TABLE 6: SOURCES OF FIRST MORTGAGE FINANCING ON RESIDENTIAL PROPERTIES, 1901-1951

YEAR	Private Financing		Institutional Financing		Total Mortgaged Dwelling Units
	#	%	#	%	
1901	258	89	31	11	289
1911	525	91	51	9	576
1921	1252	90	142	10	1394
1931	1371	79	374	21	1745
1941	1114	73	418	27	1532
1951	1305	61	830	39	2135

SOURCE: Hamilton Registry Records (5% sample)

The level of private financing in Hamilton is very high compared to that of Canada and the United States. In 1930 and 1940, 42 percent of Canadian residential mortgages were held privately, and in 1950 this value increased slightly to 43 percent (Harris, 1993). The Hamilton sample in 1931, 1941, and 1951 shows much higher percentages: 79, 73, and 61 percent, respectively. It appears that the situation in Hamilton was not typical of what was happening in the country. When comparing these values with those of the United States we see that the situation in Hamilton was even less typical. In 1937, an average of 20 percent of mortgages were held by privately for 52 United States cities (Harris, 1992). There was more than a 50 percentage point difference between the values recorded for Hamilton and those of the United States.

The United States had a larger proportion of dwellings that were institutionally financed than that of Canada and more importantly, Hamilton. In Canada banks were not allowed to lend money on real estate (until 1954) but in the United States they were a major player in the mortgage market. For example, between 1946 to 1948 commercial banks were more active in the mortgage market than during any previous period in their history (Bryant, 1962). Building, savings, and loan companies were weaker in Canada than in the

United States. In Canada life insurance, trust, and mortgage companies were the major institutional lenders at this time with life insurance companies comprising approximately 20 percent of all assets invested in first mortgages (Jackman, 1940). Alternatively, in the United States mortgage market building, savings, and loan companies accounted for 37.9 percent of all mortgages in 1946 (Ratcliffe, 1949). Considering the differences in private financing in Hamilton during this time one is left with a very interesting question. Why was it that Hamilton was almost entirely dominated by private financing whereas the United States , and even other Canadian cities, relied less on individuals and more so on institutional financing? Was it that institutions were wary of specific dwellings or people?

There are some notable explanations for the trends in the sources of financing evident during 1901-51. During 1901 to 1921 the commanding control of private lenders on the mortgage market can be attributed to the fact that residential mortgages, during this time were viewed as risky investments to institutions. They wanted to lend money to individuals with the assurance that the loan would be repaid. In cases where this was not evident, institutions would not grant the loan. Another possible reason for this dominance could be that households looked to private individuals more

than they did to institutional lenders because there may have been more flexibility. Mortgage terms may have been easily renegotiated during tough economic times. Individuals would not be out to make huge profits and may have been willing to loan money at lower interest rates or be willing to extend the term of the mortgage if payments could not be repaid. The dominance of private lenders in the mortgage market from 1901-21 could simply be due to the fact that this was the norm at the time. Institutions were not lending high proportions of loans for residential purchases because they saw no significant profit and therefore, household relied on private sources for funding.

This dominance began to decrease in the 1920's and continued to do so until the 1940's. The shift was greatest in the 1940's. A likely explanation for this shift was the legislation passed during the 1930's. The DHA (1935) and NHA (1938) introduced joint lending schemes between lending institutions and the Federal government. With the DHA the government committed to pay a portion of the lender's loss, if a default occurred and the NHA guaranteed all of the lender's loss on joint loans (Doucet and Weaver, 1991 page 294). These guarantees gave institutions the needed security to grant mortgages in cases that were previously considered high risk. They were now more likely to become involved in

the residential mortgage and real estate market than they were in previous years. At the same time, households also benefitted from the same legislation. The mortgage term was lengthened, interest rates reduced, amortized mortgages replaced the balloon mortgage, a smaller down payment was required, and some portion of the loan was guaranteed against default. These changes made institutional mortgages more attractive relative to private mortgages. The legislation did not have a major effect until the late 1940's and that is why the proportion of mortgages held by private individuals was still slightly larger than those held by institutions in 1951.

SOURCES OF FINANCING BY AGE OF STRUCTURES

As institutional lenders became more important, it is likely that they concentrated their money disproportionately in newly-built dwellings. Eventually this became true. For the first thirty years of this century, however, the owners of older and newer properties relied on private financing to a roughly equal extent (Table 7). Only during the 1930's did a clear difference emerge. By 1941 a small majority of recently-built dwellings were financed by institutions, while four-fifths of older dwellings were still financed by individuals. This contrast persisted into the 1950's.

The one explanation that puts these patterns into

perspective is, again, the legislation introduced during the Depression years. As discussed earlier, mortgage policies and housing legislation benefited new construction as opposed to providing assistance to old structures. Therefore,

TABLE 7: THE PROPORTION OF MORTGAGED DWELLINGS WITH PRIVATE FINANCING BY AGE OF DWELLING, 1901-1951*

YEARS	Recently-Built Dwellings With Private Financing***		Older Dwellings With Private Financing**		Difference Between Recently-Built*** and Older** Dwellings With Private Financing	
	#	%	#	%	#	%
1911	287	93	239	90	48	3
1921	734	89	518	91	216	2
1931	478	75	893	80	415	5
1941	148	46	966	80	818	34
1951	327	41	978	73	651	32

NOTE: *1901 was omitted from this table because there was no data for 1891 and therefore there was no way to determine which dwellings were recently built and which were old.
** Older dwellings were defined as those that were at least ten years old.
*** Recently-built dwellings were those that had been built within the previous decade.

SOURCE: Hamilton Land Registry and Assessment Records (5% sample)

institutions who were influenced by these policies were likely to loan their money to investments dealing with new structures rather than properties that already existed because of the security associated with the newer dwellings. Also, the legislation (DHA and NHA) introduced joint-lending programs. The government made its own joint loans only with institutional lenders and the majority of these loans were made with insurance companies. These policies attributed to

a difference between the type of financing recently-built and old dwelling units received. It is important to note that a perceptible change had begun in the 1920's with a greater increase in the level of institutional mortgages that were held on recently-built dwellings.

SOURCES OF FINANCING BY OCCUPATION

The growth of institutional financing, and the rise of insurance companies at the expense of building and loan's, affected Hamiltonians in different ways, depending upon their class situation. Occupation is an indicator of class and it is possible to determine which types of financing were used by different occupational groups. In 1901, property owners in all occupation groups
relied heavily on private mortgages, ranging from a low of 75 percent for managers to a high of 100 percent for unskilled blue collar workers (Table 8). In general, private sources were most widely used by blue collar workers, and least used by managers and professionals. Broadly speaking, this pattern persisted until 1951. Throughout the first half of this century, unskilled workers relied more heavily on private financing than any other occupation group. In most years they were followed by skilled workers. By 1951 the range of private financing went from a low of 45 percent for professionals to a 83 percent high for unskilled blue collar

TABLE 8: PROPORTION OF PRIVATE FIRST MORTGAGE FINANCING BY OCCUPATION GROUP, 1901-1951

Occupation Group	1901	1911	1921	1931	1941	1951
SELF-EMPLOYED*	87	74	60	55	68	56
PROFESSIONALS	97	63	79	79	57	45
MANAGERS	75	97	89	73	73	46
CLERICAL	89	94	98	83	76	49
SKILLED BLUE COLLAR	88	97	92	86	75	63
UNSKILLED BLUE COLLAR	100	86	92	91	91	83
UNCLASSIFIABLE	86	72	91	85	84	41
MISCELLANEOUS	94	97	82	73	78	74
BUILDING TRADES	84	87	95	73	74	59
TOTAL	89	85	86	78	75	57

*Including those in the self-employed in the building trades.

SOURCE: Hamilton Land Registry and Assessment Records (5% sample)

workers (Table 8). This pattern depicts a situation where individuals constituted the major source of mortgage capital to household 'heads' with lower incomes, whereas institutions were a major source of financing for households with higher incomes.

A plausible interpretation of these persisting patterns is that institutions discriminated in favour of higher income households because they considered them to be

a better mortgage risk. This issue will be re-examined in the next chapter.[8]

INSTITUTIONAL FINANCING

As institutional financing grew, it becomes more important to consider the variety of institutions that were involved. What were the major types of institutional lender? Did their relative importance change over time? As discussed in the methodology chapter, institutional financing was divided into nine broad categories each of which represented a type of institution. Banks and credit unions did not play major roles in residential financing and that is why they were grouped together. Banks were not permitted to loan money for residential purposes during this time and credit unions were not used as a source of financing until 1941. Even then they were minor.

Building and loan companies were the predominant institutional lender until the 1920's. They accounted for a clear majority of institutional mortgages held in 1901 and 1911, and almost half as late as 1921 (Table 9). There were eleven different building and loan companies active in the Hamilton mortgage market in one or more of the sample years between 1901 and 1951. The Landed Banking and Loan Company,

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[8]Analysis of the sources of financing by tenure and type of dwelling were conducted but there were no significant differences in the type of financing these dwelling units received.

TABLE 9: RESIDENTIAL FIRST MORTGAGE FINANCING BY TYPE OF INSTITUTIONAL LENDER, 1901-1951

Type of Institution	1901	1911	1921	1931	1941	1951
BANKS/ CREDIT UNIONS	6	0	6	1	2	6
TRUST COMPANIES	3	6	12	16	11	10
MORTGAGE BROKERS	0	12	3	13	6	10
BUILDING AND LOAN COMPANIES	61	57	46	21	9	1
INSURANCE/ASSURANCE COMPANIES	19	2	16	35	64	52
NON-FINANCIAL COMPANIES	10	24	16	14	8	20
TOTAL	100	100	100	100	100	100
INSTITUTIONAL LENDER AS A PERCENT OF TOTAL	11	9	10	21	27	39

SOURCE: Hamilton Land Registry Records (5% sample)

the People's Loan and Savings Corporation, and the Hamilton Provident and Loan Corporation were the three largest. In 1901, the Hamilton Provident held 16.1 percent; in 1911, and 1921 the Landed Banking Loan company held 27.5 and 23.9 percent of all institutional mortgages (Table 10). These building and loan companies were a very significant source of financing during this time.

In the 1920's, however, the building, savings, and

TABLE 10: PROPORTION OF INSTITUTIONAL MORTGAGES THAT WERE HELD BY MAJOR INSTITUTIONAL LENDERS, 1901-1951

	1901	1911	1921	1931	1941	1951
BUILDING AND LOANS	61.3	56.9	46.5	21.4	8.6	1.0
Landed Banking	9.7	27.5	23.9	9.3	3.6	0.1
People's Loan	0.0	0.0	6.3	5.9	1.0	0.0
Hamilton Provident	16.1	11.8	12.7	5.1	3.1	0.0
INSURANCE/ASSURANCE COMPANIES	19.3	2.0	16.2	35.0	64.1	49.9
Prudential	0.0	0.0	0.0	0.0	1.2	2.2
London Life	0.0	0.0	5.6	5.9	18.2	7.2
Manufacturer's	0.0	0.0	0.0	1.6	0.2	3.2
Equitable	0.0	0.0	0.0	0.0	17.5	16.0
New York	0.0	0.0	0.0	2.9	12.4	0.0
Mutual	0.0	0.0	0.0	8.8	8.0	7.0
Dominion	0.0	0.0	10.6	0.5	0.7	3.2
Canada Life	0.0	0.0	0.0	7.8	2.4	1.1
Sun Life	0.0	0.0	0.0	1.1	4.8	6.9
NON-FINANCIAL COMPANIES	9.7	23.5	16.2	14.4	7.7	20.0
Canada Mortgage and Housing Corporation	0.0	0.0	0.0	0.0	0.0	15.5
Synod Diocese of Niagara	3.2	13.7	4.2	4.8	1.6	0.7
Gore Realty	0.0	1.9	3.5	2.4	0.5	0.8
John Earl Smith Construction Company	0.0	0.0	0.0	2.9	0.0	1.3
Number of Institutional Mortgages	31	51	142	374	418	830
Percentage of Institutional Mortgages	11.6	8.9	10.2	21.4	27.3	38.9

SOURCE: Hamilton Registry Records (5% sample

loan companies went into rapid decline. By 1931 they had been overtaken by insurance companies and by 1951 had effectively disappeared. It was possible that some of the building, and loans evolved into trust companies during the 1920's (Doucet and Weaver, 1991 page 253). Even so, their virtual disappearance in three short decades is striking.

Their replacements were the insurance companies. There were twenty-seven insurance companies that participated in the granting of mortgages. The major lenders were: The Prudential, London Life, Manufacturers', Equitable, New York, Mutual, Dominion, Imperial, and Sun Life. These companies did not begin to provide residential mortgages in Hamilton until 1921 and then Equitable and Dominion were the only ones (Table 10). By 1941, however, Equitable (17.5 percent), and New York (12.4 percent) life insurance companies provided a significant proportion of all institutional mortgages that were held. In 1951, Equitable (16 percent) still played a major role in residential financing. The significance of the insurance companies fluctuated until 1921, when they began rapidly to expand their mortgage operations. By 1941, they dominated the field with 64 percent of all institutional mortgages. By 1951, they were still a prime lender in the residential market despite the decrease of mortgaged dwellings to 52 percent.

