

attractive to entrepreneurs. Both of these features go hand in hand, the provision which permits a loan-to-value ratio and the \$7,500 per unit interest-free loan.

● (1550)

Another difficulty with the fund has to do with the costs of running the business; underwriting costs, the cost of generating new business, inspections and appraisals, and so on. The application fee charged has never been adequate to cover these costs and the shortfall has been covered by CMHC out of other revenues. The bill will correct the situation by permitting the corporation to charge application fees appropriate to the costs and by providing that the fund be operated on a self-sustaining basis.

Another restriction on the corporation has to do with the reserve fund. At the outset it was specified that the reserve fund should never exceed \$5 million. That limit was reached, of course, very early in the history of the corporation. Since then it has not been allowed to engage in the customary business practice of setting aside surpluses in good years to provide for future deficiencies. The bill would rectify that situation by providing that the limit on the reserve fund would be established by order in council rather than by legislation.

The fund's difficulties have been compounded by the constraints set out in the NHA regarding the settlement of claims. This is another very important area that I would stress to all hon. members. It is a cost to the Government of Canada through Canada Mortgage and Housing which is unnecessary, one which can be remedied by supporting the legislation before us today.

The law requires that claims must be settled after the property is transferred to the fund. This means that CMHC cannot negotiate some other settlement that does not involve its acquiring the property, for instance by the lender exercising the power of sale. These restrictions are unnecessary. The cumulative effect is a significant unnecessary cost to the corporation and to taxpayers generally.

These changes will mean that more foreclosures and defaults will be avoided. It will also mean that the fund will not always be obliged to acquire property, as I indicated, depleting its liquid assets and incurring unnecessary costs.

These are some of the ways in which CMHC would become more flexible in responding to changing conditions, more businesslike in its operations and, I believe, more effective in helping to improve the housing situation in Canada.

I do not suggest that the bill now before us will solve all of our housing problems. As a matter of fact, I propose to bring before the House very shortly another bill which will make significant improvements in the program which serves the housing needs of native Canadians and low-income people in rural areas.

During the Christmas break and early in the new year, I had the opportunity to meet with representatives of native organizations, both nationally and provincially. I prepared submissions to my cabinet colleagues. As I indicated, that matter will

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presently be before the government for consideration. My hope is that it will follow shortly upon this legislation. Indeed, there is a possibility that it might be part of this legislation.

All of the government's social housing programs have recently been the subject of a very thorough evaluation and I believe there will be other important changes. For example, members opposite and myself have asked about the role of the shelter allowance, a device used by other jurisdictions. It is something we have not to this point implemented in Canada. The Minister of Finance indicated that the resources for such a program, which would be costly, have to be considered.

All of these initiatives that I have indicated—the priority I place on the rural native program, the study and the prospect of a shelter allowance—will come forward. In the meantime, the legislation before us today will create the opportunity to take some urgently needed action affecting the supply of rental accommodation throughout Canada and the accessibility of home ownership, especially for young families who are not well served by our conventional mortgage arrangements.

In conclusion, I note that the housing minister of the province of British Columbia has asked that I meet with him and other housing ministers to discuss a wide range of subjects. My feeling is that it is time for action rather than further discussion. That is why we have this legislation before us today which will achieve the objectives I have set out. I would find it very encouraging if that minister and other ministers in the provincial jurisdictions would join with action, funds and specific programs to address the problem of housing in Canada.

**Hon. James A. McGrath (St. John's East):** Mr. Speaker, this is a very important debate. I would like to be able to say that this is a very important bill, but we have very strong reservations about what the government proposes. Certainly we can support the principle of the bill, but we are concerned that it does not go far enough. Indeed, it does not even represent band-aid treatment for a critical housing problem facing this country today.

It is interesting that the minister should open on a positive note wherein he referred to the tri-level of responsibility in the area of housing. He said, and I wrote down his words, "the responsibility should be shared with all levels of government." I thought he would develop that theme throughout his speech, but he did not. Indeed, he ended his speech by saying that he refuses to meet with the ministers responsible for housing to discuss just exactly the course of action the government has embarked upon.

That is difficult for me to understand. One can only assume by that statement that the provincial ministers have had no input whatsoever into this legislation. Indeed, I suppose the minister has not even taken them into his confidence in terms of discussing with them the provisions of the bill. So much for developing the concept of the need for co-operation, bearing in mind the fact that the responsibility for housing in this country is shared with three levels of government.