

Loan Companies Act

mortgage funds. I am glad to see the minister in charge of housing here tonight, because although I sent him a brief on this subject I am sure he did not read it, even though he sent me a letter saying he did.

Mr. Knowles (Winnipeg North Centre): You Liberals know each other.

Mr. Otto: There is much daydreaming going on about our getting mortgage funds, and that the insurance companies—which historically have been lenders of mortgage moneys—will just keep on lending money. However, we do not realize the complete change that has taken place in the insurance business. Many insurance companies continue to sell policies which will pay \$25,000 when you reach the age of 60. Who knows what the \$25,000 will be worth at that time?

In the United States the Occidental Life Company and 17 other companies are selling life insurance policies which will pay \$25,000 in real value. This may be \$110,000 in 25 years' time. If this is the case, it is obvious that the other insurance companies must compete. They cannot keep putting out money at a fixed rate of interest if they have to pay their policyholders in real value. They have to acquire equity. So these mortgage funds will dry up.

The president of the Sun Life Company said this two years ago, and the president of the Manufacturers Life Company said it a year ago, but people keep thinking the companies will continue to advance money. They will not. Banks are not mortgage money lenders. It would be wrong to expect them to go into the mortgage business except on a short-term basis. Banks are short-term money lenders. One does not put one's deposit in a bank for, say, 25 years. If you want to take your deposit out at five minutes' notice, you can do so.

Banks cannot be mortgage money lenders, nor can trust companies. As the minister said, they put a great deal of money into mortgages, but it is usually on a five-year basis, because trust certificates are bought on a five-year basis. Where will the money come from? I suggest that we have to forget the old idea that it must come from a certain segment of the business world such as the insurance companies. In fact, it will come from the people involved in the housing business. People who supply materials will have to take payment in part in bonds on mortgages. CMHC will take out part of that payment in long-term certificates, so will builders and developers and, most particularly, people who buy homes.

When the same problem existed in the United Kingdom, this is what loan societies did: A person purchasing a home would borrow a down payment of, say, \$5,000 from the loan society. St. Andrew's was a perfect example of that. The purchaser paid back the \$5,000 in mortgage terms, but there was a gimmick attached to it. He had to deposit a further \$4,000 or \$5,000. In other words, having the advantage of being able to borrow the money for their down payment at a low interest rate after having paid off their loan, the purchasers had to keep depositing money with the loan society so as to enable other people to purchase homes at the same low interest.

For the money which they deposited they received interest as well as a participating share in life insurance, fire insurance and many other enterprises in the home-owning field in which the company was involved. As a result, over a period of time the problem of financing homes was solved and the loan societies, on which this act is based, fell into disuse.

The loan societies will have to have power under this bill to demand payment of the moneys which they lent, as well as a deposit of more money from people who are taking out loans. I venture to say that if amendments were introduced, many building and development companies would use loan societies as a supplement to their normal course of operation and make them into almost non-profit organizations in order to enable people to buy houses. This would require the co-operation of the provinces under the terms of the mortgage acts in many cases.

However, I believe the bill before us should contain a provision for the inclusion of loan and home societies or loan associations. I have heard comments from people who were involved with loan societies which might consider such action. Therefore, to say that this bill will not be effective in any way is not true. I think it could be very effective. I hope the minister will in time introduce amendments which will allow these companies to enter the mortgage field in the way that I have mentioned. I believe that through such activities of the loan societies we will have a chance of solving our mortgage money crisis.

Mr. Deputy Speaker: Is the House ready for the question? The question is on the amendment of the hon. member for Timiskaming (Mr. Peters). All those in favour of the amendment will please say yea.