No other group of institutions played an important role. For example, trust companies were not a significant lender in the mortgage market until 1921 where they held 13 percent of all institutional mortgages. This reached a peak of 16 percent in 1931 but decreased steadily after that. Non-financial companies also contributed to residential financing. They were diverse. There were 51 companies that fell into this category and major lenders were: Housing Corporation Limited, The Synod of the Diocese of Niagara, Gore Realty Company, and John Earle Smith Construction Company. Housing Corporation Limited had its only involvement in financing in 1951 with 15.5 percent of all institutional mortgages (Table 10).

Twenty-nine percent of non-financial companies were either realty companies or construction companies that had a role to play in the construction and consumption of housing but did not normally get involved in the financing of it. Non-financial companies registered their greatest involvement in residential financing in 1911 where they provided 24 percent of all institutional mortgages. One would assume that companies were becoming an integral part of the institutional mortgage market but this began to change. There was a decrease in the level of financing provided by companies until 1951 where the proportion of mortgages rose

again at 20 percent. This is surprising because the DHA and NHA legislation was not tailored to them but to financial companies. This might point to the continuing inadequacy of the mortgage system: a stopgap measure. Agents involved in the mortgage system could ignore certain households that would turn to non-financial companies as their only source of financing.

The 1930's proved to be a very significant era in terms of the sources of home financing. In this decade there was an increase in institutional financing, especially among new properties. There was also an increase in the involvement of insurance companies , but a decrease for building and loan companies. The major changes in Hamilton's mortgage market could be tied to government policy and legislation and the dramatic impact of the Depression. However, the rise of insurance companies would have to be studied from the perspective of these institutions to determine why they came in and out of residential financing when they did.

CHAPTER 5: MORTGAGE DEFAULTING DURING THE 1930'S

The Depression tested severely the system of mortgage finance. Owners could not afford to maintain payments on their mortgages and risked losing their property. Lenders were faced with the prospect of acquiring, through default, unsalable property. The first section shows how exceptional the thirties were in terms of mortgage defaulting in relation to previous and subsequent decades. The second examines the dimensions of this distress, in terms of which borrowers and lenders were most affected. The concluding section discusses how this affected the social geography of the city.

SECTION 1: OVERVIEW OF MORTGAGE DEFAULT

Financial default may be defined as any situation where a home owner lost title to his/her property due to an apparent inability to maintain payments on a mortgage. It includes four possibilities: foreclosure, power of sale, quit claim, and release of equity of redemption. These four options differed in some respects, but can be grouped together to create one category which will be known throughout the rest of this chapter as a default, or a financial hardship.

As expected, the 1930's stand out as a period of considerable hardship. Five out of the 289 mortgages that were held in 1901 experienced some form of default (Table

11). This resulted in a default rate of two percent. This rate remained fairly constant in the 1910's and 1920's. The 1930's, however brought a remarkable change as the incidence

TABLE 11: TRENDS IN MORTGAGE DEFAULT BY DECADE IN HAMILTON, 1901-1951*

YEAR	MORTGAGES IN DEFAULT* DURING EACH DECADE		Total Number of Dwelling Units Mortgaged at the Beginning of Each Decade
	Number	Percentage	
1901-1911	5	2	289
1911-1920	4	1	577
1921-1930	32	2	1394
1931-1940	265	15	1745
1941-1950	49	3	1532
1951-	7	0.3	2135

NOTE: * Mortgage default is calculated by summing up all the foreclosures, powers of sale, quit claims, and releases of equity of redemption for a given time period.

SOURCE: Hamilton Land Registry Records (5% sample)

of default increased sevenfold to 15 percent. Economic recovery, which had begun during the late 1930's, was evident in the 1940's. As people went back to work, the incidence of financial default decreased for mortgages held in 1941. During the 1940's only 3 percent of all mortgages experienced some form of default, and the rate fell further during the 1950's. Only 0.3 percent of the mortgages held in 1951 ended in default, an all-time low within the period of study.

FINANCIAL DEFAULT BY SOURCE OF FINANCING

When looking at rates of residential default for both

private and institutional sources the overall pattern witnessed so far is evident. Mortgages in force in 1931 had the highest levels of default for both sources of finance. Private mortgages had a 14.2 percent default rate whereas 17.1 percent of institutional mortgages experienced a default (Table 12). However, comparing default rates of the two sources does become an important aspect of the research because it will determine whether there were any differences in rates of financial default. It also becomes possible to investigate whether institutional lenders were more likely to register a default against a mortgage than the private lender.

Between 1900 and 1920, private mortgages were the only type of mortgage that experienced any sort of default. At this time it is apparent that households with private mortgages were prone to default while institutional mortgages were not affected. Of course, there were considerably fewer institutional mortgages during this time than there were private ones. It would seem reasonable that they would have lower rates of default perhaps because they were very cautious in their lending.

During the 1920's and 1930's, institutional mortgages had greater rates of default than private mortgages. During the Depression years housing prices were decreasing at

TABLE 12: PROPORTION OF MORTGAGED PROPERTY OWNERS WITH FINANCIAL DEFAULT BY SOURCE OF FINANCING , 1901-1951*

DWELLINGS WITH PRIVATE FINANCING

YEAR	Number of Mortgaged Property Owners in Default*	Percentage of Mortgaged Property Owners in Default*	Total Number of Properties Mortgaged
1901-1910	5	1.9	258
1911-1920	4	0.7	526
1921-1930	28	2.2	1252
1931-1940	201	14.6	1371
1941-1950	38	3.4	1114
1951-	5	0.4	1305

DWELLINGS WITH INSTITUTIONAL FINANCING

YEAR	Number of Mortgaged Property Owners in Default*	Percentage of Mortgaged Property Owners in Default*	Total Number of Properties Mortgaged
1901-1910	0	0.0	31
1911-1920	0	0.0	51
1921-1930	4	2.8	142
1931-1940	64	17.1	374
1941-1950	11	2.6	418
1951-	2	0.2	830

NOTE: *Mortgage default is calculated by summing up all the foreclosures, powers of sale, quit claims, and releases of equity of redemption for a given time period.

SOURCE: Hamilton Land Registry Records (5% sample)

alarming rates to a point where some dwellings were worth less than they were in previous decades. Private individuals were perhaps less likely to respond to mortgages in default because they did not want to be left with dwellings that they could not sell, or with dwellings that were worth less than the mortgage. Institutions on the other hand, may have been

more willing to register a default against a mortgage because they felt that they could recover their losses at some point in time. This appears to have been the case, because 56% of all private mortgages held in 1931 and which were subsequently defaulted upon were ended voluntarily (through quit claim or release equity of redemption) whereas 66% of institutional mortgages were ended by the lender (through foreclosure or power of sale).

