

Bank Act

in desirable locations. However, the program, particularly in certain provinces which added piggy-back subsidies, had a devastating effect on low-income earners. This was so particularly in British Columbia and Ontario, and certainly throughout the country as well.

The assumption was that this would be another generous Liberal program which would help university graduates and people earning small amounts of money to start with, but who would have higher earnings later, and they therefore were able to get into AHOP houses for \$1,000 or less. I think some were able to do so even at about \$100. The interest rates increased after a period of five years or so, and suddenly after the end of five years the mortgages were due at the market rate. What happened with many, many people was that interest rates increased during that period phenomenally, so when it came time to renew those mortgages the cost was far in excess of that which was in the original contracts. Subsidies which were available for some people during the initial year or two were lost. In addition, during that period incomes had not increased. In fact real incomes went down for many people because of the inflated costs of fuel, food, and many other commodities.

According to the article to which I referred, in Peel, Ontario, 9,500 AHOP units were sold. Of these, 2,287 have come back to the Canada Mortgage and Housing Corporation. CMHC is now in the landlord business. About 75 more per month will be coming in. CMHC once again has to use dollars which should be going into housing, social housing, land banking and land leasing, to provide affordable housing for people to cover for past mistakes. We see example after example of bad management and misuse of money which should be going into housing.

My colleagues have also spoken about a reduction of mortgage interest rates through mortgage assistance plans. This is something we have advocated repeatedly. We feel that families earning under \$30,000 or \$25,000 must have mortgage assistance which would bring the rate of mortgage interest down at least to 9 per cent and 8 per cent respectively.

We also feel that it is important that the federal government carry out its shared responsibility for land banking programs and land assembly and also that it get much more involved with the provinces in public land assembly. Municipalities have begged the federal government to resume the program it had in earlier years. Even the president of HUDAC has said that this is absolutely essential to keeping the cost of housing down. I caution, however, that we do not favour public land assembly that is going to purchase and land bank land, and then give it over to developers to use for profit and to shoot up the cost of housing once again. What we want is land banking and preferably land leasing for housing that is non-profit housing, and which will be affordable for ordinary people and people in lower-income brackets.

As I said at the beginning, we also feel that instead of reducing the amount of mortgage money available to the banks we should be increasing it and controlling it. We should be making sure that the banks have money available at

reduced interest rates for housing. We will be speaking more about this.

In conclusion, the time is long overdue for a complete review of the function of the Canada Mortgage and Housing Corporation so that we have some kind of federal government agency which will produce housing instead of housing deficits as has been the case in the past.

Mr. John Evans (Parliamentary Secretary to Deputy Prime Minister and Minister of Finance): Mr. Speaker, I am afraid we need a respite from this exercise in the wonderland economics of the refugees from the—

An hon. Member: The rump.

Mr. Evans: The refugees from "Let's Make a Deal", but I think the respite would be to get back to what we are dealing with in regard to this piece of legislation. Let us get back to the motion.

Some hon. Members: Hear, hear!

Mr. Evans: The hon. member for Vancouver East (Mrs. Mitchell) is the housing critic for her party, and she is going to talk about housing irrespective of what is before the House. Alice in Wonderland!

This motion deals with what there should be, and whether there should be a restriction on chartered banks with regard to the proportion of their portfolios which can be held in mortgage loans. That is the question with which we are dealing. It does have some remote relationship to housing in that mortgages are usually what people use to buy housing, but housing is not the main issue. The main issue is mortgages.

The question the hon. member for Edmonton West (Mr. Lambert) raises is whether we should not be restricting chartered banks' lending with respect to the proportion they can put into mortgage loans. The hon. member raised several issues in that regard. For example, if banks are raising their money short term, should they be allowed to lend that money long term because of the imbalance that creates in their portfolios and the possible financial adversity which can result for the banks and the general financial system? The fact is that in 1967 for the first time banks were allowed to enter into the mortgage market in other than National Housing Act mortgages, which they had been allowed to be involved with for some years. The restriction was that they should not be allowed to have more than 10 per cent of their portfolios in conventional mortgages as opposed to NHA mortgages, which were separate from that. At that time there was also the possibility that banks could own mortgage loan subsidiaries which could also make mortgage loans, and the 10 per cent restriction applied to the bank portfolio itself and not to the portfolio of the bank with the mortgage loan subsidiary rolled in.

The hon. member for Edmonton West was a member of the committee which studied this whole issue. At the time the 1967 Bank Act was passed—and that is the act under which we operate right now until the new act is put into place—that