

HOUSE OF COMMONS

Friday, May 11, 1951

The house met at three o'clock.

COMMITTEES OF THE HOUSE

PUBLIC ACCOUNTS—VETERANS AFFAIRS—CHANGES
IN PERSONNEL

Mr. L. D. Tremblay (Dorchester) moved:

That the name of Mr. Gibson be substituted for that of Mr. Cruickshank on the standing committee on public accounts.

That the name of Mr. Hosking be substituted for that of Mr. Carroll on the special committee on veterans affairs.

Motion agreed to.

NATIONAL HOUSING ACT

PROVISION FOR INCREASE IN INTEREST RATE ON
JOINT LOANS

Hon. Robert H. Winters (Minister of Resources and Development): Mr. Speaker, during the last few weeks many hon. members have expressed concern about the prospect of a diminishing volume of housing being built under the National Housing Act, particularly parts I and II, which provide for joint loans, and I wish, therefore, to make a brief statement on this subject.

In 1950 about 40,000 residential units were financed jointly by the Central Mortgage and Housing Corporation and approved lending institutions under the act in the amount of approximately \$280 million. The interest rate to the borrower is limited by the act to 4½ per cent. By agreement, pursuant to the act, the lending institution earns 5 per cent gross upon its three-quarter share and Central Mortgage 3 per cent gross on its one-quarter share of the loan.

During recent months, mortgage interest rates, in common with other interest rates, have risen. As a result there is a growing unwillingness of lending institutions to participate in National Housing Act loans at the present rate of interest. It has been pointed out by several hon. members that builders for home ownership or rental as well as prospective home owners are experiencing the effects of reduced activity under the National Housing Act. There are insufficient inducements to keep the lending institutions operating under the National Housing Act with a gross return of 5 per cent when higher rates are readily available to them in the conventional mortgage field.

On May 2 the hon. member for Spadina (Mr. Croll) asked what steps would be taken to enable the act to continue to be effective. I believe it is the opinion of hon. members generally that steps should be taken to assure the continuance of the general benefits of the act as contemplated by parliament. Therefore, I propose to introduce, as soon as possible, for the consideration of this house amendments which will have the effect of permitting an increase from 4½ per cent to 5 per cent in the interest rate payable by the borrower upon joint loans. Under such an arrangement, the lending institutions, upon their share of the joint loan, would earn a gross interest of 5½ per cent, and Central Mortgage would earn 3½ per cent upon its share of the joint loan. A change of one-half of one per cent in the interest rate amounts to 25 cents per month per \$1,000 of loan. The proposed amendments will provide also for a like increase in interest rate in all other types of loans made under the act.

While the proposed amendments are being considered, National Housing Act mortgages must be registered at present interest rates prescribed by the act. Only after the proposed amendments have received royal assent can mortgages under the act be registered at the new rates.

The changes which I propose will restore joint loans under the National Housing Act to about the same position relative to other investments which they had prior to recent changes in the interest rate structure. Although there are evidences that more investment opportunities now exist than there are funds for investment, nevertheless it is hoped that the lending institutions will make National Housing Act loans readily available under these terms. There is reason to believe that such will be the case, because a number of lending institutions feel that loans under the National Housing Act, with its guarantees, are not only a satisfactory investment, but that the making of them is a public service.

Mr. Fleming: Mr. Speaker, may I ask the minister if or when the government intends to resume lending, through Central Mortgage and Housing Corporation, the additional one-sixth provided by the 1949 legislation, the withdrawal of which has had so much to do with the reduction in the volume of housing built with the assistance of the act?