In the 1940's and 1950's, private mortgages exhibited very similar rates of default to that of institutional mortgages. In the 1940's, both sources of financing registered substantially fewer cases of default than they did in the 1930's. In the 1950's residential default was hardly an issue with very few cases of mortgage defaults registered for private or institutional mortgages.

This pattern can be attributed to the housing and mortgage legislation introduced through the Dominion Housing Act and the National Housing Act during the late 1930's. The former initiated joint loans between institutions and the Federal government, with a portion of that loan guaranteed against losses by the government. The latter guaranteed the entire portion of the loan supplied by borrowers (Doucet and Weaver, 1991). This legislation guaranteed repayment of at least a portion of the loan to institutions who provided

funds for housing purchases. If a household did not repay their mortgage the Federal government would assure that the institution received all or a portion of their contribution. Therefore, this resulted in a lower rate of financial default for institutional mortgages. Private lenders were not affected by this legislation and defaults in repayment were not guaranteed by the government. Hence, rates of financial default were higher for private mortgages than for institutional ones during the 1940's.

It has been established that during the 1920's and 1930's institutional mortgages had a higher rate of financial default than did mortgages coming from private sources. Default rates by different types of institutional lenders were investigated to ascertain whether there were certain institutions that were more prone to register a default than others. The only default rates that were significant were those for assurance companies in the 1930's[9]. Out of the 76 mortgages that were held by assurance companies in 1931 30 percent had some form of default registered against them. It appears that assurance companies were more prone to act when mortgaged home owners where in default than other institutions. In general, there were no significant

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[9]Individual cases of distress for institutional categories were less than twenty and proved to be insignificant and therefore, have been excluded from the research.

differences in the proportion of institutions that responded to mortgaged home owners in default at any point in time.

FINANCIAL DEFAULT BY TENURE

Behind these broad trends, we might expect the default rates to vary by tenure and occupation. In terms of tenure, it is reasonable to expect that owner-occupiers would make an especially strong effort to retain title to their home. In fact, this seems to have been the case. Throughout most of the first half of this century default rates on owner-occupied properties were lower than on those that were tenant-occupied. During the Depression for example, the default rate on tenant-occupied dwellings (18.6 percent) was half as high as the rate on owner-occupied dwellings (11.3 percent) (Table 13). While financial default for both tenure types increased significantly from the 1920's to the 1930's it was the tenant-occupied mortgages who experienced a greater increase in distress.

The difference makes sense. Landlords lived in another residence; if their mortgage was in default, they would lose title to the property but would still have somewhere to live. Owner-occupiers risked becoming homeless. Therefore, one could assume that these individuals did everything in their power to make these payments whereas owners of tenant-occupied dwellings were not under the same

pressure.

At the same time, lenders could have been partly responsible for the difference in default rates exhibited for both tenant and owner-occupied dwelling units. Tenant-occupied dwellings were investments. Foreclosing on this type of dwelling would not result in the owner becoming

TABLE 13: PROPORTION OF OWNER AND TENANT-OCCUPIED DWELLINGS WHOSE OWNERS EXPERIENCED MORTGAGE DEFAULT, 1901-1951*

OWNER-OCCUPIED DWELLINGS			
YEAR	Number of Mortgages in Default*	Percentage of Mortgages in Default*	Total Number of Properties Mortgaged
1901-1910	0	0.0	125
1911-1920	3	0.9	304
1921-1930	13	1.5	851
1931-1940	100	11.3	886
1941-1950	10	1.4	708
1951-	4	0.3	1417

TENANT-OCCUPIED DWELLINGS			
YEAR	Number of Mortgages in Default*	Percentage of Mortgages in Default*	Total Number of Properties Mortgaged
1901-1910	5	3.2	157
1911-1920	1	0.4	248
1921-1930	14	3.0	459
1931-1940	149	18.6	799
1941-1950	35	4.8	731
1951-	3	0.4	717

NOTE: * Mortgage default is calculated by summing up all the foreclosures, powers of sale, quit claims, and releases of equity of redemption for a given time period.

SOURCE: Hamilton Land Registry and Assessment Records (5% sample)

homeless. The lender would merely take over title of the property to either resell it to make up the remainder of the loan, or take full control and continue renting the dwelling unit(s). These 'sympathetic' reasons might have been especially true of private lenders who would probably be more understanding of situations like these than institutions themselves. This is indicated by the slightly larger rates of default observed for institutional mortgages in 1921 and 1931 (Table 12). Another possible explanation for this difference is that private lenders did may not have wanted to be left with the expense of upkeep for a vacant property.

It is not possible to compare the situation in Hamilton to other Canadian cities. There is no data for the proportion of urban non-farm owner-occupied dwelling units that experienced some form of default. Compared to the United States, Hamilton's experience was atypical. It was estimated that the proportion of owner-occupied non-farm dwellings units that were in default during the 1930's was approximately 42%[10]. This contrasts the situation in

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[10]This value was estimated by taking the number of non-farm household units in 1931 and the 44% owner-occupied rate to come up with the number of owner-occupied units. The number of owner-occupied mortgaged units were determined using a 40% level of financing. The Statistical Abstract of the United States (1941) give the number of non-farm foreclosures. The values from 1931 to 1939 were added together to get a total number of units foreclosed. A rough estimate of the proportion of mortgaged units that were foreclosed during the 1930's was then possible.

Hamilton where roughly 19 percent of owner-occupied urban dwellings were in default. This suggests that the United States was hardest hit by the Depression in terms of mortgage defaults. This could be due to the fact that Americans relied more heavily on financing and institutions as a sources of that financing.

TEMPORAL PATTERNS OF DEFAULT BY TENURE

In order to understand the dynamics of default it is valuable to consider its changing incidence over the course of the Depression. For purposes of analysis, the temporal distribution of defaults on mortgages that existed in 1931 were calculated across the following time intervals: 1931-1934, 1935-1937, 1938-1940, 1941-1951, 1951-1954.

Overall the greatest incidence of default occurred in 1935-1937, after the depths of the Depression had been plumbed. Significantly, however, the experience of owners and tenants differed. Owner-occupiers felt the greatest impact of the Depression from 1935 to 1940, whereas tenant-occupied dwellings were hardest hit from 1931 to 1937 (Table 14).

