

debts and urban debts on a basis of relying upon the ability of companies to come in and make write-offs, then there is not only a need from the farm mortgage situation, but I think a justification on the same basis that companies in the past have in a general way made a general farm adjustment. Now, the companies are not seeking this legislation. If the companies could have their way, they are prepared to take the losses represented by normal investment risks; where they have loaned too much they must take the loss. But where their ability to deal with their individual borrowers and to adjust their mortgage in accordance with the situation of the case, having in mind their knowledge or their ability, where that relationship is prevented because governments are of the opinion that there is a general situation which requires some general action, where the ability of the company to deal with its borrowers in an individual way is prevented, then from that general standpoint, treating this as an indication, if it is dependent upon the companies coming in, it must be consistent with their ability to deal with that general situation.

Q. Well, then, let us come to the other main objection that the companies have to the bill in the present form; that is, in regard to the interest rates on mortgages. I take it that 2 per cent spread is not sufficient for operating expenses and profit return?—A. Dealing with the section imposing the maximum rate of interest as 2 per cent above the Dominion of Canada rate, our experience would indicate that there has been in the past a higher average rate, taking farm and city and spread throughout the country. You could not operate in many places on less than that spread. We are not making any representation so far as it is concerned; because so long as it is confined to the companies or to the borrowings companies make, then, of course, that is a matter that can be dealt with at that time.

Q. I am coming to that. But I did want your opinion, Mr. Leonard—if you are in a position to give it to us—as to what spread you believe the companies require between what the money costs then and what they let it out for, for management and operating expenses and profit?—A. Our answer to that is this, that it varies per mortgage, per district, throughout the whole of Canada.

Q. But the law of averages is working all the time. Let us have the mean average?—A. There are some figures that have been made available on the question of spread. The one that runs in my mind at the moment is a comparison that was made in connection with the brief that this association filed before the Rowell commission, where there was set out the Dominion of Canada bond interest rates running over a period since 1919 and the average mortgage interest rates of one company selected as being as near as one could get to a typical situation; and the spread as between the Dominion of Canada bonds and the average rate would vary under 2 per cent and over 2 per cent; but on the whole and in the course of a number of years, over 2 per cent. That is a spread as between an average rate of interest, not a maximum rate of interest, and the Dominion of Canada bonds.

Q. But you would not be obtaining your money for loaning purposes at Dominion government rates in those years. You would have to be paying a greater per cent than the Dominion of Canada rates to obtain your funds for loaning?—A. It runs in my mind—and I speak subject to correction, although I do not think I am very far off—that the average cost of this particular company's borrowings over the same period was .17 higher.

HON. MR. DUNNING: Perhaps I could help Mr. Leonard by referring to his own evidence before the special committee on housing in 1935, where he gives the operating cost, as distinct from the interest cost, at 1.4 and the spread at 1.74. You will find that, Mr. Leonard, in your evidence before the housing committee on page 339 and 340 of the minutes of the proceedings of that special committee on Thursday, April 4, 1935. There was considerable questioning about

[Mr. P. D'Arcy Leonard.]