

In 1961 this capital stock was increased to \$12 million permitting the corporation to borrow up to \$300 million from the Minister of Finance, but present predictions are that this borrowing authority will have been committed to its maximum by about the end of June of next year. The purpose of this bill is to increase the capital stock by another \$4 million and this will permit us to borrow another \$100 million. This is in the nature of a revolving fund. As we pay back the Minister of Finance we can borrow from him again so, in addition to this \$100 million provided for in here, we will be able to lend out any capital repayments that are made by our borrowers during the course of the year.

Senator KINLEY: What interest rate do you charge?

Mr. OWEN: We charge the farmers five per cent.

Senator KINLEY: Are there any additional charges?

Mr. OWEN: We charge a fee for making an appraisal of the borrower's farm to begin with, and he must pay the legal costs involved in getting the mortgage, and if he is a borrower under Part III, where the farm operations are supervised, we charge him \$25 a year fee for supervising his farm operations.

Senator HUGESSEN: What does the Government charge you for these advances?

Mr. OWEN: At the moment it happens to be 5.5 per cent, which leaves us a very low margin on which to operate since we lend at 5 per cent. However, the average cost of the money we have from the Minister of Finance is about 4.6 per cent because we have money borrowed in the past at lower rates. During the first half of this present fiscal year our borrowing rate was 4.5 per cent.

Senator KINLEY: For what duration do you make the loan?

Mr. OWEN: Running up to 30 years. Some of them are 20, and some 25 years duration.

Senator KINLEY: Does a farmer begin to pay back in the course of the first year or is the full loan extended for a period?

Mr. OWEN: The first year we charge them what we call a period of broken interest, interest from the time we make the loan to a specific payment date; and the next year after that he has a regular amortized payment to make.

Senator REID: Under the old act, and up to now, it has been to erect farm buildings or to clear, drain, irrigate, fence or make any other permanent improvement, and now you are adding "to the mortgaged farm." What else would you want to do outside of that? Why would he need further mortgage money?

Mr. OWEN: You are referring to clause 2?

Senator REID: Yes.

Mr. OWEN: What has happened here is that when the farmer borrows money he mortgages the farm to the corporation. We were authorized under the previous act to make improvements to the mortgaged land. In many instances the farmer may have 160 or 320 acres of deeded land, and along with this a grazing lease on grazing land from the province, a long-term lease for 20 to 30 years, and sometimes it is required that improvements be made to the land that is not included in our mortgage.

Senator HUGESSEN: Why could not he mortgage his leasehold interest?

Mr. OWEN: In some provinces he can, but in other provinces he cannot.

Senator HUGESSEN: When he can, would you insist on it?