

*The Address—Mr. Nicholson*

four months requests for undertakings to insure by approved lenders and direct loans by C.M.H.C. numbered 35,000 as against 12,556 in the same period last year.

This surge of activity is, of course, just now beginning to be reflected in actual housing starts. You first do your planning, you apply for the funds, you get them and then you start to build. The results are now clear. Preliminary figures for April show a total of 8,200 starts, up 26 per cent over the figure for the same month last year. I might say that April is usually a very good month and, as I say, the figure this year is up by more than 26 per cent over last year. This indicates house production at an annual rate considerably higher than in 1966.

More recent figures indicate that the rate for all areas in Canada is already close to a level of 160,000 units per annum and, Mr. Speaker, there is every indication that with a continuation of the increased level of lending the next month or two will see the yearly rate of production top our objective of 170,000 housing starts per annum. This 170,000 is not a mythical figure picked out of the air. It is the figure that we see quoted repeatedly in the newspapers as having been given by the Economic Council of Canada as the target for 1967, 1968, and the two or three years to follow. It is the figure which many people feared was completely unattainable for several years to come without vast increases in the number and amount of direct loans by the federal government.

Just to give you some idea of what it would mean if we did not get the private investors back into this field, the 20,000 starts that were authorized as of April 1 called for expenditures by the federal government, which this parliament has to authorize, of \$300 million, and we must remember that we need 170,000 new starts a year. Any person with a sense of responsibility will realize that the thing which required to be done was to trigger increased participation by the private investors in this field and increased interest in public housing to take care of the wants of those in the lower and middle income tax brackets.

But, Mr. Speaker, the accomplishments that we have recorded thus far this year—and I think this is most significant—have been achieved without the very substantial impact on housing which will accompany the return by and the greatly expanded operations of our chartered banks in mortgage lending. How many people in this house know that the

[Mr. Nicholson.]

largest single factor which went into the building of houses in 1954 and 1955 was the lending by the chartered banks of this country? They went out of this field because of an unrealistic interest rate, the 6 per cent rate, at a time when under the National Housing Act interest rates were  $6\frac{1}{4}$  per cent, later  $6\frac{3}{4}$  per cent and for a short time  $7\frac{1}{4}$  per cent.

I am happy to say that officials of the banks assured me just two weeks ago that we can look to them for very active participation in mortgage lending for housing. They were not permitted to re-enter this field until May 1 of this year but we have their assurance that they will enter it on a very substantial scale. This was welcome news. It was encouraging news to the government because it came as a direct result of action taken by the government and by parliament as a result of governmental action in bringing about changes in the Bank Act, given Royal Assent in late March, giving the banks freedom to provide money to operate at the same rate as the other lending institutions. With the N.H.A. rate at 7 per cent, as it appears to be today, the banks will be in actively at that figure, but how could one expect them to lend when they were forced out of the market by the bank's interest rate when it was frozen at 6 per cent?

• (4:10 p.m.)

Hon. members will be interested, I am sure, to know that there were a number of important factors which contributed to the development of the encouraging potential for new housing in 1967. First, to a substantial degree there has been a relaxation of the economic pressure which affected the residential scene so greatly and so adversely last year. I feel, however, that many people have not fully appreciated the significance of the government's action at the end of last November with regard to the establishment of a new formula governing the maximum interest rate under the National Housing Act. You will recall that we started out at a level of  $7\frac{1}{4}$  per cent  $1\frac{1}{2}$  per cent above the long term yield on government bonds. In my opinion this realistic move on the part of the government is responsible in a large way for the upswing in housing which we presently are beginning to enjoy. By allowing this automatic adjustment on a quarterly basis, according to the return on the long term yield on government bonds, the rate now for the first time in history is sure of a competitive place among investment returns generally.

Representatives of the private investment community—and I have met a great many of