

Central Mortgage Bank

group of creditors, very often a large proportion of the Canadian people—unless we recognize that fact we are not taking a realistic view of the mortgage problem.

At this stage that is sufficient, I believe, to indicate the problem. At a later stage of the bill I shall be glad to deal further with it. As to the means of helping to solve it under this legislation, it is proposed to set up a central mortgage bank controlled entirely by the dominion government, the Minister of Finance holding on behalf of Canada \$10,000,000 of shares of the bank. It is proposed also to empower the central mortgage bank to issue debentures, guaranteed by the government of Canada, to an amount not exceeding, under the present bill, \$200,000,000. It is proposed that the governor of the central mortgage bank shall be the governor of the Bank of Canada; that the deputy governor of the mortgage bank shall be the deputy governor of the Bank of Canada; that there shall be a board of six, including the governor, the deputy governor, the deputy minister of finance and three others appointed by the government of Canada. I can go into the details and restrictions concerning the qualifications of directors and so forth more conveniently on the bill itself than at this stage.

The bill, then, will provide that any lending institution in Canada, mortgage company, trust company, insurance company or any type of corporate lender—

Mr. CASSELMAN: Individuals also?

Mr. DUNNING: No, not individuals. I will come to that on the bill. Any lending institution may become a member company of the central mortgage bank. In becoming a member company it must assume certain responsibilities and agree to make certain adjustments, and as a consequence will receive what might be called certain rediscount facilities.

With regard to the obligations which a member company will assume in the agreement with the central mortgage bank by which it becomes a member company: it will first agree to adjust all its mortgages held on farms in Canada at the date of the membership agreement, and also all its mortgages held on non-farm homes in Canada in cases where the mortgage account does not exceed \$7,000, excepting, of course, mortgages under the National Housing Act, to which obviously this measure need not apply. The major adjustment which will have to be made by member companies under the agreement will be to adjust the rate of interest on all mortgages coming within those two classes to which I referred, that is on all farm mortgages

[Mr. Dunning.]

and on home mortgages where the account is \$7,000 or less, to a five per cent interest basis. In addition the lending institution must adjust arrears of interest by writing off all such arrears in excess of two years' interest. In addition the total amount owing on the mortgage account for principal, interest and other charges must be reduced to a point where it does not exceed eighty per cent of the fair value of the property under mortgage.

Let me repeat those three major adjustments which are required to be made. First, the effective rate of interest on the mortgage must be adjusted to a five per cent rate. Second, all arrears of interest in excess of two years must be written off. Third, in cases requiring it the amount of the mortgage must be adjusted downward to the point where it does not exceed eighty per cent of the fair value of the property mortgaged. There are other minor provisions, such as extending the mortgage over a period of twenty years on the amortization plan, and so forth, with which I can deal better at a later stage. The rate of interest on the adjusted mortgage, as I said, is to be five per cent. I am trying to pick out of my material the essential points, just to give a general sketch of the proposal.

Mr. MANION: The minister mentioned farms and homes. Is this legislation to be general, all over Canada?

Mr. DUNNING: Yes.

Mr. MANION: It would include homes in cities and towns as well as farms?

Mr. DUNNING: Yes. The only difference between the farm mortgage and the home mortgage is that all farm mortgages held by a member company come within the scope of adjustment, but only homes in cities, towns and villages in connection with which the principal amount of the indebtedness is \$7,000 or less may be dealt with. In other words we are not compelling adjustment on high priced houses but are attempting to deal with that low and intermediate level which I think is the real urban mortgage problem in Canada.

Mr. McCANN: Does the \$7,000 include arrears?

Mr. DUNNING: The amount after being adjusted under the terms of the act. I hope at this stage hon. members will not ask me detailed questions, because this is a very complicated matter and only with the bill before us, with all these details completely set out, will it be possible really to question me effectively. I am asking for just that consideration at this stage which I know hon. members will be willing to give.