

National Housing Act

rate known until after royal assent had been given to the bill. This means that we will go through all the stages of this housing legislation and not be told what the interest rate is going to be. In other words we will not be told what it is going to cost an individual home owner. I hope the minister will correct what he has said.

Mr. Winters: I am going to restate what I said to make it a little clearer to the hon. member. What I said was that the interest rate in the legislation will be related to the interest rate obtaining on long-term government bonds. The legislation will make clear what the relationship will be between the interest rate paid by the prospective borrower and the interest rate on long-term government bonds. The variable in the equation is the interest rate on long-term government bonds. I assume that the hon. member will not be in a position, nor will I, to say what the interest rate will be on those bonds in the future; that is the variable.

Mr. Knowles: I wonder if the minister can remember what it was he said to the hon. member for Danforth he would not be able to tell us until after the bill had been given royal assent? As I understood it he said it would be that stage before we would know the interest rate or, in other words, before we would know what it is actually going to cost the purchasers of homes in terms of monthly payments.

It seems to me if that is the case it is a grave weakness in the legislation and a great handicap to the house to ask it to deal with this legislation, either at the resolution stage or the bill stage, without knowing at that time what the actual effect of this legislation is going to be.

I have one other question. Will the cost of insuring a mortgage under this proposed legislation be in addition to the interest rate that is set on the mortgage, and what will be the cost of that insurance to the home purchaser?

Mr. Winters: The cost to the home purchaser will be 2 per cent of the amount of the loan. It will be amortized over the period of the loan and be in addition to the interest rate otherwise obtaining under the legislation.

Mr. Knowles: So, whatever interest rate is set on the loan itself, if it should be $5\frac{1}{2}$ per cent as is now the case or a higher figure, the home purchaser will have added to that an additional amount to cover the insurance on the mortgage. Will the minister say whether that mortgage insurance will include

[Mr. Knowles.]

in it any protection for the home purchaser himself, or is it just a protection for the money lenders?

Mr. Winters: It is just an insurance of the mortgage loan, Mr. Chairman.

Mr. Knowles: Insurance against what kind of eventuality?

Mr. Winters: Insurance against loss on the mortgage.

Mr. Knowles: In other words it insures the money lender in case the home purchaser is not able to pay. Is there any protection in that insurance for the equity the home purchaser would have in his home?

Mr. Winters: Not in this insurance element, Mr. Chairman, no.

Mr. Blackmore: I should like to ask the minister if any modification is going to be made in mortgage loans which have already been advanced to people who have built houses, to give them as good an opportunity as those who borrow under this scheme? Is there provision for that sort of thing?

Mr. Winters: No; those people who have commitments for mortgages under the present arrangement will continue on the basis under which the commitment was made.

Mr. Blackmore: I believe that is entirely unfair to the people who have already borrowed.

Mr. Winters: I do not think the hon. member will say that once he sees the legislation. There will be no unfairness to people who have commitments under the present legislation.

Mr. Blackmore: I should like to draw the attention of members of the committee to this important fact, that we are proceeding on the basis that all the moneys which we may use for building houses have to be borrowed from somebody. Now, that is an absolutely unsound assumption. There are plenty of people who, in my judgment, almost stupidly assume that is true.

Let me draw the attention of the committee, Mr. Chairman, to the fact that under the dominion notes act of 1869 it was specified that the minister of finance could create money, and he did create money. Surely we must not neglect the importance of that fact to our day and generation. Why should we assume that all the money we use must be borrowed?

Mrs. Shipley: Do you want to steal it?

Mr. Blackmore: Why not learn a little? How can you disregard established historical