The temporal trends indicate that owner-occupied dwellings were hit hardest during the middle stages of the Depression. At its onset, unemployment and loss of income were evident as well as a severe decrease in the value of

TABLE 14: TEMPORAL PATTERNS OF MORTGAGE DEFAULT FOR MORTGAGED OWNERS OF TENANT AND OWNER-OCCUPIED DWELLINGS IN 1931*

	PROPORTION OF PROPERTY OWNERS IN DEFAULT*				
	1931-1934	1935-1937	1938-1940	1941-1951	1951-1954
Tenant-Occupied Dwellngs	26	31	18	23	1
Owner-Occupied Dwellings	17	34	26	22	1
All Dwellings	22	33	22	22	1

SOURCE: Hamilton Land Registry and Assessment Records (5% sample)

residential dwellings. Households realized that they must maintain mortgage payments or risk losing their dwellings. Therefore, during the initial stage of the Depression owner occupiers would probably have done and tried anything to keep their homes. This could have meant using up savings. By 1935, home owners with mortgages were finding it increasingly difficult to maintain mortgages and were defaulting on

mortgages at a rate of one percentage point higher than the City-wide average of 33 percent.

In contrast, tenant-occupied dwellings had a higher proportion of distress during the first phase of the Depression than did owner-occupiers. At the onset of the Depression owners of tenant-occupied dwellings relied on rental payments in order to maintain mortgages. Tenants, who faced unemployment, found it difficult to make rental payments which affected the ability of the owner to make mortgage payments. Also, absentee owners might have been more willing than owner-occupiers to abandon their properties.[11]

FINANCIAL DEFAULT BY OCCUPATION

If the differences in default among tenant and owner-occupied dwellings followed an expected pattern, those between occupation groups did not. Observers have often assumed that institutions preferred to lend to affluent clients since the latter supposedly presented a lesser risk than blue collar-workers in insecure jobs. Evidence presented in chapter 4 indicated that institutions did indeed discriminate among clients in this fashion.

Up until the Depression this strategy hardly made

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[11]Temporal analyses were also conducted on the level of default by type of financing and occupation. No significant patterns emerged and therefore they have not been presented.

sense. Comparing professionals with blue-collar workers, for example, the rates of default for workers were clearly higher in only the first decade of the century; were zero in the second; and slightly lower than that for professionals in the third (Table 15). During the Depression skilled and unskilled workers experienced among the lowest rates of default of any group and far lower than those of professionals and managers. It is possible that lenders were more lenient with workers, if not for sentimental reasons

TABLE 15: PROPORTION OF MORTGAGED PROPERTY OWNERS EXPERIENCING DEFAULT BY OCCUPATION, 1901-1951*

OCCUPATIONAL GROUP	YEARS					
	1901-1920	1911-1920	1921-1930	1931-1940	1941-1950	1951-
SELF-EMPLOYED **	0.0	0.0	0.8	11.2	2.8	0.0
PROFESSIONALS	0.0	0.0	2.2	22.7	4.8	0.0
MANAGERS	0.0	1.5	2.0	17.5	1.5	0.4
CLERICAL WORKERS	0.0	0.0	2.0	12.7	3.8	0.0
SKILLED BLUE COLLAR	2.0	0.0	2.1	11.5	2.1	0.3
UNSKILLED BLUE COLLAR	0.0	2.3	0.7	10.3	4.0	0.0
UNCLASSIFIABLE	0.0	0.0	2.9	21.3	4.0	1.5
MISCELLANEOUS	3.8	1.1	1.7	13.8	3.5	0.3
BUILDING TRADES	6.3	1.5	5.8	19.3	3.7	0.8
TOTAL	4.0	1.6	2.2	15.6	3.5	0.7

NOTE: * Mortgage default is calculated by summing up all the foreclosures, powers of sales, quit claims, and releases of equity of redemption for a given time period.
**Includes self-employed in the building trades.

SOURCE: Hamilton Land Registry and Assessment Records (5% sample)

then because workers' homes might be more difficult to dispose of. Even so, it is difficult to escape the conclusions that blue-collar workers were among the most credit worthy of borrowers. If institutions preferred to lend to the middle classes, they paid a price![12]

SECTION 2: SPATIAL ANALYSIS OF FINANCIAL DEFAULT DURING THE 1930'S

One of the persistent issues in the modern history of mortgage lending is that of red-lining. For the United States, Jackson (1985) has shown that red-lining was not only practiced during the 1930's, but was actively encouraged by federal agencies. In Canada the evidence is weaker, though Bacher (1993) and Doucet and Weaver (1991) have presented evidence to indicate that insurance companies did discriminate against certain regions, cities, and neighbourhoods. As Bacher observes

> Thus Canada's initial housing legislation was almost caricature of the inequities of Canadian society, it benefits going mainly to the rich and middle class even when supported by public funds and wrapped in the rhetoric of concern for the underprivileged (Bacher, 1993 pg. 93).

Doucet and Weaver state that

> Lenders concentrated their high ratio

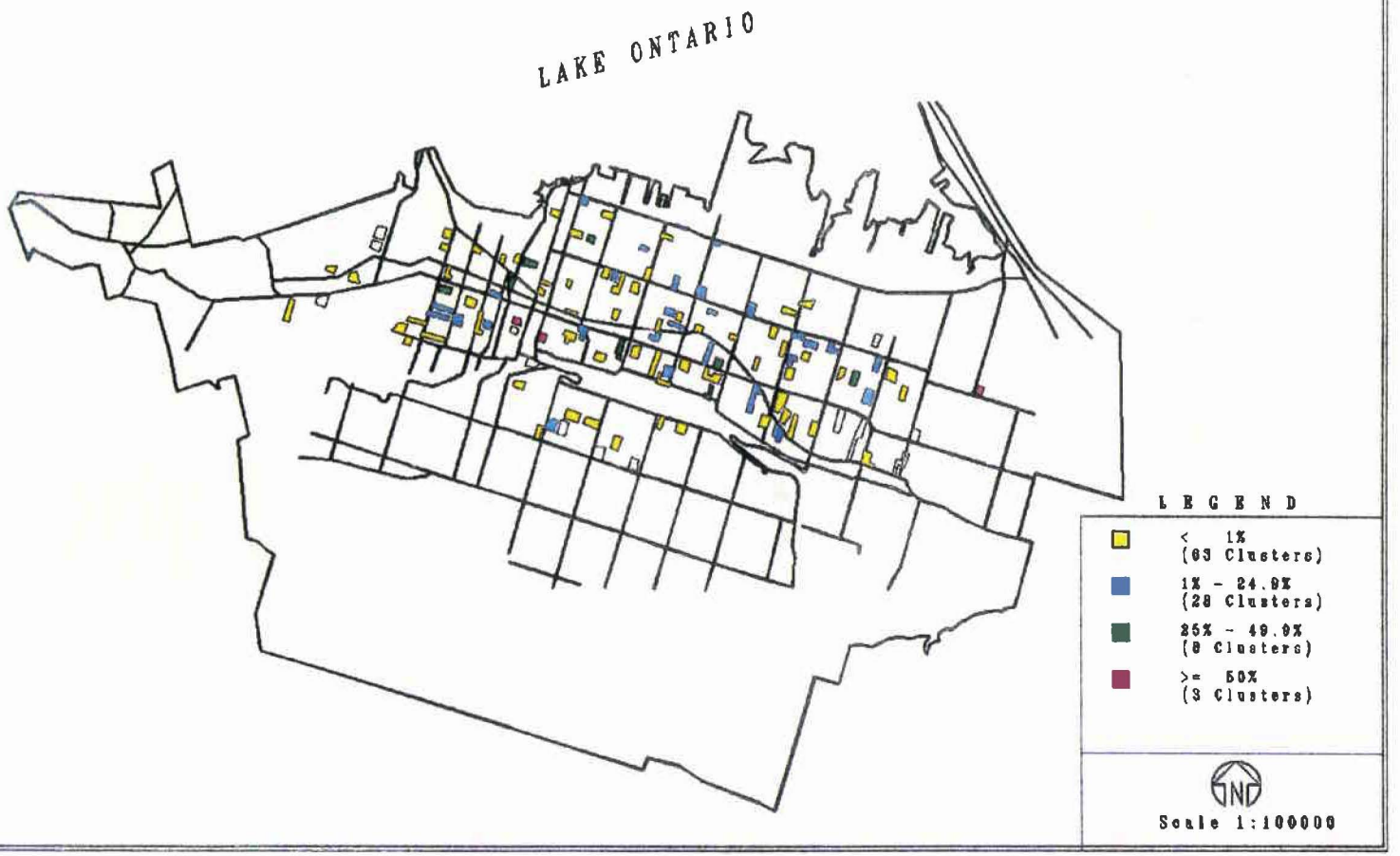
[12]Analyses were conducted on residential default by type of dwelling and age of housing stock but there were very small and insignificant differences.

