

year, why not? Where is this money that is supposed to be helping business and industry? Where is the government pressure that is supposed to be exerted on these banks? With all due respect to the hon. member, I would say that any bill which broadens the role of a financial institution to make it closer that of the banks is very much in the interest of Canada.

I think the hon. member misses the real point of this bill, that it is no longer necessary to go through the whole parliamentary system to incorporate these trust companies. It can now be done, under this bill, under letters patent. We hope to see a great many trust companies getting closer and closer to the role of a bank, because if the banks have just thrown away their prime purpose somebody has to absorb it. It is true that trust companies originally were what their name suggests. People deposited moneys on trust and their signature was required for every investment outlay made by that trust company. In short, the companies administered trusts. Today, this has all changed. Trust companies are becoming more and more like banks. I do not share the apprehensions expressed by the hon. member who felt we ought to move carefully because trust companies are becoming more and more like banks. I think this is good and cannot see how anyone can support the amendment put forward.

• (3:40 p.m.)

The hon. gentleman spoke about mortgage money, and suggested it would be in short supply. He is right. Banks are not entering the mortgage market and neither are the insurance companies. Insurance companies and mutual companies have to invest in equities. They have diverted money from the mortgage market because even at current rates of interest they do not find it attractive. Trust companies may follow suit. On the other hand, with passage of this bill we shall broaden the scope of trust companies and they may be able to alleviate some of the shortage of money in the mortgage field.

May I bring to the minister's attention two clauses that will have an important bearing on the future of trust companies. One of those is clause 24, which says that trust companies shall not lend more than three quarters of the value of any property on a mortgage. Having been involved in the business of construction over many years and having seen how trust companies operate, I cannot see why there should be legislation to limit the amount of a

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mortgage loan. Most businesses lending money on mortgages govern their lending by considering possible losses. For instance, if the potential loss on any loan, or the risk of loss on any loan, is 10 per cent of the value of the property, the loan will be up to a maximum of 90 per cent of the full value of that property. Is the minister saying that mortgage losses are reaching proportions like 25 per cent of equity in real estate? In other words, is he saying that property values have dropped so much that it is absolutely essential, for the protection of depositors, to limit mortgage loans to 75 per cent of the real estate value? Surely, he does not mean that.

Let me elaborate further. This clause will pervert the market, if I may use that term, because mortgages will be made available at rates of interest higher than those current in the market. Why do I say that? For example, Mr. Speaker, a mortgage company may say, "I am sorry, much though we may want to give you a bigger mortgage for your project, we are limited by law to lending you up to 75 per cent of the real estate value. However, you can borrow another 15 per cent of that value from someone else on a second mortgage, and we will lend you money on that mortgage." You see, Mr. Speaker, the only difference is that the second mortgage costs the borrower 16 or 18 per cent. The trust company is entitled to lend money on a note, because after all the mortgage is guaranteed by a note. So, the trust company can say, "We are not putting any mortgage money out but merely guaranteeing a note, which we have the right to do." The trust company makes the profit on the mortgage, that is true. But it is not the depositors who benefit; it is the shareholders.

In the meantime, because of this provision in the bill restricting mortgage loans to 75 per cent of value, the borrower has had to borrow second mortgage funds at 16 or 18 per cent. We ought to hear some rational explanation as to why that limit has been included in the bill. After all, for the last 25 years lenders have lost practically nothing on mortgages. I think the CMHC experience shows that not more than 1.7 per cent of funds lent are lost. Why should mortgages, then, be limited to 75 per cent of value? I think the minister ought to review this. If this bill is not amended, perhaps there ought to be an amending bill.

May I also deal with clause 68 which gives the trust companies the right to hold land. Theoretically, of course, there is nothing wrong with that. After all, trust companies