

National Housing Act

per cent, then I do gain some considerable advantage. But I am a little curious as to how someone entering the market for the first time today benefits today by the coverage. He or she benefits when it come up for renewal, but obviously they do not benefit as a first-time buyer. I have some difficulty with that statement in the press release put out by the Minister's office. I am not entirely sure where it is going to go.

In any event, back to where I was, the cost of the program could escalate rather severely because if people, as I have said, were to take out the insurance on the way up, they would surely not take out the insurance on the way down. They would gamble on the short term. When they renew at the lower level, they would then take out the insurance. Surely there is a potential for the escalation of the cost of this program. That is not to say that I or my Party will oppose the program, but there is a potential for an escalation in costs that does concern us.

● (1650)

Furthermore, there is the question of the premium rate being the same regardless of the term of renewal. There has been some suggestion that this will help the lenders provide more long term money and would encourage the mortgage holders to go for a longer term. It is not always a good idea.

Let us suppose I was renewing a mortgage today and the mortgage interest rate was 15 per cent, which it almost is today. I would have to look at the cost of insuring and take into consideration that it must go to 17 per cent before I qualify at all. If it goes beyond 17 per cent, I will be compensated for three-quarters of the extra. If it goes to 18 per cent, I am compensated for three-quarters of one per cent. If it goes to 19 per cent I am compensated to 1½ per cent or three-quarters of 2 per cent. Given those considerations, perhaps I should take out a short term mortgage and gamble that the rate will come down a year from now. That is not an unreasonable gamble, considering the recent cyclical mood of mortgages. Therefore, I must ask why the rate is the same for a one-year mortgage as it is for a five-year mortgage. That is the problem that I see.

I am also concerned about the regulations. This Bill, more than most that we have seen recently, leaves everything to the regulations. I believe that we should have some of those regulations before we go to committee. I appreciate that this is a cry that is heard from the Opposition on a regular basis, but we should have some of those regulations before committee and certainly when we get to committee. Since there is a question about the cost of the insurance and whether it will be worth the gamble, we could determine that ahead of time if we could see all of the regulations. I handed my colleague my mortgage interest book so he could do some calculations on this, but he has been unable to tell me if a savings could be appreciated by the mortgagor. It is very difficult to know whether there is a savings without having the regulations available.

Some industry analysts have suggested that it might be better to reduce the size of the mortgage. Has a program been

devised to study the regulations? The Minister can correct me if I am wrong, but I believe it is still possible to get a one-year mortgage at approximately 13¼ per cent. Can such a program be used in such a case to determine where it becomes worth the gamble for someone to put the cost of a mortgage insurance out of his pocket for a year in the gamble that the interest rates will come down? At what level does it become worth someone's while to put the money out for insurance coverage? Where does it become worth while for the Government in this insurance program, when someone whose mortgage is at 12 per cent must renew his mortgage at 17 per cent or 18 per cent, to say to the lender that if it has to subsidize this mortgage for the next three or five years, it will pay so much in subsidization? While the home owner must pay some, the Government will pay a substantial amount of money and obviously more than it took in as insurance. What is the level at which the Government can pay off a portion of the capital to bring the payment down to the level at which the borrower is paying the same, but the lender is not reaping a horrendous profit as a result of those high interest rates?

We must be careful in this instance because it became very obvious in the seminar of which I spoke a moment ago that the mortgage companies will say that they would much prefer a market with constant rates over a long period of time because when rates fall dramatically, those companies and their depositors run risks and tend to not make much money in that instance.

It is difficult to do these calculations on short notice and, indeed, it may take a computer program to properly determine whether there is a point when the federal Government should reduce the principle of a mortgage rather than make payments to a lender over a number of years. However, I suspect that there may well be a point when it will be worth while.

Finally, I want to spend a moment outlining some issues this Bill does not address. The Minister will recall that not long ago the federal Government backed out of support to municipalities for the installation of sewers and other programs. It was his department that was involved at that time. I believe this is an area where the federal Government might well have stayed involved and continued its contribution to municipalities. Normally, I would rather see these functions carried out by the provinces but this is an area of which I, as the Mayor of Belleville, took advantage.

The second most serious complaint that the builders at this seminar spoke of was the cost of servicing. In Belleville it costs approximately \$5,000 more per lot, partially because of rock and partly due to stringent imposition by the local bureaucracy, to service than in other similar communities. When those federal Government programs were in place, it kept the cost of those lots down and we were much better off. I see, Mr. Speaker, you are rising. And that the clock has reached five o'clock. Please be careful, Mr. Minister, when this bill comes to committee because there will be a lot of people looking to ask many questions.