> mortgages in what they believed were good risk centers - suburban Toronto, Hamilton, and Vancouver received 45 percent of such loans during the fist year (Doucet and Weaver, 1991 pg. 294).

To conclude the analysis, therefore spatial patterns of mortgage defaults will be investigated.

Figure 4, shows the spatial patterns of financial hardships observed for mortgages held in 1931. It appears that areas that exhibited lower rates of default were predominately those that had been recently-developed. Westdale, the escarpment, and the far east end of the City, experienced little or no cases of distress. Other areas of the city, those located near the downtown core or close to the industrial section experienced higher rates of distress. There was also a group of clusters situated between Kenilworth Avenue and Parkdale Avenue that also experienced levels of default anywhere from 1 to 24.5 percent. These clusters were in older portions of the city because they had been around for a least ten years or more. At this small scale it would appear that dwellings located in suburban, newly developed areas had lower cases of default. However, when the data were tabulated, recently-built dwellings had one percentage point higher rate of mortgage defaulting than older dwellings. To resolve this paradox, it is necessary to examine spatial patterns of residential default in more

Figure 4: Proportion of Mortgaged Property Owners With Mortgage Default in the City of Hamilton in 1931



detail.

In order to show broad patterns of default more clearly, the clusters displayed in Figure 3 were grouped together to try to identify socially distinctive areas of the City. These areas were chosen to reflect what are generally thought to be socially-distinct areas of the city. The variables used to delineate certain areas of the City with common characteristics, were: proportion of dwellings mortgaged, sources of financing, occupation, age of structures, tenure, and proportion of mortgages in default. These variables made it possible to divide the sample into seven distinct areas (Figure 5).

The Westdale and south eastern districts were middle class areas inhabited mainly by owner occupiers (Table 16). The former was a newly developing area while the latter was an older more established community. The northwest and southwest districts were older portions of the City inhabited by mixture of working class and middle class households. These areas also contained a large proportion of tenant-occupied dwellings units. The north central and south eastern zones, and the escarpment were the working class areas of the sample. The north central district was a newer area of tenant-occupied dwellings whereas the north eastern district was older and owner-occupied. The escarpment was

Figure 5: Boundaries of Larger Areas Used in the Spatial Analysis of Mortgage Default in 1931

