

not less than 5% per annum, without interest, the first repayment to fall due two years from the date of subscription. A larger amount could, of course, if desired, be subscribed and paid.

4. This amount of money being made available to the Rural Credit companies, it would be loaned out to borrowers who become members of the Rural Credit associations, the mortgages taken as security being guaranteed by such associations.

5. The mortgages taken as security for the first loans made could then be pledged with the Rural Credit Board and bonds issued thereagainst and sold to the public. The proceeds of this bond sale could then be loaned and the mortgages used in the same way for further bond issues.

The Rural Credit company would, in this way, have the benefit of the judgment of the directors of the Rural Credit association as to the merits of any individual application for a loan and, seeing that the association would be required to guarantee the loan, naturally the merits of the borrower would be carefully scrutinized. Further, the investors in the Rural Credit bonds would have the security of this favourable selection and would have also the security of the covenant of the Rural Credit company. It may therefore safely be presumed that if the administration of the system were such as to command the confidence of the investing public, the Rural Credit bonds should be sold at a yield not exceeding $5\frac{1}{2}\%$ or 6%.

The capital of the Rural Credit companies would be subscribed and paid by the Dominion Government only on the petition of at least one hundred individual farmers resident in any province, such petition being endorsed by the Provincial Treasurer of the province, such endorsement including a guarantee of the repayment on the terms of the subscription should default be made in such repayment by the Rural Credit company. Further, the Minister might retain from the provincial subsidy any amount necessary to enforce the province's guarantee.

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