

The Address—Mr. Nicholson

them in the course of the last 100 days—have assured me repeatedly during recent months that this has been the most significant move in bringing them back into the field on an increasing scale. This, of course, should result in a stable, not a spasmodic, flow of funds into housing. What possible chance was there to get a mortgage company, trust company or any other investment institution to lend money at a rate of $6\frac{3}{4}$ per cent, and before that $6\frac{1}{4}$ per cent, when they could get rates of $7\frac{3}{4}$ or even 8 per cent or more on money lent for the building of a warehouse or a factory or something of that nature? There was an insatiable demand for funds in the years 1964, 1965 and even more so in 1966. There was a demand for every available dollar for the construction of major power projects, pipe lines and projects in all these fields. I believe that any responsible person heading one of these lending institutions would have an obligation to see that the institution received not an excessive return but at least what the market was paying as a general rule. That return was not available from most investments in housing.

One very important thing in respect of this temporary increase to $7\frac{1}{4}$ per cent in the lending rate is the flexibility feature. I am sure it was gratifying to every member of this house to learn that the formula which was adopted at the end of November has already resulted in a decrease in the effective rate. It dropped from $7\frac{1}{4}$ to 7 per cent at the end of March automatically and may well result in a further reduction by the end of June. I am sure all members hope that it does.

Another vital factor in our progress this year, of course, is the success of the government's unprecedented spring program of direct lending to builders. Again this is a new move, a new venture. Although I, and I believe most of my colleagues, felt confident toward the end of 1966 that the year 1967 would see the return of the private lenders to fuller participation in housing, at the same time it was obvious there would be a time lag before some of these investors, especially the banks who had been out of the picture since 1956, could resume their lending position.

A heavy volume of starts in the spring, the prime building season of 1967, was imperative if new houses in adequate numbers were to reach completion during 1967. It was for this reason the government directed Central Mortgage and Housing Corporation to make up to 20,000 direct loans available to builders without any pre-sale guarantee. These loans were to be made available between April 1

and May 31. Actually, applications for such loans were accepted beginning on March 1, in order to enable builders to prepare enlarged production programs as soon as the snow was gone and the cold weather was behind us. This was to cover the period April 1 to May 31. However, by April 30 request for direct loan assistance had been received from all parts of Canada for almost the full 20,000 units. I think the figure was between 19,700 and 19,800 just before the final counting. I know that by April 28 the exact figure had exceeded 19,400.

In the same period last year, when loans were offered only to prospective home owners and builders who were constructing houses which were pre-sold, the applications totalled about 5,600. So we have 5,600 against 20,000 in the same period. Most of this has been during the period of just one month. In total, N.H.A. loan applications for approved lenders and for direct loans during the first four months of this year covered approximately 36,000 units compared with 14,655 units in the same period last year. Happily, Mr. Speaker, there also has been a very substantial increase in the number of conventional loans for housing since early March. This is in respect of apartment blocks and loans which generally are financed by the mortgage companies, insurance companies and trust companies. As I said earlier, there was a drop last year in starts of more than 30,000. However, the way loans are being made now the indications are that we will reach the level of 170,000 starts per annum in the very near future, perhaps within a matter of weeks.

The pace of mortgage lending by the private companies has quickened of late. The very important and heartening thing about this is that the great bulk of these funds are earmarked for the construction of sorely needed apartment units in major cities and municipalities, particularly in metropolitan Toronto and in Montreal. If you follow the news media—the newspapers, periodicals and air communications systems—you will realize that this is the area where the need has reached the most serious proportions. I look forward with confidence to a concentration of effort by these private lenders in alleviating as quickly as possible the serious situation which now exists in Toronto and to a lesser extent in one or two other major metropolitan areas.

● (4:20 p.m.)

I was questioned a few days ago, Mr. Speaker, about the effects of the amendment