

Mortgage Financing

this bill. For that reason, my party is utterly opposed to this bill being passed by the House.

● (1550)

[Translation]

Mr. Réal Caouette (Témiscamingue): Mr. Speaker, two of my colleagues took part yesterday in the debate on Bill C-135 during which some objection was raised against the excessive interest rates on mortgages granted for the construction of single family dwellings and the same will soon apply to the construction of public buildings.

Mr. Speaker, there is a cause to effect relationship which has prompted the government to move Bill C-135 dealing with the establishment of a new finance company which would lend on mortgage. At the present time, the Central Mortgage and Housing Corporation could be used. We could somewhat extend its powers enabling to grant loans directly without having to resort to a new bureaucracy or a new finance company which would set the rates at its own will.

All this, Mr. Speaker, is due to the credit line allowing the financing of these buildings. A couple of days ago, the Governor of the Bank of Canada, Mr. Bouey, advised us that the bank was increasing its prime rate to 7.25 per cent. Could any one name only one member of Parliament, one province, one municipality or one school board that went to the Bank of Canada to borrow money at an interest rate of 7.25 per cent? This statement made by Mr. Bouey allows all finance companies to increase their interest rates when they don't need to do it at all, because none of them borrows from the Bank of Canada. Even our chartered banks do not do it.

When a banker tells you: the interest rate is higher because the Bank of Canada raised its prime rate by .5 per cent, he is telling a lie. This is not at all why the interest rate is being increased.

Earlier this week, a member of my staff was to borrow a certain amount to buy a single family dwelling. She was informed by the company manager that she will be able to obtain the required \$12,500 at an interest rate of 10¼ per cent. She even signed a form. Two days later, she was called by the manager who told her: The loan is accepted but at a 13 per cent interest rate. How can you explain this 2¾ per cent increase within two days?

As for the Bank of Canada which makes no loan to a nobody, it only receives the reserves used by chartered banks to control the credit of the nation. The finance companies get their "supply" from the banks. Decisions are made by the banks.

The Minister of National Health and Welfare (Mr. Lalonde) is always afraid he might run short of funds to increase family allowances or to pay old age security pensions at 60. If the government of Canada were to float an issue and ask the Bank of Canada for a \$1 billion credit, which provision of the law could prevent it from doing so to finance the program of the Minister of National Health and Welfare? Absolutely nothing. The danger is that if the Bank of Canada were to buy the government issue for the nominal amount of \$1 billion, under the Bank Act the banks would be entitled to create \$16 billion, 16 times more than the government issue which is the reserve for

[Mr. Symes.]

the Canadian banking system. If the minister is not convinced I invite him to my office and I will show him the evidence. This is the problem.

Here we are, complaining, planning to create new finance companies that will get funds from the chartered banks and not the Bank of Canada. The Governor of the Bank of Canada says: We must increase the bank rate. He has applied no controls and still does not control anything. The Bank of Canada has become the handmaiden of the Canadian chartered banks. What the banking system told him, Mr. Bouey has just repeated to us, and the dimwits believe him; but we don't, and haven't for a long time.

Mr. Speaker, that is what is wrong, for the Bank of Canada issues an absolutely useless statement, except that it does allow some to increase their interest rates to 10, 11 and even 12 per cent. Then, in addition to interest, we have to pay the government sales tax on building materials. Then people are told: Build houses, funds will be easier to get. Go ahead, build, because the more you build the more money the government will make through the 11 per cent sales tax on building materials. In addition, the provincial government will get 8 per cent. We have reached the point where taxes are being taxed. In fact, the small homeowner pays 11 per cent on the material required to build his small home. And the provincial government adds another 8 per cent to that. Joe Blow is really a good guy: he puts up with all that without complaining and keeps on paying.

● (1600)

I was reading in a paper yesterday that a Canadian can have a small \$25,000 house built at 10—and not 15—per cent interest rate over 40 years. And they claim that this is reasonable. Do you realize that in the next 40 years, this citizen will have paid \$75,000 for a \$25,000 home? And they say: He will be a homeowner, and we talk of inflation, they want to fight it. After 40 years, he will have paid the price of three houses; he will have only one if he still lives, but he will not.

Most people who borrow nowadays to have a small house built do so for 40 years; if a 40 year old man borrows \$20,000 or \$22,000 for a period of 40 years, when he is through paying, Mr. Speaker, he will be 80 and retired for 15 years. His old age security pension will not be sufficient to make the payments; which means that by the age of 50 or 55 he may lose his property. This is exactly what is happening and they think that they are helping people to become homeowners! Owners of what? Owners of debts, taxes, interest rates; the house belongs to the finance company, it does not belong to them.

This is the way the system operates which the government, introducing Bill C-135, wants us to accept and which will mean more debts serving Canadians. While our "nincompoops" will be getting deeper into debt, the government will continue to say: We can't.

This afternoon, as the government is about to issue \$425 million in bonds yielding 7¼ per cent interest, one of my colleague asked the right hon. Prime Minister about the possibility of finding something else at a lower cost. The government leader replied: This is the prevailing rate, the finance people will not lend us money; we have to pay more because the institutions can obtain better deals elsewhere. So, the government is following the trend instead