

By Mr. Dinsdale:

Q. Dr. Hope, I was interested in your emphasis on the special credit needs of young farmers starting out and I imagine, under the Farm Improvement Loans Act, that the young farmer, in making use of the provisions of the act, would be wanting to improve his capital position. Now, from the experience I have had in this respect I find that the officials are very reluctant to allow the young farmer to take advantage of the provisions of the act, mainly because he does not have sufficient assets to cover the loan. In respect to the reason why a young farmer is wanting to use this type of credit, an example might be a young fellow who has a lot of land, much of which is not suitable for cultivation and he wants to get in to cattle. Because he does not have sufficient physical assets, or appraised value of the land is not adequate, he is not able to use the special credit provisions.—A. In other words, he has not got the initial cash to put down as a percentage of the loan, 25 per cent in the case of cattle?

Q. Yes.—A. That is correct, and there is no answer to that. We realize that you could not make a loan which is 100 per cent of the asset, and therefore you have to have a certain percentage of equity before you can get a loan, and that would be a case where a young fellow started on a thin string. It may be in the interest of the fellow himself that he should not perhaps extend himself too much. I believe it is  $\frac{1}{4}$  down for livestock and a 75 per cent chattel mortgage on the livestock. In the case of a loan for building improvements he can get it by paying only 10 per cent of the cost of the improvement.

I do not know the answer to that. We figure this way: in all our calculations based upon present values we tried to make a calculation that if a young fellow has \$4,000 in cash or equity he could start a farm. We have not been able to think of any scheme whereby he can start reasonably well on less than \$4,000 of an equity, either acquired from his father, in livestock, machinery, or cash, or a combination. If he has a \$4,000 equity, then by making these terms of repayment a little longer, both in long-term credit and intermediate credit, and lowering the interest rate a little, then he can get established. But he has got to have an equity of close to \$4,000. Now, you might say what chance has a young man of getting \$4,000? Well, we feel that after all the young fellow has to prove himself, or else his father should recognize this, and if the lad has been working on the farm for several years and has not been paid, then the father in fairness should kick across and give him an equity. We do not think on the average that a fellow could not accumulate the money at the age of 25 years. At 21 perhaps he could not, but we do not think it is too important that a young fellow should start on his own at 21 years of age. Perhaps he is too young.

Q. I have found in connection with this problem, where a young farmer is a member of a credit union, he perhaps can obtain credit without any substantial equity other than that that he has in his credit union. I notice in your recommendations, that you suggest the inclusion of credit unions on the guaranteed loans. Do you think that might inhibit the effectiveness of credit unions in loaning on the basis of character? Would this rigid equity requirement under the act as it exists prevent the credit unions loaning on the basis of character which they do because of their close contact with the borrower?—A. I do not know. No credit union, it seems to me, would lend up to \$5,000 on just character alone. I once belonged to a credit union, one of the first which started in Saskatchewan; I helped to organize it. We got loans on character, but they were loans of \$100 or \$200, maybe up to \$300. When you get into big money like \$5,000—it is pretty big money even these days—I would think that a credit union would want to have some kind of security to protect its other members. You will be hearing, no doubt, from the credit unions next Thursday, and we would support them. On the other hand,