

Bank Act

assuming they were there. Let us presume, however, that there are many small communities where there is only a bank and that the bank comes up against the restriction which the hon. member for Edmonton West would have us place in the act. The banker concerned would have to tell a prospective borrower who wants to buy or build a house in a small community, "I am sorry but I cannot make that loan." It seems to me that this takes us right back to the initial solution which is that the best way to run a financial system is not to restrict your institutions to narrow lines of business, not to specify whom they can lend to and what kind of loans they can make, but rather to expand their ability to operate in the marketplace and to encourage increased competition which will result in better served consumers, lower interest rates and a much more efficient capital market in this country. I think that must be the goal of this legislation and of legislation to come from this government in the future.

Some hon. Members: Hear, hear!

Mr. Jim Fulton (Skeena): Mr. Speaker, I am pleased to have the opportunity to follow the parliamentary flunkey to Allan in wonderland. I certainly have the impression we are following the north end of a horse running south.

Mr. Evans: Mr. Speaker, on a point of order. I say to the hon. member: withdraw!

The Acting Speaker (Mr. Blaker): In the first instance, that is a question of privilege, I presume. At the moment, experience indicates that that kind of language is within the limits of debate. I would have to check Beauchesne to make sure of it, but I invite the hon. member for Skeena (Mr. Fulton) to consider the kind of language he has just used since it will lead inevitably to a ruling by the Chair on whether or not the language has to be withdrawn.

Mr. Fulton: I would like to deal at this point with the amendment put forward by the hon. member for Edmonton West (Mr. Lambert), which, in my view, and certainly in the view of the majority of speakers from our party, is a crudely disguised "perk" for the banks which will do nothing but accelerate the present housing crisis. We have to ask some serious questions of members of the House in relation to mortgages and to the amendment which has been proposed by the hon. member for Edmonton West. A very relevant question in relation to housing and mortgages would be: What kind of a loan shark in this day and age requires \$35,318.20 interest to pay off a \$1,521.80 principal amount? I am sure the hon. member for Edmonton West is well aware precisely who those loan sharks are, because the answer to the question is that they are our friendly banks, trust companies and loan offices. If we want to look at it more carefully in today's marketplace, we could take, for example, a below average priced house in the province of Ontario in the \$58,000 range. Most buyers would be required to pick up a \$50,000 mortgage at a minimum of 14.5 to 14.75 interest rate amortized over 25 years. The monthly payments of principal and interest would amount to approximately \$614 per month, and taxes would add approxi-

mately \$100 per month to that figure. By the time the mortgage came up for renewal in five years, the individual would have paid out \$36,840 and he would find that the principal had been reduced by only \$1,521.80; the rest of it went to the bank or the trust company as interest. It is on this very point that we must look very seriously at the amendment of the hon. member for Edmonton West. We must consider its ramifications on the housing market which is in a crisis situation. We must relate that amendment to what is happening to the Canada Mortgage and Housing Corporation. Some of the statements made of late were very germane to the debate this afternoon.

• (1510)

I should like to refer to the letter of transmittal dated March, 1980, contained in the 1979 annual report of the Canada Mortgage and Housing Corporation. It reads as follows:

The activities of the corporation in 1979 were significantly affected by prevailing economic conditions and by changes in housing policies and programs. The combination of a reduced rate of economic growth, continuing inflationary pressures, and rising interest rates, contributed to a decline in new house building activity for the third successive year. At the beginning of the year, inventories of unsold or unoccupied new dwellings in several centres also influenced the decline in housing starts which was entirely in multiple dwellings. Total starts of 197,049, compared to 227,667 units in 1978, were at their lowest level since 1970.

The hon. member for Edmonton West is proposing an amendment to limit the amount of capital which banks would be obliged to put out into the market for mortgages. Anyone who has even the most elementary understanding of marketing economics knows that the moment we start limiting any desired commodity in the marketplace, its essential value and its cost to the consumer go up. It is such a simplistic concept that it really surprises me that we would be asked to support such an amendment when there is such a serious problem in housing.

In a few moments I will deal specifically with my riding and with native people, but it is almost a ludicrous amendment for any member of the House to consider supporting.

I refer again to the March, 1980, letter of transmittal to the Minister of Public Works (Mr. Cosgrove). It states:

The reduction in housing starts was in those financed under the National Housing Act. These were down from 59,010 units to 33,467 units, representing declines in both new dwelling starts financed with direct first mortgage loans from CMHC, and in starts using other forms of NHA financial assistance.

It continues:

There was a decline in starts for which NHA financing other than direct first mortgages was provided from 44,250 units in 1978 to 23,444 units in 1979.

In every single area in relation to government programs we see declines in the number coming on to the market.

If the House were to consider the proposal of the hon. member for Edmonton West, we would simply see a further drying up of the available capital in relation to the housing market and further social problems. We must look at it even more carefully if we are to understand the implications of what the hon. member for Edmonton West has said and even the