

*National Housing Act*

various forms of investment. Their first worry is home ownership. I sometimes feel that I am in a strange world here when I listen to other Members of Parliament talking about various forms of investment, this tax law and that tax law. Most of the people I know are people whose only major investment is their home. They are not familiar with, nor do they have any desire to be familiar with, nor can they afford to be familiar with, the intricacies of investments on the stock market, or anywhere else for that matter. The investment they make over the course of a lifetime is in their home. It is certainly the most important investment they will ever make, even if it is not the only one. That investment should be a reliable and secure one. It should not be a gamble. Yet that is exactly what home ownership has been reduced to as a result of the policies followed by the Government since the mid-sixties when it began to change the structure of mortgage financing and mortgage policy in the country.

● (1210)

I have heard many older constituents, say those of my parents' generation, remark upon a strange irony which is working itself out in the riding of Winnipeg-Birds Hill as well as in other areas of the country. Many of the people who reached maturity in the early to late forties had a deprived or difficult childhood economically because of the dirty thirties. After the Second World War they moved into a world in which, unlike their childhood, they found relatively full employment, long-term, stable mortgage interest rates, and an economic security of which they and their parents could only have dreamed prior to that time. This is the generation which understandably often reminded their children of what it was like in the dirty thirties.

The irony about which I speak is that the children of that generation had the benefit of post-war economic security in their childhood. Their parents knew what their mortgage payments would be until doomsday. Their fathers had secure jobs. There was predictability and reliability. There may not have been affluence or luxury, but there was economic security. These children who grew up in an atmosphere of economic security are now being subjected to economic insecurity in adulthood as a result of the policies of the Government and the changes which have occurred with respect to mortgage financing.

I often hear parents remark, in a way that strikes me as ironic, about the difficulty faced by their children in terms of home ownership, when they have long since paid off their homes because they had 25-year mortgages at 6 per cent. Many of them are now retired and in perspective, compared with the circumstances of their children, they are in pretty good shape. Their children cannot ever expect to pay off their homes. Their children do not know what the interest rate will be from one year to the next. And they have a government which is committed to allowing unpredictability and confusion to continue.

What is the history of mortgage policy in Canada? In 1967 the Liberals freed the bank rate for mortgages which had been

set at 6 per cent. In 1969, on the advice of Liberal Cabinet Minister Paul Hellyer, who since then has been a Tory, something else and is now reported to be seeking a Liberal nomination once again, the 6.5 per cent ceiling on National Housing Act mortgages was released and permitted to be established by market forces. I am sure the Conservatives liked it, as they like anything having to do with market forces. Again in 1969, on Mr. Hellyer's advice, the five-year rollover was introduced, allowing renegotiation of the interest rate on the mortgage every five years. Prior to this the interest rate on a mortgage was fixed for the entire amortization period, generally 25 years.

In 1973 Bill C-135, the Residential Mortgage Financing Act, was passed by the Liberal Government with Conservative support. The guiding principle of the Bill was to enhance the attractiveness of mortgage investment. Its effect was that by generating an increase in mortgage funds at the unrestricted interest rates, builders and land speculators were encouraged to concentrate on high-priced houses where profit margins were greater and to destroy the moderate and low-income housing market.

In 1974 the Liberals introduced AHOP, another wonderfully successful Liberal program! It was designed to give moderate and low-income people with high earning potential a chance to become involved in home ownership by providing moderately-priced dwellings at a subsidized interest rate. This was an attempt to help make housing affordable, but it was a horrible failure. It is now referred to as "AFLOP" due to the number of defaults on AHOP units. Half the units in some AHOP areas have been vacated due to quit claims or defaults. This is happening right in my own riding. Many people have come to me with this experience. The Government is currently undercutting the remaining AHOP home owners by selling units which it has recovered for up to \$10,000 less than the original selling price. The assumptions on which the program was based were incorrect and some types of houses were overbuilt because of this scheme. Interest rates were allowed to climb. AHOP mortgages were not protected from huge increases when the five-year term was up, and incomes did not rise substantially in relation to other costs. AHOP home owners were given no protection against the vagaries of the marketplace.

In 1978 the Liberal Government introduced the concept of a graduated payment mortgage, insured but not offered by CMHC. The GPM has all the worst features of the AHOP scheme in that initial payments do not cover the cost of borrowing, so that by year six of the loan the borrower owes more on the principal than he did when he first took the mortgage out. There is no equity gained until year 11. In effect, people are renting for 10 years. Now they are having great difficulty with mortgage renewals at rates about 5 per cent higher than what they have been paying. When that occurred the Minister responsible for housing, the Hon. Member for York-Scarborough (Mr. Cosgrove), talked about expanding the use of the GPM rather than providing assistance for people in need of help.