

*Interest Act*

that is what was implied. They were told that they did not have a five-year mortgage because it was renewed last year, which started the clock on the five years over again. That is crazy; if persons renewed their mortgages every three years, they could never get to five years. Someone inevitably tested the matter in the Supreme Court of British Columbia. That court ruled that a renewal of a mortgage is just that, that it does not start the five-year clock all over again.

**An Hon. Member:** Is that right?

**Mr. Kempling:** Yes, that is what the court ruled. What did the trust companies and some of the large mortgage operators do?

**Mr. Gamble:** They pulled out their hair.

**Mr. Kempling:** No, they found a way around it. They included a clause in their mortgage renewal contracts which indicated that the signing of that document started the clock all over again. It was like redating the mortgage back to year one. When we asked the Minister of Consumer and Corporate Affairs about that, her reply was: "A contract is a contract is a contract".

If institutions and corporate bodies can take a statute of the Parliament of Canada and statutes of the provincial legislatures and circumvent them in that manner, and nothing happens to them, what will happen to legislation in general? For example, what would happen if someone wanted to sell me a set of automobile tires but did not comply with the Motor Vehicle Safety Act? For the sake of discussion, suppose that I was told that I could purchase these tires but that I would have to sign a document which waived my rights to any protection under that Act? If it happens under one piece of legislation, it could happen under others. What has incensed me and angered me about the whole matter is the manner in which some of these people have cavalierly walked over mortgagors in this country. I am sure we still have 600,000 people with high interest rate mortgages who went along on the basis that the three Ministers would provide some relief from their difficulties, and they will receive nothing at all.

In essence, the Bill before us says that they can prepay their mortgages but, according to the proposed change to the statute, they will now have to pay the interest differential total for the full term of the mortgages. The five-year period is now something of the past. The reason given for the five-year period being waived is that it will encourage long-term mortgages. Have Hon. Members ever heard anything more ridiculous than that? The Government will not encourage long-term mortgages by taking away the rights of individuals.

I should like to refer to another portion of an average mortgage renewal document. It was drafted on the corporate side by a guy who really knew how to use weasel words. In the mortgage renewal document he says: "You waive your rights under Section 10 of the Canada Interest Act or any similar provincial statute that is now in place or may come into place in the future, or in other words forever, so that we can charge you the full interest for the full term of the mortgage".

● (1610)

What was their objective? I can tell you what it was. Anybody who thinks about it will realize what it was. Interest rates were going up. The highest mortgage rate that I saw during that tragic period was 22.5 per cent. Some trust companies, and if they did not do it they were foolish, looked over their mortgage portfolio and said: "My God, if these mortgages are paid to term, we have hit the mother lode. It's bonanza time. Our objective has to be to somehow or other get the mortgagees to hold these mortgages to term and, if we can, it's going to be a windfall in profits". You just have to look at their balance sheet for 1983 and 1984 and you will see it all there. They hit the windfall and they hit it big. They hit the mother lode. They designed a tactic. When the mortgagees came in to renew, they gave him 30 days' notice. They sent the notice by mail. With the mail delivery we have in this country, they lost ten days. Only 20 days were left. They told the mortgagee that if he wants to pay it out, they have to pay the interest differential charge. The average that came through my office was an \$8,000 or \$9,000 penalty. They were thunderstruck by this and tried to find another trust company in order to get a mortgage. Time was shorter and shorter and, eventually, they had to sign. They had no alternative; either lose the house or sign. That is the way they operated. That is the way they forced many of these people to hold their mortgages to full term. They would not comply with the law of the land. This Government did not have the courage or the guts to make them stand up and do it. They yielded and bent to them. I can see the fine hand of some of the lobbyists written into the pages of this Bill.

We in this country should be moving to see that everyone who wishes to own a home, and has the reasonable expectation of being able to pay for it, should be able to have that wish. No other segment of our economy responds quicker than the house-building industry. Just look at the spin-off effect in the appliance industry and other parts of our economy such as lumber, transportation and the various trades involved in house construction. We see the tremendous engine it is to keep our economy going.

This Bill will not do anything to help homeowners. I am not impressed, particularly when our Standing Committee on Regulations and Other Statutory Instruments pointed out that we are delegating to the Governor in Council the right to amend an Act of Parliament without reference to Parliament. That is something we have to stand against, both now and in committee. Unless it is amended, we will fight very hard in committee to see that it does not go through.

My colleague from Mississauga South pointed out the situation. It was set forth in the information release put out by the Government. I might just read it into the record. It reads:

As an example of what a maximum penalty would be, consider a situation in which a consumer takes out a five-year \$50,000 mortgage at an interest rate of 12 per cent which is to be amortized over 25 years. Suppose further that with two years remaining in the term of the mortgage and a market interest rate of 9 per cent he wishes to prepay the mortgage. The maximum penalty which he could be assessed would work out to \$2,538.