

Increased Interest Rates on Mortgage Loans

In order to attract private funds into housing and to enable the government to concentrate its future lending in the important social areas of greatest need, namely, public housing, housing for elderly people, housing for students and urban renewal, the government has decided to take full advantage of the spread authorized in the statute. We anticipate this change will result in increased lending activity on the part of primary lenders and at the same time substantially increase activity in the secondary mortgage market, which is very important at this time.

Therefore, Mr. Speaker, effective October 1, the maximum rate of interest on home-ownership and rental loans will be set at 8½ per cent and will remain at that level until the next quarterly adjustment at the end of this year.

In making this announcement, Mr. Speaker, I wish to make it perfectly clear that there will be no change in the N.H.A. interest rate policy on loans for public housing projects for families of low income, housing for elderly persons, student housing, land assembly, urban renewal and sewage treatment plants.

The change I am now announcing should not be expected to provide the complete answer to our current serious housing situation. Nevertheless, it is an important part of the whole, and I will have more to say on this subject during the housing debate tomorrow, and no doubt other members will have something to say as well.

Mr. Starr: You will need to.

Mr. Nicholson: But one thing is obvious, the government must look, and Canada generally must look, to private lending institutions to increase substantially their participation in that part of the housing requirement which traditionally is a commercial lending operation, specifically home owner and rental housing for those who can afford housing on an economic base.

As I have just indicated, the government intends to devote a larger proportion of its resources to the social needs of the lower income groups and to the trouble spots resulting from the fantastic urban growth that has taken place, in order to provide improved living conditions in urban areas.

It should also be noted, Mr. Speaker, that the prime N.H.A. interest rate, that which I have just announced, is the maximum rate. Within the wider spread provided between bond yields and the new N.H.A. rate private lending institutions have the opportunity to initiate lending at rates below the maximum.

Mr. J. R. Keays (Gaspé): Mr. Speaker, it is regrettable that the minister has had to make the announcement which we have just heard. It is a sad story for all the hopeful who thought the government has some concern about their plight, especially those citizens who are looking for proper shelter. The cost of rental housing is getting beyond the reach of the ordinary citizen and we can only look with despair to the immediate future. This new addition to costs by the increase in the interest rate charged on loans will simply inflict a greater degree of suffering on those who are experiencing the acute crisis in housing.

This increase in the interest rate is just more conclusive proof of the government's determined refusal, since assuming office, to look ahead and adopt those measures which could sidetrack the influences which obstruct the path to a stable economy.

The government simply would not face up to the fiscal and economic crises of the day. It would not adopt the fiscal measures needed to combat inflation and rising prices, rises which have made an excessive demand on wages and led to imminent unemployment. The government has left it to the governor of the Bank of Canada to make the move because it did not have the gumption to do so. This is all strictly as a result of the announcement made by the Bank of Canada yesterday. It is due to the fact that the government did not face up to its responsibility of changing its fiscal measures and policies. They have left it to the Bank of Canada to come to the rescue of the Canadian economy. We have foreseen the further implications in this announcement. I hope that during the debate tomorrow we will be able to delve further into certain consequences of the increase in the interest rate.

• (6:10 p.m.)

Mr. Stanley Knowles (Winnipeg North Centre): Mr. Speaker, the statement just made by the Minister of Labour (Mr. Nicholson) is an admission of the complete and utter bankruptcy of this government so far as housing policy is concerned. As a solution to the housing problem, the words that have been given to us today are just so much eyewash. We feel that what is needed is a direct approach to the problem of housing. When I say a direct approach I have two things in particular in mind. We in the New Democratic party believe we will have to get away from private lending institutions for the