

*National Housing Act*

to buy and sell insured loans more readily than is now possible, I believe every one welcomes this change. The mortgage, as an investment, has never enjoyed, at least in Canada, the same degree of popularity as the bond, for the obvious reason that it was both more difficult and more expensive to negotiate and consequently the mortgage as an investment has always been able to command a higher rate of interest than the bond. There are, of course, other reasons for the greater popularity of the bond as against the mortgage, namely that as far as the bond is concerned the only responsibility imposed on the holder is to clip his coupons from time to time, deposit them in the bank, which is not too arduous a task, and to present the bond for payment when it matures.

The mortgage, on the other hand, requires much more careful administration. The mortgagee, or someone on his behalf, must see that the debtor pays his taxes, keeps up his fire insurance and meets payments of principal and interest, to say nothing about maintaining the security itself.

The proposition contemplated in Bill No. C-28 is that Central Mortgage and Housing Corporation will have the authority to sell the insured loans and, provided that the administration of the loan remains with the corporation, any person can become a buyer of the mortgage. This will undoubtedly permit more investors to make use of the mortgage than has been the case up to the present, and it should be made well known that the buyer will not be faced with the necessity of undertaking the administration of the mortgage. Central Mortgage and Housing Corporation or any approved lender may undertake this task.

The Liberal party has always had in mind efforts to popularize the mortgage as an investment and it was for that reason that in our resolution on housing we came out in favour of measures to make it easier for Canadians to own their own homes by further increasing the supply of mortgage money, reducing the down payment and lengthening the term of the mortgage.

The proposed amendments undoubtedly will have the effect of increasing the supply of funds for investment and thereby increasing the number of lenders in this important field. I would point out that the smaller pension funds and estates and trusts are not always able to set up the machinery for the administration of a mortgage loan. The technique contemplated by the act does away with the necessity for administrative machinery, because Central Mortgage and Housing Corporation, or an approved lender, can undertake this function. Some remuneration will be payable but this cannot be an objection.

[Mr. Garland.]

At this point I should like to make the suggestion that some effort should be made to enable the small investor to participate in housing loans. There are many potential investors in this field and I am thinking particularly of a large group that have small amounts to invest. It would seem that some methods should be found to channel this type of investment into mortgage funds. Many investors with funds available varying from a few hundred dollars to a few thousand dollars have found it understandably difficult, indeed almost impossible, to buy a portion of a larger mortgage. In earlier days, several small investors would participate in a larger mortgage and while this is done to some extent today, it is no longer an important factor in the mortgage field.

Recently some consideration has been given to the formation of a company which would buy National Housing Act guaranteed mortgages from banks, life insurance companies and now probably from Central Mortgage and Housing Corporation itself. It is proposed that they would finance the purchase of those mortgages by selling bonds to individual as well as to corporate investors. Its main purpose is to clear some existing mortgages out of the portfolios of the big lenders and enable them to pour more money into the mortgage lending stream, and it would also in my opinion have the effect of tapping a brand new source of investment into the mortgage field, to which I referred a moment ago, namely the small investor. I am told that most banks and a few of the life insurance companies favour such a plan. I am wondering what attitude the government takes on this subject and I would hope that the minister would comment on this subject when he speaks later.

The second purpose of the bill deals with the so-called insurance settlement which at present provides that when the holder of an insured mortgage conveys title of his property to Central Mortgage and Housing Corporation, the corporation is to pay to the holder the aggregate amount owing for principal, borrower's charges, interest and so forth, plus an acquisition fee, but there is to be deducted two per cent of the principal and of the interest. The amendment contained in Bill No. C-28 eliminates the "less two per cent" feature, so that in future where a conveyance is made to the corporation the holder of the insured loan will receive the full amount of principal, interest and so forth without the two per cent deductions. This is indeed a new principle in that it provides 100 per cent insurance against loss with respect to insured loans. No doubt the minister will have considerable to say on this aspect of the legislation and he will