

was a provision. The hon. member for Edmonton West might call that a loophole, but it was certainly something examined by Parliament. Parliament examined this whole issue. As a matter of fact, subsequent to 1967 it turned out that this provision has not been to the detriment of borrowers in the marketplace or to savers. In fact it has been to the benefit of both borrowers and savers in the marketplace.

The hon. member for Vancouver East decried the fact that in 1967 the ceiling was removed from the interest rate banks could charge, which allowed them to get into the mortgage market subsequently, and to stay there. I wonder if the hon. member remembers that at the end of the first part of this session, before we recessed for the summer, her own party not only lobbied but also voted very clearly to remove a 12 per cent ceiling on rates which could be charged by credit unions and caisses populaires. That was not ripping off the public. But to say that the removal of the 6 per cent ceilings on banks—because they are banks, banks are big and banks are bad, that is the NDP slogan—is terrible, is utter nonsense, Mr. Speaker. The fact that the ceiling was removed, the fact that banks were allowed to expand their portfolios into mortgage and consumer loans, has meant that consumers have had more money available to them for consumer loans, more money available for mortgage loans. Over the last ten years, the spread between the cost of funds to an institution such as a bank, a credit union or a trust company, and the rate that is charged by those institutions to the consumer has narrowed consistently. In other words, a smaller margin is being taken by financial institutions today than in 1967, and the reason is that more institutions have entered the market. Therefore consumers are getting a much better deal today as a result of bank participation in the mortgage market and the consumer loan market—and that includes not only first mortgages but also second mortgages. Putting more money into the mortgage market meant that funds which the trust companies were making available for first mortgages was freed to be made available for second mortgages. As a result, consumers today have better deals from the point of view of the cost of borrowing and the lending rate on mortgages than has ever been the case in this country before.

● (1500)

The trust companies have lobbied us rather hard in committee to say that banks must be restricted in their mortgage lending, that we must prevent the banks expanding any further into mortgages because it would be detrimental to their financial health. The same argument was put forward in 1967 before the Bank Act was passed last time, and the same kind of provision was required that banks be held to a strict limit. The fact is that the banks have expanded as a result of the revised Bank Act. But has this hurt trust companies? No, indeed, it has not. If we look at the figures available to us from 1967 to 1979, we find that the chartered banks grew at a compound annual rate of 15.9 per cent; trust and mortgage loan companies grew at 16.8 per cent, and credit unions and caisses populaires grew at 19.2 per cent. So all the competing institutions have grown faster.

Bank Act

Mr. Lambert: I rise on a point of order, Mr. Speaker. The fact is that the figures for the trust companies include bank mortgage operations outside of the banks themselves, and the bank subsidiary figures are included in the trust companies, so the representations are quite misleading.

Mr. Evans: Mr. Speaker, that is correct. The loan company figure includes the bank subsidiaries. I might also add, in response to the hon. member for Edmonton West, that as far as the loan company portfolio is concerned, loan companies are federally chartered companies which have to comply with exactly the same regulations and restrictions as any other loan company. So they are operating as mortgage loan companies just like any other mortgage loan company.

If we are worried about the future of the trust companies, the position we must take, I believe, is not to restrict the flexibility of the chartered banks or of other financial institutions to narrow areas of business. What we have to do is to expand the areas of business of other institutions so they can diversify their portfolios and be less exposed to the risks of the market, which is the case right now for the trust companies because they are restricted to having at least 75 per cent of their portfolio in mortgage loans. If the bottom falls out of the mortgage market, the trust companies are totally exposed, their market is gone. As a result, what we should be doing, and what this government will be doing in bringing forward a new savings, trust and loans companies act, is to allow trust companies to expand their portfolios and diversify into other areas, such as perhaps consumer lending, which will give more competition in the marketplace and which will help trust companies to remain financially viable. Rather than restricting the banks, we should be trying to expand operations of trust companies, credit unions and caisses populaires and have a wider variety of full range financial institutions in this country to stimulate the kind of competition that has led over the last ten years to narrower spreads between borrowing and lending rates and better deals for consumers borrowing in the marketplace. These are the kinds of things we should be doing and the kinds of things this government will be doing.

Members of the NDP have made a very valid point with regard to the effect of putting this amendment forward. It would restrict the banks' ability to either continue or to expand their mortgage lending. That is the intent and the effect of the amendment. That being the case, I think it is noteworthy that chartered banks are represented in over 1,900 communities and cities in this country. If the beneficiaries of this amendment are the trust companies—by placing restrictions on banks, you protect trust companies, thereby affecting the earnings of trust companies, for example—then I think we should look at the number of communities in which trust companies are located. We find that there are trust companies in some 700 to 800 communities in Canada, meaning that there would be somewhere between 1,100 and 1,200 communities, small cities and towns in Canada where banks could no longer expand their mortgage lending and where the population would have to depend perhaps on other institutions, such as finance companies, credit unions or caisses populaires,