gage and Housing Act regarding the appointment of the chairman of the board. This amendment is connected with recent initiatives which are intended to improve the co-ordination and integration of activities undertaken by CMHC and the Ministry of State for Urban Affairs. This amendment would assist this objective by making it possible for a senior officer of the ministry to act as chairman of the board of CMHC, providing the necessary link at the official level between the two agencies within the minister's portfolio.

I would just like to emphasize, before I sit down, that there is some urgency connected with the housing measures provided for in this bill. Many of the clauses provide for increased benefits that cannot be conferred until the bill becomes law. In the meantime, the effect may very well be for people to suspend activity under our existing programs, waiting for the new ones to come into force. I realize that some of these measures are rather complex and that they have important social, economic and financial implications requiring careful and deliberate consideration. Within these constraints, Mr. Speaker, I hope hon. members will deal with this bill as expeditiously as possible.

Mr. Dan McKenzie (Winnipeg South Centre): Mr. Speaker, in rising to speak on this very important bill, let me point out that some of the measures contained in Bill C-77 are those which we on this side of the House have advocated for some time. Since the minister's announcement on November 3 we have had time to study his proposals in detail, and we find many failures in the bill. Speaking on the matter of private lending institutions directing an additional $750 million into the financing of new, lower and moderately-priced housing, as both the minister responsible and opposition critics have pointed out, this requirement is not accompanied by legislative sanction; it is simply a suggestion. A committee will be established to monitor the performance of private lending institutions.

This program is designed to increase the supply of mortgage funding made available for residential construction. It will likely fall short of matching housing supply with demand, on four broad fronts. It is interesting to note that in the report of the housing task force, completed in 1969 and presented to the prime minister of the day, it was recommended that the federal government seek to encourage and co-ordinate the efforts of private lending institutions to meet the vast majority of Canadian residential mortgages. It is unfortunate that more action was not taken in 1969, because if it had we would not have the same difficulties that we face today.

In the October "Mortgage Newsletter", issued by the Mortgage Insurance Company of Canada, it was noted that 26 of the 34 cities reporting indicated they were experiencing a shortage of supply of funds for builders. This indicates that there is a drastic supply problem in the availability of mortgage funding for builders interested in home ownership construction. Considering that the realignment of $750 million will only provide mortgage lending for between 20,000 and 25,000 new homes, the policy can be criticized for its basic inadequacy. This is further compounded by the fact that the government's program is encouraging high ratio mortgage lending, thereby further limiting the number of homes this sum can finance.

This program will do very little to encourage lending in multiple-dwelling construction. The same "Mortgage Newsletter" reveals that there is a slow demand among builders for apartment loans in 20 out of 34 Canadian cities. This factor simply reveals the lack of investment confidence in this sector, a lack of confidence undoubtedly caused by a poor annual rate of return during recent years, strengthened by investment concerns over impending rent control.

Because the AHOP program, which has become the crux of the government's housing policy, sets ceilings on both the percentage of income allocated to payments—25 per cent—and on the total cost of the dwelling purchased—approximately $35,000—there is little likelihood that persons qualifying for this program will be able to purchase anything but condominium apartments. Since this $750 million is set aside for middle and low income earners, and since these groups will only qualify for the purchase of multiple dwellings, the criticism becomes additionally germane to the over-all inadequacy of this program.

The encouragement of this redirection of funds may be entirely misdirected. Financial institutions arrive at their asset mix by looking, firstly, at total assets and, secondly, at the demand from builders for different types of loans. Since demands for loans are weak in the apartment condominium sector, there is no guarantee that if new funds are set aside they will be picked up.

On the suggestion that private lending institutions restrict their low down payment, high ratio, lending to newer and moderately-priced homes, let me state that this program will ease entry into the home ownership market by allowing individuals to purchase homes with down payments of as little as 5 per cent. However, while this program may encourage initial home ownership, it has three major shortcomings. First, by setting extremely low down payments, the government may be encouraging premature entry into the housing market at the expense of encouraging personal income savings. This gesture would be highly inflationary. Second, because down payments are so low, it is only natural to assume that the remaining principal on the mortgage will be extremely high. Once this large principal becomes subject to interest rates of 12 per cent and more, the monthly payments become exorbitant.

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Even if loans are granted to individuals in order that they may meet the 25 per cent of income requirement, the over-all debt is still incurred. The proposal simply delays the repayment period and in no way guarantees that after five years the repayment will not cause an equal burden on the consumer. In short, this proposal could be making availability of credit too easy, and as such could lull the home owner into a sense of false security whereby he feels he can afford a home when he really cannot. Third, by directing AHOP and high ratio financing exclusively to new homes, the government is implicitly assuming that housing is simply an economic regulator, thereby neglecting the social component of housing policies.