

*The Budget—Mr. Lalonde*

and firmer rights, and protect homeowners against extraordinary increases in mortgage rates.

The government is prepared to act in three areas to strengthen borrowers' rights and to increase the fairness and flexibility of the mortgage market in order to improve the security of Canadian homeowners. These proposals are outlined in detail in a document I am tabling with this budget.

[English]

First, the government proposes a Mortgage Rate Protection Program that will provide income security to homeowners facing mortgage renewals at much higher interest rates. All Canadians will be eligible to join the plan. An individual will pay a modest fee when renewing an existing mortgage or taking out a new one. This will protect the homeowner against extraordinary interest rate increases for a further period of years equal to the original term of the mortgage. As a consequence, someone taking out a five-year mortgage and buying coverage under the program will be guaranteed that monthly payments will remain relatively stable for a 10-year period, that is, twice the duration of the first mortgage.

Mortgage Rate Protection will provide an important element of personal security to home owners and those wishing to purchase homes. My colleague, the Minister of Public Works, and I wish to consult with the financial community and housing industry on a number of administrative and technical details related to the operation of this program. These consultations should be concluded over the next month or so. Enabling legislation will be introduced as soon as details are settled. All homeowners entering new mortgage contracts after March 1, 1984 will be eligible to participate in the program.

Second, together with my colleague, the Minister of Consumer and Corporate Affairs (Mrs Erola), I will be proposing amendments to the Interest Act. These amendments will require disclosure of interest rate information, and prepayment rights and penalties, so that all borrowers will be able to know, precisely and simply, the terms of their contract. The amendments will also guarantee a right of prepayment for all mortgages and will limit maximum prepayment penalties in a way that is fair to both borrowers and lenders. The government intends to proceed as quickly as possible. I am also asking financial institutions to voluntarily apply the proposed prepayment measures immediately to existing mortgages.

• (1720)

Finally, in order to facilitate the introduction by the private sector of mortgages that run longer than five years, and as Members know, mortgages for longer than five years have practically disappeared from the market, I shall take steps to

encourage the development of mortgage-backed securities. Longer-term mortgages can provide substantial security to homeowners by guaranteeing their mortgage costs for a considerable period of time. I am prepared to propose amendments to remove any legislative barriers to the development of mortgage-backed securities, and I intend to consult with mortgage lenders to determine whether additional measures are required to support the development of such instruments by the private sector.

[Translation]

The measures I am proposing to improve the security of homeownership will enable and encourage more Canadians to buy their own homes. This will increase their personal economic security and contribute as well to residential construction, business investment, and growth.

This budget was preceded by an extensive round of consultations with Canadians from all economic sectors and all regions of the country. These consultations are an important step in carrying out the government's commitment in the Speech from the Throne to introduce more permanent mechanisms of economic consultation.

I have found these consultations extremely valuable, and I wish to thank all those who took the time and effort to present their views to me and to my colleagues.

If there was one underlying message that came through time and again, it was the need for a period of stable and consistent economic policies. Now is not the time for a radical change in direction. People also stressed that the budget process should allow major initiatives to be presented in a way that provides for informed public comment and discussion before they are put into effect.

In line with the Green Paper on the Budget Process, issued in April 1982, the government has been steadily opening up the budget making process.

[English]

Extensive consultations have now become a permanent feature of budget making. I welcome this development. Major proposals in my last budget, such as the Indexed Securities Investment Plan and improved tax incentives for research and development, have benefited considerably from the expertise and knowledge that was brought to bear on them in post-budget consultation and comment.

My budget today continues this evolution to a more open process. The government recognizes that consultation cannot and must not be a substitute for action. But proposals, such as those I have put forward today, can be improved and refined to