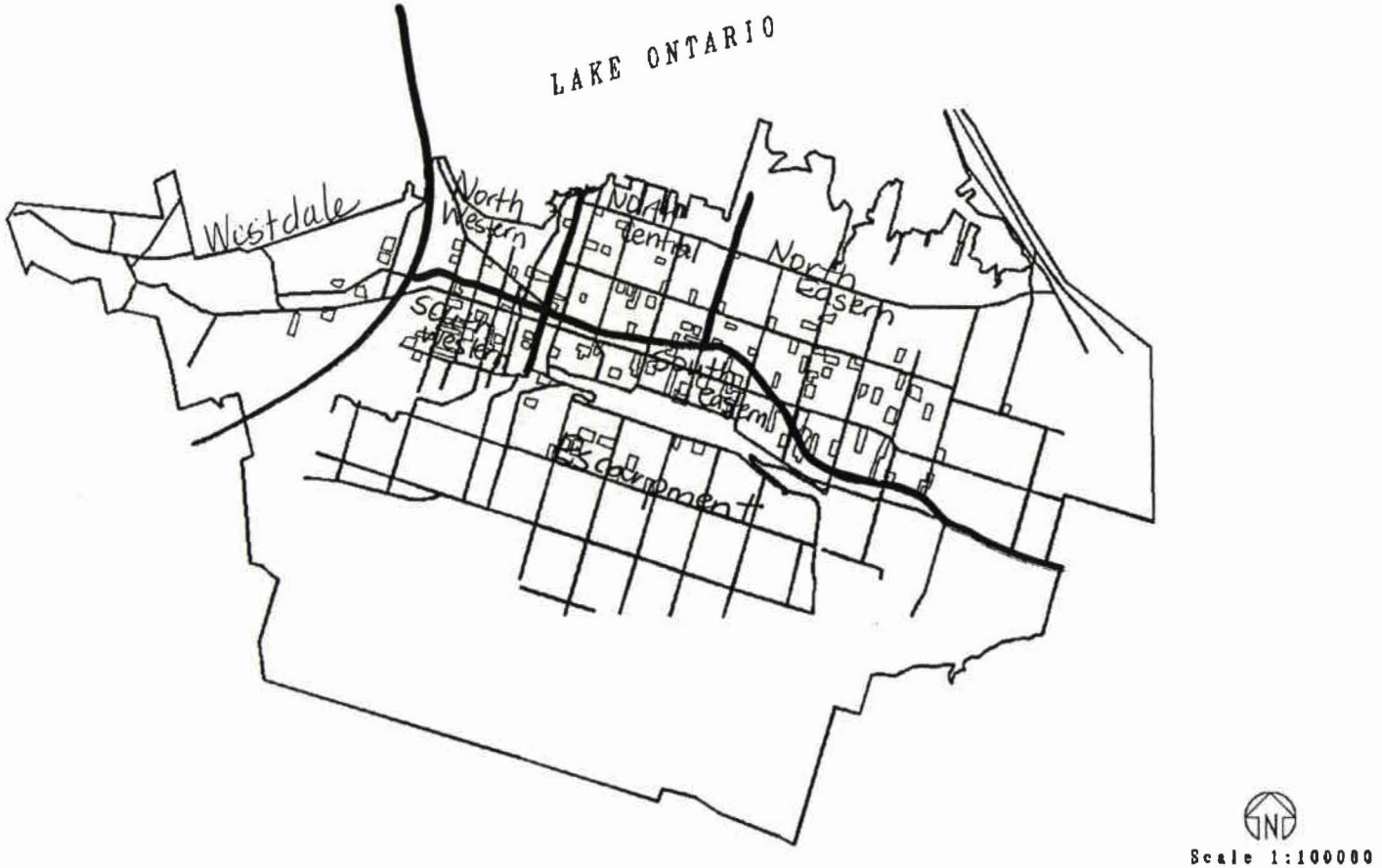


TABLE 16: CHARACTERISTICS OF SEVEN BROAD AREAS OF HAMILTON IN 1931

Area	Proportion of Recently-Built Dwellings*	Proportion of Owner-Occupied Dwellings	Managers and Professionals as a Percentage of Employed Households	Blue Collar Workers as a Percentage of Employed Households
MIDDLE CLASS AREAS				
South Eastern	42	62	25	17
Westdale	65	68	21	23
MIXED AREAS				
North Western	10	33	14	25
South Western	19	46	12	29
WORKING-CLASS AREAS				
North Central	59	38	9	38
Escarpment	61	57	13	43
North Eastern	38	57	12	52
City-Wide Average	42	51	15	33

NOTE: *Recently-built dwellings are those that had been built within the previous decade.

SOURCE: Hamilton Land Registry Records and Assessment Records (5% sample)

basically a newly developed owner-occupied community which was set apart from the rest of the sample by the physical barrier of the escarpment.

SPATIAL PATTERNS OF FINANCING

The spatial patterns of the proportion of mortgaged dwellings do in fact follow what one would expect to find in each area. Newer areas had higher rates of dwellings with mortgages than older portions of the City (Table 17). When looking at the sources of financing some interesting patterns emerge.

Institutional lenders accounted for a small proportion of all mortgages that were present in any of the seven areas. The north central and south western districts had the largest level of institutional financing with 31 and 29 percent of their mortgages coming from some type of institution (Table 17). These two areas were the only ones where the proportion of institutional financing was greater than the City-wide average of 21 percent. The south eastern district housed many middle class households that would attract potential institutional lenders. Their income level and socio-economic status would suggest that they would be able to maintain a mortgage. The north central zone is harder to explain because it is an older working class area that would not attract institutional investment because of a

TABLE 17: SPATIAL PATTERNS OF RESIDENTIAL FINANCING OF THE SEVEN BROAD AREAS OF HAMILTON IN 1931

Area	Proportion of Dwellings With First Mortgages	Proportion of Recently-Built Dwellings** With First Mortgages	Proportion of Older Dwellings* With First Mortgages	Proportion of Dwellings with Institutional Financing
MIDDLE CLASS AREAS				
South Eastern	45	56	37	29
Westdale	52	62	34	19
MIXED AREAS				
North Western	34	40	34	7
South Western	42	36	43	15
WORKING-CLASS AREAS				
North Central	49	37	68	31
Escarpment	55	54	55	8
North Eastern	53	53	53	17
City-Wide Average	50	52	45	21

NOTE: *Older dwellings were defined as those that were at least ten years old.
**Recently-built dwellings were those that had been built within the previous decade.

SOURCE: Hamilton Land Registry Records and Assessment Records (5% sample)

perceived higher risk. This area is also greatly occupied by tenants and therefore, institutions may have been willing to

loan money to landlords, who would have a higher income, than to owner occupiers in the same area.

The escarpment and the north western zones had the lowest rates of institutional financing respectively with 8 and 7 percent. These values are four times less than those observed for the north central and south western districts. The escarpment was a newly developing area and one would expect that institutions would be attracted to it as a place of potential investment. This was not the case during the 1930's. Its relative inaccessibility could have been viewed skeptically by institutional lenders at that time. The north western district was an older, tenant-occupied area of lower socio-economic status which would not entice institutions into the area.

SPATIAL PATTERNS OF MORTGAGE DEFAULT

The level of residential default for the seven areas ranged from 10 to 19 percent (Table 18). The escarpment and south western district had the highest rates of distress out of the seven zones, with, respectively, 19 and 18 percent. In contrast, Westdale and the north western district had the lowest levels of default that were not only below the City average but that were almost half those levels registered for the escarpment and south western area.

The most interesting variation in rates of default is

TABLE 18: SPATIAL PATTERNS OF FINANCIAL DEFAULT OF MORTGAGED PROPERTY OWNERS DURING THE 1930'S

Area	Proportion of Property Owners with Financial Default	Proportion of Default For Owners of Recently-Built Dwellings**	Proportion of Default For Owners of Older Dwellings*	Proportion of Default For Owners of Dwellings With Private Financig	Proportion of Default for Owners of Dwellings with Institutional Financing
MIDDLE CLASS AREAS					
South Eastern	15	11	20	15	16
Westdale	10	11	9	13	0
MIXED AREAS					
North Western	11	6	12	12	0
South Western	18	9	20	15	14
WORKING-CLASS AREAS					
North Central	15	11	18	15	15
Escarpment	19	14	29	20	17
North Eastern	15	18	13	14	19
City-Wide Average	15	16	18	15	17

NOTE: *Older dwellings were defined as those that were at least ten years old.

**Recently-built dwellings were those that had been built within the previous decade.

SOURCE: Hamilton Land Registry Records and Assessment Records (5% sample)

that between Westdale and the escarpment. Both areas were newly developing owner-occupied areas but their level of default differed by almost 10 percentage points. One would assume that Westdale would experience a higher rate of default because this area was middle class. It has been established that middle class households were hardest hit by the Depression and had higher rates of default than working class households. In fact the opposite was the case. It appears that households in Westdale were better able to maintain their loans than those living on the escarpment. A possible explanation for this is that the escarpment was avoided by institutions and households probably turned to the private sector as a source of financing. Private individuals would likely charge higher rates of interest to compensate for the greater risk associated with this area. Therefore, households situated on the escarpment would have over-committed themselves during prosperous times. During the Depression it was these individuals who could not maintain their loans and therefore, there was greater distress.

