ately wonder if a capital gains tax on homes is being considered, inasmuch as the new program will be an encouragement to reduced equity financing with a resulting additional percentage capital gain from appreciation in value. I should like to reiterate this point. For example, if a person purchases a $50,000 home with a $5,000 down payment and a couple of years later sells the home, which has appreciated in value, for some $55,000, then in that two-year period the equity in the home has increased from $5,000 to $10,000, a 100 per cent improvement in a period of two years. This is a very common experience in Canada today. At the present time that money is not taxed because there is no capital gains tax on single family residences, or on any residence for that matter.

The record of home building on a per capita basis in the United States is worthy of comparison. Canada has always had a far superior home building rate on a per capita basis. Of course, in the United States mortgage interest is deductible. In fact, the kind of home building that would benefit from this program has always been strong in Canada. This strength in the building of single detached dwellings has continued, despite the much higher mortgage interest rates that apply in this country.

● (1550)

One is, therefore, entitled to question whether that proposal would have any significant effect on the number of such homes to be built after any initial surge in construction has passed. It is important to point out that in the United States all interest payments are deductible, thus effectively removing any incentive to mortgage homes purely for the tax benefit.

Mr. Speaker, perhaps I could talk for a moment or two about some comments that have been made by the minister who probably has the greatest access to information. The Minister of Regional Economic Expansion (Mr. MacKay), because of his responsibility for the Canada Mortgage and Housing Corporation, has been able to put together some arguments which I think are worthy of repetition and should go on the record.

I have proposed, for example, a direct grant for new home builders, either as a reduction of the down payment or as a monthly payment over a limited period, that period of time when the new home owner is in the greatest financial difficulty. To that the minister has replied:

Direct cash grants to first-time purchasers can ... be regarded as an alternative to the program of mortgage interest and property tax credits. Both would facilitate access to home ownership. However, the use of direct cash grants has a number of disadvantages.

He then lists these as:

Limiting cash grants to first-time home buyers would deny existing home owners relief from the burden of mortgage payments. Limiting the grants to new housing would deprive first-time home-buying households of the opportunity to select between a new home and a more affordable existing home. Restricting grants to new housing would also have the adverse effect of artificially raising the price of new housing relative to the price of existing housing, thereby creating severe market distortions.

I find these arguments, whilst quite logical, somewhat limited. After all, when he says limiting cash grants to first-time home buyers would deny existing home owners relief from the burden of mortgage payments, let me point out that one of the stated objectives is that an increase in construction would result from the increase in demand, and obviously this is a counter-argument to that particular point.

The point about being able to select between a new home and a more affordable existing home I do not think is worthy of too much discussion at this point in time. The affordable existing home which has been on the market for some time is probably being priced at current market prices, and I think we need concern ourselves very little indeed with the resale of older houses. We might concern ourselves with making some of those older houses better places in which to live, and there are programs for that purpose.

In the third point he talks about artificially raising the price of new housing relative to the price of existing housing. The assumption again is that if we give a grant to a person to assist him to reduce the down payment on a house, it would increase the price of the house. How illogical that is when the whole purpose of the bill is to reduce the cost to the home owner and, therefore, put the first-time home owner in a better position so that it will be easier for that individual to purchase the house. There is something illogical about the presentation of that argument.

I made a second suggestion, which was that a direct subsidy of interest rates for an initial period of from one to five years could be made. That proposal could be intended, of course, to stimulate construction. The minister answered:

—the mortgage interest tax credit will ... achieve the same results as a direct interest rate subsidy, and at the same time be much simpler and cheaper to administer.

I find it somewhat hard to accept that an interest subsidy to home purchasers could itself be so difficult to administer when we are going to have such a complex proposal on the income tax return that it is going to have to be checked off by the Department of National Revenue.

The fourth proposal I made was that we should stop the practice whereby insurance is required from a private institution for non-National Housing Act mortgages, even though the lending institution increases the mortgage interest rates for these loans. Surely either the increased rate is to cover the increased risk, or if suitable insurance is obtained the regular NHA mortgage rate should apply.

My point here is that we have one company—and I will name it, MICC—which is doing the same thing as the Canada Mortgage and Housing Corporation. When I was in Winnipeg earlier this year I made a point of inquiring as to how this company was faring. It is insuring mortgages, and I will speak in a moment about what is happening to the Canada Mortgage and Housing Corporation and the funds it has.

This company insures mortgages, but in spite of the fact the mortgages are being insured by a reputable company, the mortgage rate charged by the banks and other lending institutions is one-half to 1 per cent higher than that charged when