

### *Mortgage Financing*

of the residential mortgage exchange corporation to be set up by this bill. I had thought that the New Democratic Party had some friendship and support for the credit union movement across Canada. All I can say is that in opposing the mortgage exchange corporation they are getting out of touch with what I thought was their own constituency. The making of mortgages and the mortgage document more liquid through the mortgage exchange corporation compared with other forms of investment will lend a greater degree of competitiveness in relation to other investments and will attract more capital which will have a downward effect on interest rates.

As I have pointed out, this is a highly technical bill. Essentially what we are trying to do is create two new institutions, the residential mortgage exchange corporation to create a market of exchange for mortgages and the mortgage insurance corporations to bring new investors into the field, not the banks, the insurance companies or trust companies which already are there but pension funds, retirement plans, credit unions and small investors. I was surprised to hear the objections of the NDP. I was surprised because I know parts of this bill, such as the exchange corporation, are wanted and needed by the credit unions of this country who are engaged in the residential mortgage business. I would have hoped that the NDP would have supported the creation of an institution which would allow the credit unions of this country to play an even more important part than they are already.

I was sorry to hear all the speeches about rip-offs. I would have hoped that rather than the doctrinaire approach, the clichés and rhetoric we have had we might have had an analysis of the bill. It seems to me, however, that clichés and rhetoric seem to be, judging by the speeches we heard last night, a substitute for thinking and analysis in the view of the NDP. I am sorry we have had the rather worn-out advertising slogan they used in the election campaign and since, because I think it has blinded them to what this bill is really all about.

The interest on mortgages accrued by mortgage investment companies is passed on to the shareholders and taxed in their hands. That is hardly a rip-off. If the investor in mortgages is an individual, it is part of his taxable income. In the case of a corporation investing in mortgages, that income from mortgages is taxable as corporate income. All we are doing is avoiding putting a double tax on mortgage interest payments. Surely, if we taxed mortgage interest twice, once in the hands of the mortgage investment corporation and once in the hands of the shareholder, be he individual or corporation—as the NDP is advocating—that would only serve to push rates up and slow down the flow of residential mortgage business. Surely, in the face of the growing savings and pension funds in this country it would be assinine to tax their income from mortgages when we at the very same time are trying to encourage those pension funds to become involved in residential mortgages. As I say, it would be assinine to do that.

If the pension funds, the savings of Canadian workers—which is what pension funds are—are invested in mutual funds, stocks and bonds and are non-taxable, are we to take the NDP view that we should tax the funds of the Canadian workers which are invested in pension funds and retirement plans when they are used to help the

[Mr. Basford.]

housing situation in this country through investment in residential mortgages. The NDP say tax them. That is a silly policy. It is what happens when a party such as the NDP uses clichés and rhetoric rather than thinking and analysis.

**Mr. Broadbent:** I rise on a point of order, Mr. Speaker. I am enjoying this very, very humorous address but one of the rules of the House, of course, is that one must stick well within the canons of honesty. I should like the minister to present one illustration in support of the claim he just made, namely that members of the New Democratic Party said that representatives of the trade unions or other groups which have money in mortgages should be taxed for this activity. Was there one speech in the debate which made that claim?

**Mr. Deputy Speaker:** Order. That is really not a point of order. I daresay the minister may have some difficulty in this respect when the bill is in committee where points like that can be raised. However, if he wishes to reply he may.

**Mr. Basford:** Mr. Speaker, it comes about by reason of the fact that pension funds, as a rule, are not engaged in residential mortgage business. There are instruments which we hope will attract them into the residential mortgage market. The NDP is saying that those corporations should not be set up and that such a tax arrangement is a rip-off, and they are therefore making it impossible or much more difficult for those pension funds to be in the residential mortgage business.

• (1740)

**Some hon. Members:** Oh, oh!

**Mr. Lewis:** That is pretty tortuous, Ron.

**Mr. Basford:** In conclusion—so that we can leave before six o'clock—may I point out that I have tried to remind hon. members of what this bill is all about, namely, simply to establish two institutions: one, a mortgage exchange corporation to provide greater liquidity to mortgage documents and in that way attract more people into the residential mortgage business, and two, to allow the formation of mortgage investment companies so that those smaller investors and pension funds which are not now engaged can, through the tax instrument of mortgage investment companies, be attracted, we hope, into lending money on ordinary houses in this country. I have never said that this bill is the whole answer to the housing problem. It is one part of a comprehensive program that has to be considered in particular relationship to Bill C-133, which was just passed, which was supported by the NDP who, in my reading of the debate, were complimentary about that bill which was aimed at the problem of low income Canadians in this country.

This bill, of course, like any other bill, does not remake the world.

**Some hon. Members:** Oh, oh!

**An hon. Member:** Well said.