There is also a significant difference in the rates of default exhibited by the north western and south western portions of the City. Both were older tenant-occupied areas with a mixture of middle class and working class households that encompassed a large portion of the central business

district. In this example we see that mortgaged dwellings located south of King had a harder time keeping their dwellings due to mortgage defaults and those clusters located north of King, who were in a better position to make their payments.

Another notable spatial pattern that was evident when looking at residential default was that rates of default were exactly the same for the north central, north eastern and south eastern districts. The rates of default for the north central and north eastern areas makes sense because these areas were similar in class composition (both working class). The interesting thing is that the rates of default observed for these two areas were the same as that of south eastern district. This similarity is difficult to explain because these areas are very different in class composition. One would expect levels of default to be higher in the south eastern area because of its large proportion of a middle class households. This however, it not the case and it appears that middle class properties that were most likely to be in default were those in working class areas of the City.[13]

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[13]There were not enough cases of default to conduct an analysis of the spatial patterns of default with respect to the type of institutional financing households were receiving.

CHAPTER 6: CONCLUSIONS

From this study, it was possible to determine the extent to which home buyers used mortgage financing, and if so what type. It was also possible to imply what impact residential default had on mortgage markets during 1901 to 1951. Finally it was possible to discover whether there were differences between owner-occupiers as opposed to landlords, between households 'headed' by men in different occupations, and between different areas of the City regarding mortgages, type of financing, and residential default. This information is interesting in its own right, in that it sheds some new light on the development of federal involvement in residential mortgage markets in Canada. It is also interesting in a comparative perspective to clarify the differences in financing arrangements between Canada and the United States.

Many trends in mortgage financing in Hamilton during the first half of this century were identified. Financing did played an important role in the consumption of housing but after rising until 1921 this role decreased and held steady from 1921 to 1951. In this regard Hamilton was broadly typical of other Canadian and United States cities. During this time, home owners relied on their own savings when purchasing homes and there was a greater proportion of

dwellings that were owned outright as opposed to being mortgaged.

There were also interesting patterns in the sources of financing that home owners were utilizing. Private financing was the dominant source of financing, but decreased in importance throughout time as institutions became more involved in the residential real estate market. Here, the situation in Canada was quite different from the United States. American home owners relied less on private financing and a greater proportion of mortgages came from institutions. For some reason Canadians were financed more through the private sector than through institutions. The most interesting pattern that emerged was how atypical Hamilton was to Canada and the United States. Hamilton was overwhelmingly financed through private sources (as high as 91 percent). These comparisons show that much more research into financing and the sources of financing are needed before one can begin to explain why certain cities or countries experienced different level of financing and utilized different sources of financing.

In Hamilton, there was a significant increase in the level of institutional financing among recently-built dwellings during the 1940's and 1950's. This coincides with the housing policies and legislation that were introduced

during the mid 1930's. Institutions preferred to loan money to households that were purchasing recently-built dwellings because government policies were geared to new housing construction. It could be that institutions were discriminating among households that were considered less affluent. Unfortunately, there are no data on the sources of financing by the age of the housing stock and the occupation of households in Canada and the United States. Therefore, comparisons between Hamilton and Canada, and Canada and the United States are not possible. One of the most significant trends that emerged out of the research into the sources of financing was the practices of different institutions. In Hamilton, building and loan companies were dominant in the early 1900's but virtually disappeared by the 1950's. Insurance companies replaced the building and loans as a major lender in Hamilton during the 1940's and 1950's. In the United States, building and loans were one of the most important institutional sources of financing during the first half of this century and have remained important to the present. Banks were the other major lender in the United States which differs greatly from the situation in Canada. Banks were not permitted to loan money for residential loans in any Canadian city until after 1950 and therefore, did not play a role in the financing of Canadian dwellings. These

comparisons show that residential dwellings in Canada were financed through different institutional sources than the United States. More research into the institutional lending scene during this time needs to be done in order to determine why this in fact was the case.

The main question addressed in this research was what impact the Depression had on domestic property ownership and indebtedness. The answer to this question is that in fact the Depression did have a major effect on the financing of dwellings during the 1930's up until the 1950's. Not only did the Depression affect the ability of home owners to maintain mortgage payments and retain title to property, it set a precedent by having the federal government involved in the residential real estate and mortgage market for the first time. These policies also had an impact on the financing of dwellings. The 1930's definitely stands out as an important decade in terms of mortgage default. This indicates that households were having great difficulties in maintaining mortgage payments and in many instances they could not do this which resulted in a default.

Due, in part to the large increase in the proportion of mortgaged dwellings that were in default the federal government was forced to intervene in the residential mortgage market. It introduced housing programs that were

intended to improve the situation caused by the Depression. The incidence of mortgage defaults decreased substantially during the 1940's and 1950's mostly because the economy improved but it can be seen, in some part, as a direct result of such housing policies. In Canada the DHA and the NHA geared much of their policies to new housing construction and joint loans between institutions and the government. Through these policies there were increases in institutional mortgages that were held on recently-built dwellings. Alternatively, in the United State HOLC helped households who were in threat of defaulting on their mortgages. Housing construction and reducing unemployed were not major issues addressed by these policies. Therefore, one would assume that these policies would not only account for dramatic decreases in the level of mortgages in default but that there would not be significant differences between the proportion of dwellings that were mortgaged.

This research was an attempt to describe the situation in Hamilton with respect to residential financing during the first half of this century. It was not possible at this point to explain why certain patterns emerged but instead it tried to describe what was happening during this time. Many questions arise out of what has been presented in this research and in the literature regarding mortgages and

residential financing. For example, it would be interesting to examine the private lenders and determine who they were, and where their capital came from (Paterson, 1991). It would also be of interest to explore the institutional lenders and determine where their income came from, whether they practiced red lining at any scale, and the differences in the type of dwellings and the people to whom they lent money. In terms of mortgage defaulting it would be interesting to look at voluntary and involuntary responses to default and determine whether there were differences in terms of age of housing stock, tenure, and occupation. Basic patterns of financing need to be determined in order to set the context of the residential real estate market prior to the investigation into the lenders of the mortgage market. This study has focused on these basic patterns but, these questions are quite interesting and they should be addressed at some future date.

Patterns of financing and level of mortgage defaults are important in our understanding of how homes are financed today. Many of the changes in the real estate and mortgage markets in the last 20 to 30 years are a direct result of housing policies that were implemented during the Great Depression. This research has attempted to recreate patterns of financing and default during a time of great changes.

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