

Adjournment Debate

● (1810)

[English]

BANKS AND BANKING—RENEGOTIATION OF LOANS—AMOUNT OF PENALTY. (B) PLIGHT OF HOME OWNERS WITH HIGH INTEREST MORTGAGES

Mr. W. C. Scott (Victoria-Haliburton): Mr. Speaker, on April 25 I asked the Minister of Finance (Mr. Lalonde) a question which I consider to be of vital importance.

Almost daily, I receive correspondence and telephone calls from constituents who were forced to renew mortgages and loans during the period of excessively high interest rates. I am sure the Minister remembers those rates. At the same time he was issuing Canada Savings Bonds at an interest rate of 19.5 per cent. Of course that lasted for only a year, and they were then renewed at 12 per cent.

The Minister in his answer said that the Bank of Canada does not establish the bank rate. He is of course technically correct in his answer, but we all know that the bank does play a role albeit behind the scenes in determining how the auction of treasury bills proceeds.

I find it incredible that he refuses to even consider the plight of those Canadians stuck with high interest rate loans and mortgages. In many cases the banks and trust companies are asking for penalties of \$9,000 and \$10,000 to bring loans down to current rates. Reports in the Toronto papers of two weeks ago state that a \$10,000 penalty is not uncommon at banks and trust companies in Toronto.

Contradictory to the Minister's answer to my supplementary question, most of the cases I have been made aware of are not short-term loans and may not be renegotiated without a penalty clause, such as he mentions. The lending institutions have protected themselves, probably quite properly, with these clauses.

Who is going to help these people? Must they continue to pay up to twice the amount in loan payments for the next four years because they were forced to renew when this Government was sponsoring a policy of high interest rates? They are left with no alternative; they cannot afford the penalties required in their loan agreement. The federal Government is the only body that can do anything about this situation.

How can the Minister be so callous as to suggest that he has no responsibility toward these people. I repeat, this answer is not acceptable to me or, I am sure, to any other Member of this House, as it indicates that the Government feels no responsibility at all to citizens adversely affected by its policy decisions.

The budget of April 19 is another example of this. The Minister of Finance reallocated some money to help farmers in financial distress, but just enough to say he had done something. He announced a great new special recovery plan. The announced capital projects under this plan will keep a number of people employed, but I do not see any new jobs. All I see is the acceleration of already planned projects and the propping up of troubled Canadaair. Again, the Government is ignoring the long-term need of our constituents for jobs, just as the

Minister chooses to ignore my request for assistance for those paying unduly high interest rates on their homes.

Mr. Douglas Fisher (Parliamentary Secretary to Minister of Finance): Mr. Speaker, I have to say that today is not a good day for the banks in the House of Commons. I have just come from the Agriculture Committee where we were talking about farmers needing to renegotiate loans. I was involved in giving a blast to the banks about disclosure of one farmer's private business and income. As I rise to answer this question about the banks affairs I must say I am doing so with a certain degree of impatience towards the banks.

In the past the Minister has welcomed Members of Parliament who came to him and told him about specific details of a given mortgage. I think that offer should be renewed to the Hon. Member as he seems to have forgotten it.

Let us be practical, Mr. Speaker. When a mortgage is short-term, a three-month penalty is too much to pay to renegotiate it. The three-month penalty would be higher than many of the benefits householders would gain by renegotiating. The Hon. Member has an obligation to stand up and admit that point, which he jumped over in his speech.

Officials have informed me that at one major lending institution 85 per cent of home loans negotiated last year were for a period of six months. What good would a three-month penalty do a home owner under those circumstances, yet a three-month penalty would be the very minimum anyone could hope to negotiate with the banks, be he an ordinary home owner or the Minister of Finance (Mr. Lalonde).

The three-month penalty is the standard that developed in the 1970s. For many home owners it would not be worth their while to take a three-month penalty for the sake of a lower interest rate. A little work with a pencil and paper would help the Hon. Member decide whether he is talking about a situation which is to the benefit of his constituents or is opposed to their interests. We need a little less rhetoric from him and more practical thinking.

The Minister is willing to hear when people have legitimate problems, but does not want to be drowned in requests that are made just to get the ordinary Member off the hook.

● (1815)

FINANCE—REGISTERED CHARITIES TAX PROPOSAL. (B) CALCULATION OF BENEFITS TO GOVERNMENT AND CHARITIES

Mr. Douglas Roche (Edmonton South): Mr. Speaker, I wish to pursue the question I addressed yesterday to the Minister of Finance (Mr. Lalonde) regarding the way he has distorted the position of the voluntary organizations of this country.

The budget removes the automatic \$100 charitable deduction, while rejecting the recommendation for a tax credit on receiptable charitable donations. The Minister blithely says he has accepted one recommendation and has rejected the other. Let me quote from the letter of Andrew Cohen, chairperson of the National Voluntary Organizations Tax Reform Committee, who wrote to the Minister of Finance on April 20, 1983, the day after the budget, as follows: