

answer in more detail the point raised by the hon. member.

[Translation]

**Mr. Leblanc (Laurier):** Mr. Speaker, on clause 7, the minister said that the Auditor General has been designated now in the same way as provided in the Unemployment Insurance Act. Could the minister inform us who was previously responsible for auditing the Canada Pension Plan Account?

**Mr. Lalonde:** Mr. Speaker, I understand that until now the Auditor General audited the statements of the Canada Pension Plan, even though there is no specific provision in the law providing such an audit by the Auditor General and he had raised the matter in his report to the Standing Committee of Public Accounts. Indeed, after that request by the Auditor General, we included in the bill a provision providing that in any case he would have the responsibility for that audit even though the practice followed until now has been consistent with the content of the bill.

[English]

**Mr. Deputy Speaker:** Is the House ready for the question?

**Some hon. Members:** Question.

**Mr. Deputy Speaker:** Is it the pleasure of the House to adopt the said motion?

**Some hon. Members:** Agreed.

**Mr. Horner (Crowfoot):** On division.

Motion agreed to, bill read the second time and referred to the Standing Committee on Health, Welfare and Social Affairs.

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#### RESIDENTIAL MORTGAGE FINANCING BILL

ESTABLISHMENT OF CORPORATION, RECOGNITION OF SPECIALIZED MORTGAGE INVESTMENT COMPANIES UNDER LOAN COMPANIES ACT AND TAX TREATMENT

The House resumed, from Tuesday, June 12, consideration of the motion of Mr. Basford that Bill C-135, to provide additional financial mechanisms and institutions for the residential mortgage market in Canada, be read the second time and referred to the Standing Committee on Health, Welfare and Social Affairs.

**Mr. Don Blenkarn (Peel South):** Mr. Speaker, this bill was last before the House on June 12. Referring to the attitude of the party to my left concerning this important piece of legislation, I was saying how clear it is that that party has no ability to understand the mechanics of mortgage financing. Since this bill was last before us, that party had a convention in Vancouver at which time they suddenly decided that no one should pay more than 6 per cent interest on his mortgage. They were going to reduce the interest rate on everyone's mortgage to 6 per cent. I was very intrigued by that; I thought it was lovely. But, I wondered why they did not decide to reduce it to 4 per

#### Mortgage Financing

cent, 2 per cent or zero. Unfortunately, there are financial facts of life. This bill attempts to deal with some of them.

While I am not particularly pleased with some of the drafting of the bill and some of the details, especially in connection with the corporation which I understand will have in the neighbourhood of 10 directors, I am pleased the minister has finally decided to recognize some financial facts of life and make mortgage money more mobile. By making it more mobile, it will be more available and more competitive, thus reducing the cost of mortgage money.

Since this bill was last before the House, interest rates have risen from 8¾ per cent to 10, 11 and 12 per cent on first mortgage financing. Before coming to this House, I had a great deal to do with the mortgage business. I am shocked when I find that leading trust companies in this nation are refusing to lend money at 10½ per cent, 10¾ per cent and more. Part of the problem is that this government has not seen fit to ensure that interest rates in this country are governed by this country and not by international demand. We in this party have spoken on this subject on a number of occasions. Be that as it may, this bill does not have anything to do with the level of interest rates. The objective of the bill is to ensure that mortgage money is available in the market place.

I am particularly pleased with the suggestion in the bill that approved mortgage investment corporations will be able to pass the income received from their portfolio directly to their shareholders, either as an interest taxable dividend or as a capital gains dividend. This whole concept of "pass through" is essential in the mortgage industry. The present corporate law discriminates and makes difficult the acquisition and collection of funds behind the screen of limited companies because corporations must first pay the corporate tax rate of 50 per cent and, when they make their distribution to their investors, the investors must pay further income tax. The effect of the "pass through" provision in this bill means that an investor will only pay one tax, not two. There will not be a corporate tax plus a further tax on distribution, but one tax payable by the investor on the distribution to him if the distribution is made within 90 days from the year end of the corporation. If, on the other hand, the company elects to make the distribution at a later time, there will be corporate tax, but the dividend will be treated as a capital gains dividend and subject to taxation on the basis of a capital gain rather than on the basis of a regular dividend.

● (1600)

It is imperative in this country that institutions be established to collect small pots of money, and put these small pots of money together in order that the mortgage industry can carry on with projects, making advances and loans. One of the consistent problems has been that an individual going into the business has been subject to rather heavy corporate and personal tax, with the end result that many who would otherwise have gone into the mortgage field have directed their money toward other forms of speculation, and I refer particularly to land speculation. It is imperative that money be collected in order that it can be lent to people who want to build homes. As I said earlier on June 12, as a young man I used to travel to the Capreol-Sudbury area where, as in many