investigation whenever he has reason to believe there has been an offence against it. If the hon. lady has any information to suggest that there has been any violation under that statute as it presently exists, she should send that information to the director and he will take the appropriate action. If I receive any information to the same effect, I will immediately make the same reference to the director under the statute.

HOUSING—SUGGESTED CHANGE IN FORMULA TO DETERMINE MORTGAGE RATE

Mr. John Gilbert (Broadview): On June 23 I asked the Minister of Labour, who is in charge of housing, a specific question with regard to the change in the formula governing interest rates under the National Housing Act. The question I asked reads as follows:

> In view of the probable increase in N.H.A. mortgage rates from 7 to 7½ per cent, and in view of the serious decline in housing starts so far this year, does the government intend to change the formula for determining N.H.A. rates to encourage an increase in housing starts to meet the housing crisis today?

• (10:10 p.m.)

My question was prompted by an article which appeared in the *Globe and Mail* of June 16 by Kenneth B. Smith under the headline, "N.H.A. rate rise, easier money predicted soon." In that article the writer predicts the possible change in the rate from 7 to 7¼ per cent. One of the comments in that article is by David B. Kirkup, research director of the Toronto Real Estate Board, who said:

> It would be illogical for the government to raise the N.H.A. rate at a time when the demand for maximum N.H.A. loans has diminished, at least in the Toronto market.

Another item in that article is as follows:

> A June report on mortgage market conditions by the Toronto real estate company A. E. LePage Ltd. said N.H.A. mortgages for houses through approved lenders were in limited supply and for apartments and town houses almost non-existent.
>
> On the conventional side, apartment and town house mortgages commanded a rate of 7¾ to 8 per cent, but the supply was extremely limited. The same rate applied for houses both presold and speculative.

That was the reason I asked the question. In his reply the minister suggested, in the first place, that the premise on which the question was based was completely wrong. He indicated that there had been an appreciable increase in the number of housing starts this year. When one recalls that the number of completions in 1965 was 166,000 and that in 1966 the number had dropped to 134,000, almost 20 per cent, then one realizes that the

figures which have been released thus far indicate a further drop. This puts us on notice with regard to housing prices in Canada.

Then in the Toronto *Star* of July 1, I read that the N.H.A. rate has been increased from 7 per cent to 7¼ per cent. The headline of the article reads, "House costs up $840 as N.H.A. rate rises". Then the article continues:

> It costs a Canadian homebuyer $840 more today than it did yesterday for a house financed under a government-insured mortgage of $18,000 over 25 years.
>
> The hike—$33.60 a year—came within a whisker of being twice that much.
>
> Costs are up because Central Mortgage and Housing Corp. last night boosted the National Housing Act interest rate from 7 to 7¼ per cent.

I would imagine the reason this was done was that the minister thought there would be an increase in housing.

Here are some of the comments which are pertinent to this increase:

> A C.M.H.C. official in Ottawa said the increase would "hopefully" make N.H.A. mortgages attractive enough to stimulate lending—and building.
>
> However, John McCulloch, C.M.H.C.'s Toronto manager, said money was so hard to find for any kind of investment the hike would probably not be effective.
>
> He said mortgage money from conventional or private sources—usually trust and insurance companies—was already running between 7¾ and 8¼ per cent.
>
> Reg Ryan, vice-president of Mortgage Insurance Company of Canada, said other investment areas—such as bonds—were too attractive for an increase in N.H.A. lending to occur soon. He said there is very little of this government-insured money being turned into mortgages in Metro.
>
> M.I.C.C.'s Ryan said the demand for mortgage money is away ahead of supply and this means Canada is entering another painful, tight money period.
>
> Harry Sadler, chief of Toronto Metro Home Builders Association, said this would likely mean higher house prices in the months ahead and a slowdown in building.
>
> Builders are already predicting Canada will fall short of the 170,000 housing units expected by C.M.H.C. in the 12-month period which began June 1.
>
> Donald Kirkup, research director of the Toronto Real Estate Board, blamed mortgage companies for contributing to tight money by holding back funds in anticipation of the N.H.A. increase.
>
> There is one consolation though. It should mean some more money for mortgages but we fear there won't be as many takers because of the increase.
>
> He said it was "sad news" for young families just starting out.
>
> Kirkup said the average price of a new house in Metro is close to $30,000, up about $5,500 in one year and resales around $24,000, up over $2,000.

These are the comments with regard to the increase in the formula. Then, today I find in