

National Housing Act

which is the all-absorbing concern. At page 11 of the C.M.H.C. annual report the president stated:

Some \$4 billion will be required in each of the next five years to produce housing in a volume sufficient to meet needs. Some of this money will come from the traditional lenders, some will be provided by sources outside the mortgage market and some from the government. There may remain, however, a gap to be closed if the volume of mortgage funds is not to become a constraint on national housing objectives.

He also states:

A housing program at least as productive as this year is needed and expected in 1969. The all-absorbing concern continues to be mortgage money.

In 1969, \$4 billion will be required for housing. According to past performance the required mortgage money will be obtained 42 per cent from lending institutions, 40 per cent from down payments and private financing and 18 per cent from the government. An easy calculation indicates that 18 per cent of \$4 billion amounts to \$720 million. I thought the minister would say that, in view of the advice received from the President of C.M.H.C. that there may be a gap in the volume of mortgage moneys, the government would commit \$720 million for housing in 1969. With that \$720 million the government could ensure that moneys would be used for public housing, co-operative housing, student housing and the many forms of housing for which they are responsible.

I was disappointed the minister did not state the government would make a commitment of this \$720 million. There has been a decline in the equity participation by insurance companies in mortgage investment in the last year. The minister stated he will attempt to persuade the financial institutions to fulfil their role. This statement does not give us much hope. Surely, it is necessary to have legislation to meet this urgent problem.

The high cost of housing is also caused by the high interest rates. They are the most unconscionable rates Canadians could be asked to pay. The situation has become usury. There is a necessity to lower the interest rates. The President of the Huron and Erie Trust Company stated that what trust and insurance companies really want with regard to a mortgage is a profit of between 1½ and 2 per cent. This fact makes us realize how necessary it is to lower the interest rate on mortgages. The minister should give serious thought to consulting the banks in an effort to have them lower the interest rates being paid on bank deposits. The banks argue

[Mr. Gilbert.]

they have to pay high interest rates when they make loans and if they are to make a profit of between 1½ and 2 per cent they must charge rates of 8, 9 and 10 per cent.

I do not believe there is a shortage of mortgage money in Canada. The shortage only arises when the lending institutions divert their moneys into other ventures. We do not have to depend on foreign investment to finance housing in Canada. Most of the money used for housing is Canadian money from bank deposits and insurance premiums. I do not want to hear any government member say that interest rates with regard to housing are dictated by foreign investment. This is not so.

• (5:00 p.m.)

I wish to present to the minister an approach with regard to interest rates. I think it would be fair to say that most people in my constituency, as well as in the constituencies of other hon. members, earn between \$4,000 and \$6,500. The most a married man with two children in this wage group could afford to pay for accommodation is \$100 a month. Of this \$100, there should be \$75 which goes toward the payment of principal and interest and the balance for repairs, insurance, etc. The highest mortgage this person could obtain would be \$8,600 with 7 per cent interest for 20 years without exceeding this figure of \$75. If the term of that mortgage is increased to 40 years at 4 per cent, a loan of \$8,600 could be increased to \$16,000. What I am recommending to the minister is that he immediately institute 4 per cent loans for persons with incomes between \$4,000 and \$6,500, and beyond \$6,500 interest rates should be graduated to 6 per cent and 7 per cent at the top. That is where interest rates should stop. It would give an opportunity to people in the lower income groups to buy homes.

In the past I have recommended a subsidy of 50 per cent of interest rates over 6 per cent, which would cost the government in the neighbourhood of \$30 million or \$40 million a year until interest rates come down. I would ask the minister to have the officials of C.M.H.C. determine the cost of 4 per cent mortgages for those in the lower income groups earning between \$4,000 and \$6,500, and that this information be given to the standing committee which will study this bill in detail.

There is a third way to lower interest rates, and that is the floating of bonds by federal, provincial and municipal governments for