

*Trust Companies Act*

maximum of 7 per cent, the so-called basket provision, seems useful. Of course companies will be empowered to make loans guaranteed under the Canada Student Loans Act, the Farm Improvement Loans Act, the Fisheries Improvement Loans Act and the Small Businesses Loans Act. This seems a good idea.

I now wish to comment on the amendments that would permit investment outside of Canada if the companies are doing business outside of Canada, provided the assets retained in Canada would also cover liabilities in Canada. I think this is a reasonable amendment. It indicates that Canada is not in a financial vacuum. There is much foreign money in Canada and the flow of money is a two-way street. This provision will be adequately protected by the Orders in Council that govern this amendment.

I now wish to deal with the possibility of more money being made available for housing. Although the government is hopeful, there is no real indication that this will necessarily be so. The trust company officials indicated to the committee that they were running on a pretty thin line and that competition was quite intense. We do not know if this change will increase the amount of funds flowing into the mortgage market, especially in the residential field. The bill does permit the companies to expand their investment in this area, but does not guarantee that they will do so. Whether companies will be induced to put more funds into mortgages will depend on the rate of return they can expect to receive, relative to the return on other investments.

The government's hope that this bill will provide important sources of funds for housing is all very well but it will not ensure, as the government thinks, an expansion of their lending activities. If the companies do put funds into medium term securities that are considerably more liquid and offer a competitive rate, there will be no incentive to tie up more long-term money. The bill gives the insurance companies, the conventional lenders, and trust companies, further latitude but it does not guarantee they will take advantage of the new provisions. Also, the record of the life insurance companies in the mortgage field has not been particularly exciting.

In addition to making money available for housing through the Trust Companies Act and companion bills, we also have to consider whether housing is a social problem and whether it should be treated somewhat more directly in a social light. I suggest the govern-

ment should take a good look at the experience in Germany in the mortgage lending field for housing. It is true in every country that the demand for housing varies a great deal depending on the growth of the population, the growth of cities, the moving around of people and the expense of building. However, the present system of mortgaging houses in Canada is not adequate. Possibly we can learn from the experience of Germany which provided a minimum loan at a minimum rate for prospective home owners.

With this in mind I wish to say that, while I support the bill, I have some reservations about its real effect on providing more mortgage money for housing. If this is the only means whereby the government is studying the problem and providing money for houses for Canadians, it is a sad commentary on their effectiveness.

**Mr. Arnold Peters (Timiskaming):** Mr. Speaker, I was very interested in hearing the government member a few minutes ago mention the fact that apparently there was no inclination on this side to give the trust companies the same powers as the banking institutions. This may be partly true, but not entirely.

I remember with a great deal of regret that in Canada we used to have a law limiting the banks to a 6 per cent interest rate. We had that through thick and thin, in the periods when the banks were not doing too well and subsequently when they were doing very well. The fact that we had in the Bank Act a fixed interest rate had a great effect on what was done by trust and loan companies as well. I am not opposed to having the same strong controls on the trust companies as we have on the banks. I believe we must have them, but I do not think there is any need for proliferation of all these institutions. Competition, Mr. Speaker, is non-existent.

I think it is safe to say the only difference between the trust companies is whether this week one is giving away stainless steelware, while another is giving an electric blanket, a coin set or whatever may appeal to the manager. I hope the merchandise they are giving away is being purchased at wholesale prices because the trust companies may now be getting into a totally new field, that of merchandising. Most of us when we walk into a bank to deposit our cheque, small or large, know that all this really means is that this money is being put into the bank. A couple of days later we issue cheques for the amount of money deposited. All the banks have done is