

Interest Rate Policy

Hon. Paul J. Cosgrove (Minister of Public Works): Mr. Speaker, I would like to begin my remarks this evening by saying how impressed I was with the hon. member for Calgary Centre (Mr. Andre) who, this afternoon, rose from a sea of empty Conservative seats behind him to propose that this government should ignore the needs of about 70 per cent of Canadians, those who rent and those people, chiefly the elderly, who have little or no mortgage debt. That would be the effect of the amendment proposed by the hon. member which calls for the introduction of mortgage interest and property tax deduction.

In its April 14 Speech from the Throne, this government stated that Canadians would accept economic sacrifice to meet economic challenges, provided it was done on an equitable basis. I would like to know where the equity is in the proposition which would be so targeted, as in the amendment proposed by the Conservatives. In contrast to the previous administration, which, in opposition still sticks to a program to help a minority of Canadians, this government said the following in the throne speech: "We will help first those who need help most." The speech also stated that the government "recognizes the need to protect those Canadians most affected by an acceptably high interest rate". It goes on: "The government will act to assist those ordinary Canadians unable to bear the burden of renegotiating their home mortgages in the present abnormal situation so that the spectre of foreclosure will be avoided . . . without the government embarking upon a major subsidy program."

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To this end we have taken positive action on two fronts. First, we have met with lenders to determine the methods they would use to ease the impact of mortgage renegotiation. We have seen that those discussions have been successful in facilitating renegotiation. The practical result of this approach by the lenders has been a steadily declining rate of mortgage arrears in Canada.

In January, 1980, for example, there were 0.78 per cent of accounts under administration. This spring the number has dropped to 0.6 per cent, despite the number of roll-overs which occurred in that period.

Second, some Canadians previously received aid for home purchases through various subsidy programs. They face a particularly sharp difference between the old and the new mortgage rates. They were often people of modest incomes; their incomes were of modest growth. We provided particular help on an equitable basis.

Let me report to this House exactly how much aid we have had to provide under the special arrangements I have referred to. Of the Assisted Home Ownership accounts reviewed so far, only 5.9 per cent, just 52 accounts to the end of last month, required the special help offered by this government. Very few complaints have been received to date from those served under the program who received only loans as opposed to subsidy aid; in fact just 11. The government has increased social housing by 5,000 units. These are the non-profit and co-operative

dwelling serving people of modest income who receive from the Government of Canada interest write-downs to 2 per cent under Section 56.1 of the National Housing Act. This is in addition to the 25,000 units committed annually by the federal government under its social programs. In British Columbia, for example, one in ten homes is assisted by the federal government. This is important assistance to many people in this country.

The Speech from the Throne states that "Canadians want more effective government, not necessarily less government." In line with this promise, I am pleased to say that cabinet approval has now been given for CMHC mortgage insurance operations to be made more streamlined, more efficient and more competitive. This entails realistic inspection fees for a look at applicants, and somewhat higher premiums. We will have an improved Crown corporation operating on a fully commercial, cost recovery basis for its mortgage insurance, but clearly committed to serving the social needs of the country. Much of this depends on legislative amendments for which I hope to receive the support of the House.

Mr. Speaker, the message I have attempted to impart with these remarks is that this government has kept its promises, it is keeping its promises, and it will keep its promises.

Switching now to other matters in the housing market today, a study has recently been completed for CMHC by Vischer Skaburskis, planners on speculative activity in the most active housing market, namely Vancouver. It reports these interesting findings: out of 17,960 residential transactions studied, it was revealed that approximately 14 per cent appeared to be purely speculative in nature—so about 86 per cent are not. That applies to residents of the province. Another study brought to my attention by the CMHC general manager for the British Columbia region, shows that only about 1.2 per cent of properties bought by individuals in British Columbia, were bought by foreign investors. I know that people have been concerned about this. We will continue to watch closely in conjunction with other concerned agencies, the various trends which have the potential to pose significant problems.

We are monitoring the situation in the housing market very closely. In contrast to the position outlined earlier by the hon. member for Oshawa (Mr. Broadbent) of large numbers of foreclosures, I have indicated that claims have been dropping steadily, Mr. Speaker. In January of 1980, 711 were received, both rental and ownership. By December of last year, despite the rise in interest rates and with the large turnover, this had dropped to 557 claims. By April, again, despite the higher interest rates, the trend continued—441 NHA claims on 808 units.

The fact is that Canadian housing production is growing. Indeed, housing starts have turned around remarkably. The rate in the first quarter of this year was the highest since the fourth quarter of 1979. The seasonably adjusted annual rate for April was 242,500 new homes to meet the needs of Canadian families, compared to 158,000 in 1980, a record rate for the last five years.