

National Housing Act

one out of every four housing units built in Canada but the new conditions are bound to reduce the volume of these investments.

So, one must look at the whole policy. I hope the minister will yet be able to persuade the Minister of Finance to take a second look at a policy which in effect will drain \$45 million from the home construction industry in Canada.

In respect of the removal of the interest ceiling and the other suggestion that the interest rates be re-evaluated every five years, the task force points out at page 28 of its report:

A rise of one percentage point in interest rates adds more than \$9 to the monthly payment on a \$15,000 25-year mortgage, raising its total amortization cost by more than \$2,800. A two percentage point increase in the same mortgage raises the monthly payment by some \$19 and the total cost over 25 years by about \$5,700. These are hardly insignificant amounts. Nor do they tell the whole story. Developers and builders operate on credit, too. When their cost of money, short or long-term, is high, they have no alternative but to reflect this increasing cost in higher prices for their product.

Later on on that page we find one of the shortest sentences in the task force report:

Mortgage interest rates must come down.

Then on the following page we have the recommendation of the task force:

To ensure a more continuous and even flow of mortgage funds and in the hope that the NHA rate might well decline, the Task Force therefore recommends that:

The interest rate for insured loans under the National Housing Act be freed to find its own level in the financial marketplace.

This is one point which surely will be contentious with relation to the legislation presented to us by the minister. In committee we will have an opportunity to explore the ramifications of that particular matter. I should like to point out, however, that these mortgages under the National Housing Act are insured. A special insurance fund exists. Those who have read the task force report will know that the loss under this fund so far has been running about 50 per cent of the insurance moneys paid into it. So, I suggest there is a very small element of risk in insured N.H.A. mortgages. If there is a small element of risk, I suggest this makes it all the more reasonable for people to accept a lower rate of interest or return on their money which they invest in the mortgage part of home building in Canada. This point will be pursued when the bill is before the committee.

[Mr. McCleave.]

The minister also pointed out that there are provisions in the bill for the five year roll-over type of mortgage. That means that the interest rate may be re-assessed and renegotiated at the end of each five year period. This may provide some flexibility, but I ask whether back in 1964 anyone would have gambled that the interest rates would stay between 6 per cent and 7 per cent rather than reach levels of, say, 9½ per cent; who would want to gamble concerning what the interest rates will be five years from now? Certainly we would all like to see them come down. But there is no guarantee that the 9½ per cent interest rate will come down at all. The inflationary peak is still on our economy and there is simply no guarantee whatsoever in that regard. So, for the several reasons I have mentioned a determined fight will be made to hold the present provisions in the National Housing Act rather than allow interest rates to go to hell, west and crooked.

• (4:00 p.m.)

Now, let me refer to the problems of the low income group where the real crisis exists today in respect of housing in Canada. The task force report at page 52 states:

—there is no question that first and most urgent priority must be given to the needs of the lower-income groups, whatever their racial origin or geographical situation.

Only one per cent of Canadian dwellings are publicly owned low rental units and the Canadian Welfare Council has estimated that 50 per cent of Canadians need some public help with housing. The fourth annual report of the Economic Council of Canada suggests that at least one million Canadians live in substandard housing. The fifth report of the Economic Council estimates that 29 per cent of the entire population, including 4.2 million urban residents, are living in what they define as a low income situation.

The research office of the official opposition has gone into this matter of Canadian incomes quite thoroughly. In Newfoundland 52 per cent earn less than \$4,000 per year; another 17 per cent are in the \$4,000 to \$5,000 category; another 11 per cent are in the \$5,000 to \$6,000 category; another 6 per cent are in the \$6,000—\$7,000 category and 4.5 per cent are in the \$7,000—\$8,000 category. This makes up almost the entire population of Newfoundland. There simply is not enough income available to over 90 per cent of Newfoundlanders to fulfil their dream of owning houses.