

Interest Act

negotiation of the original mortgage, there is a reduction in income or earnings by the mortgagee, that should be taken into account. Of course, there is the overhead cost of making new loans. That also must be taken into account.

Our aims, when designing a prepayment scheme, should be threefold. First, there should be an element of fairness to which I referred before. Second, there should be simplicity and clarity which I do not think exists in the Bill before us today. It should be something that everyone can understand, and it should not contain long, weird and wonderful financial formulae. It should be written in such a way that everyone can understand it. There should be certainty about it. That certainty does not exist in the scheme that has been proposed by the Government.

The traditional way of doing this has been to assess the penalty in terms of the number of months of interest payments. The provisions of the old Act with respect to certain mortgages was that the penalty that was payable if one wanted to pay off the mortgage was some three months' interest. This was understood by everyone. It is sure, simple and understandable. It might not be absolutely equitable under every circumstance, but in order to get that simplicity and certainty perhaps it is necessary to give up a little of the fairness.

I hope that we can again approach the question of prepayment penalties in the same way. I see no necessity for changing from the traditional, simple, reasonably fair and sure system. But apparently this is not the Government's approach. If there is an easy way of doing something and a difficult way of doing something, you can bet your bottom dollar that the Liberals will take the difficult way. Just look at their approach to this Bill. Primarily, they have a great desire for regulations. If action can be taken through regulations, in secret and behind closed doors, that is what the Liberals will do. Practically everything concerning prepayment of mortgages is to be done by regulation with that aura of secrecy about it. You can also bet your bottom dollar that when the regulations do see the light of day, they will probably be 25 pages in length. I guarantee that no ordinary Canadian will be able to understand what those regulations mean. They will be complex, and the Liberals love complexity because they can hide behind it.

I cannot see any advantage to the mortgagor at all under the government proposals. Let us explain those proposals in general. When a mortgage is to be surrendered or paid up, one takes the present value at the old rate, which will normally be higher than the new rate, and computes the present value of the rate under existing interest rates on the day of surrender. The second is subtracted from the first, with the resulting sum of money which is to be payable by the mortgagor to the mortgagee. This system was described by the Hon. Member for Mississauga South (Mr. Blenkarn) as a henhouse designed by foxes. That is certainly what it is. It is entirely in favour of the financial institutions. It is not fair to the mortgage borrowers of Canada.

It is complex and difficult to understand. When the rates go up, the borrower is obliged to pay the going rate. When the rates go down, the penalty is assessed in such a manner as to

wipe out any advantage the borrower might otherwise have had with a decline of interest rates.

This Bill is so clouded, so obscure and so unfair that I can only conclude that it has been drafted by one of the Liberal candidates for the leadership, that is, by Mr. John Turner. That is where I suspect this Bill originated.

Mr. Deputy Speaker: Are there questions or comments?

Mr. Blenkarn: Mr. Speaker, I have a question for the Hon. Member for the Western Arctic (Mr. Nickerson). The press releases delivered by the Government indicate that mortgages of \$150,000 or less will have this maximum penalty on their pre-discharge. Has the Hon. Member been able to find any reference to \$150,000 in the Bill? I have gone through the Bill and cannot find any such reference. It seems to me that the Government, in presenting this Bill to the press and to others, has deliberately misled the public and the House with respect to any prepayment arrangements. Would the Hon. Member care to comment on that?

Mr. Nickerson: Mr. Speaker, I too have read the Bill. I can find no such reference in the Bill. It is possible that the Government may wish to address this in the regulations. If that is indeed the case, we do not know if the figure will be \$150,000 or whatever else it might be.

However, this just goes to illustrate some of the comments I was making in my formal presentation. It illustrates the obscurity with which the House has always been faced by Members on the Government side. It is what one might call government by press release. On how many similar occasions has something been made known in a press release and then the content of that press release has never in fact materialized?

A subject which is not really related but one about which I am very concerned at the present time involves press releases in 1980 and 1981 put out by the Minister of Indian Affairs and Northern Development (Mr. Munro). He stated that many millions of dollars were going to be made available for training opportunities at the time of the construction of the Norman Wells pipeline. These moneys have never seen the light of day. That is just an indication of how the Government manipulates by press release and does not come forward with legislation in what it professes.

Mr. Blenkarn: Mr. Speaker, in the same press release the Government gives an example of the kind of penalty that would be charged to a consumer. Suppose a consumer takes out a five-year \$50,000 mortgage at the rate of 12 per cent which is to be amortized over 25 years. Suppose that, with two years remaining in the term of the mortgage and a market rate of 9 per cent, the consumer wishes to repay it. The maximum penalty could be assessed, it was worked out, to \$2,538.23. I went to the Ministry of Finance and asked people there how they worked it out. I gave them a \$50,000 mortgage at 18 per cent, the current market rate being 13 per cent, with two years to go. They told me I should ask the Minister. Has the Hon. Member for the Western Arctic (Mr. Nickerson) any idea