HOUSE OF COMMONS

Tuesday, May 29, 1984

The House met at 11 a.m.

• (1110)

GOVERNMENT ORDERS

[English]

NATIONAL HOUSING ACT

MEASURE TO AMEND

Hon. Roméo LeBlanc (Minister of Public Works) moved that Bill C-37, an Act to amend the National Housing Act, be read the second time and referrred to the Standing Committee on National Resources and Public Works.

He said: Mr. Speaker, as Hon. Members are aware, the Government's housing policies serve all Canadians, whether they are home owners, tenants, members of housing co-operatives, et cetera, or whether they live in urban or rural areas. Federal programs are aimed at providing for the needs of people in all circumstances, be they women raising families on their own, the elderly, the handicapped, or people who cannot provide for themselves within the market system and need help. All these housing needs are of continuing concern. Before too long there will be opportunities to discuss some measures to deal with these problems.

The legislation before us today, Bill C-37, would give effect to the Mortgage Rate Protection Plan which was announced by my colleague the Minister of Finance (Mr. Lalonde) in his Budget address. Since the program was put forward on Budget night, there has been a fair amount of discussion about it in the news media. Hon. Members, as well as the general public, are somewhat familiar with its contents. They are essentially the same as those announced by the Minister of Finance.

The premium would be in the order of 1.5 per cent for the first $70,000 of the mortgage debt or the face value of the mortgage if it is less than $70,000. Claims will be paid to compensate for some of the additional costs related to an increase in mortgage interest rates at the time of renewal. There is no payment for the first two percentage points of increase. That is what I would call the deductible. After that, the program will pick up 75 per cent of the increase up to an additional ten percentage points.

• (1115)

The protection period corresponds to the basic term of the mortgage. A five-year mortgage can be insured against increases occurring during the five years following renewal. Since interest rates can be changed during the first five years of such a mortgage and the protection covers the next five, the borrower is, in effect, protected for ten years. There will be opportunities, of course, at committee stage of the Bill to discuss detailed provisions. We will be happy to provide Hon. Members with explanations they may require.

I would like to speak for a few minutes today about some of the principles involved in this legislation. I would like to make clear at the outset that this is not a subsidy program. The Mortgage Rate Protection Plan operates on the principle of user-pay. In other words, the premium charged is intended to cover any claims which are likely to be made against the program and the cost of operating the business. The Government stands behind the program's obligations, but it is not expected to put any drain on public funds.

In that regard it is different from the Canada Mortgage Renewal Plan which was introduced for quite a different purpose some years ago. The Mortgage Renewal Plan was designed to give temporary help to Canadian households that found, when they came to renew their mortgage, that they would have to make monthly payments amounting to more than 30 per cent of their incomes. In those circumstances home owners received a straight federal contribution of up to $3,000 to bring their payments down to a manageable level. Although the vast majority of Canadian home owners coped with rising interest rates without any help from the Government, some 21,000 households did receive help under the Canada Mortgage Renewal Plan and for them it was a timely and effective assistance.

The new program, the Mortgage Rate Protection Plan, is a new and unique kind of assistance. It helps home owners to help themselves by making provision ahead of time to reduce the impact on the family budget if interest rates should rise more than two percentage points above the original rate of the mortgage. Another principle which should be recognized, Mr. Speaker, is that the program is not intended to compensate home owners for the full amount of every increase in their mortgage interest rate. That is why the home owner is expected to absorb the first two percentage points of increase and one-quarter of the remaining additional cost up to 10 per cent.

There is one other important feature which I would like to draw to the attention of Hon. Members. I want to emphasize that the provisions of this plan will be retroactive to March 1, 1984, as indicated by the Minister of Finance in his Budget Speech. This means, in effect, that regardless when the Bill is enacted into law, anyone who entered into a mortgage or renewed a mortgage after March 1 is eligible to take part in the program. If, for example, a home owner took out or renewed a mortgage on April 15, he or she may apply for