

*Farm Credit Act*

If the answer to that question is yes, then my major question is this. What happens when interest rates turn down? Let us say the cost of money, plus the cost of running the corporation, totals  $4\frac{1}{2}$  per cent—and this has happened—then will the additional amounts be at  $4\frac{1}{2}$  per cent, and the original amounts of \$20,000 and \$27,500 still be at 5 per cent? In other words will the interest rates follow steadily the fluctuating cost of money to the Farm Credit Corporation from the Department of Finance?

My third question, which is supplementary to the second one, is this. If a man has signed up today for a loan, part of which is going to be at  $6\frac{3}{8}$  per cent, and next year the rate is down to 6 per cent, and down to 5 per cent two years from now, will he be given any opportunity to get a change in his contract or will he be stuck for the whole life of the contract at  $6\frac{3}{8}$  per cent, even if the cost rate goes down?

**Mr. Hays:** With regard to the first part of the question, there is no intention on the part of the government now, or in the future that I know of, to change the 5 per cent rate. This has been in existence for some time—that is on the smaller loans. The other is just the same as any other mortgage. If we buy money at  $5\frac{3}{8}$  per cent and contract it out for an additional amount over \$27,500, this rate would apply through the terms of the loan. There is no provision today for an escalation clause so far as the 5 per cent interest rate is concerned.

If interest rates were to go to 4 per cent—and they have been down to  $4\frac{1}{2}$  per cent—the 5 per cent rate would not change, and I suppose this is the same as if you buy a house. This is the basis under which you operate. The recipient of the loan would know throughout the life of the loan that this is the amount he has contracted for; and if it were on today's basis, including both principal payments and interests, the rate would be 7.08 per cent. If it was at the 5 per cent, the smaller part on today's basis would be 6.61 per cent.

**Mr. Hamilton:** This bringing in of principal payments is rather confusing, and the minister admitted that a little while ago. He says that for now the government is not going to change the 5 per cent rate, but I would like a little stronger assurance from the government than that, stating that the ordinary farmer will have guaranteed to him, for perpetuity actually, a stabilized interest rate. We have accepted the figure of 5 per

[Mr. Hamilton.]

cent, which I think has covered the history of borrowing for the last 30 or 40 years.

As a matter of fact, the government has lots of precedents in this regard. If you want to borrow money from the people, as is done under government annuities, you just go to the government office and they will tell you that for the period of your life annuity the maximum amount you can get is 4 per cent. They know this is the maximum they can guarantee, and the Canada pension plan talk is all based on 4 per cent. I point out to you that when you are asking people to lend their money to the government all you will give them on long term contract is 4 per cent. However, we, when we were the government, accepted this principle in reverse, and said that when lending money to farmers we would accept this long term average of 4 per cent, to which we added 1 per cent for costs. The minister has departed from this principle for loans above the previous limits. All I am asking for now is a little stronger assurance from the minister, representing the government, that the government has no intention now or in the foreseeable future—and when I say the foreseeable future, I mean as far ahead as 15, 20, 25 or 30 years—of changing this situation. A long term contract has been made with farmers of Canada that the interest rate will be stabilized, based on 4 per cent plus the cost of running the corporation, and if we could get this strong assurance from the minister—I know that some members of the government will fight with him, and the finance people will fight for the principle for which they have always fought—I think we would be happy to go along with an interest rate which is a little higher on the higher rate of borrowing.

**Mr. Hays:** Mr. Chairman, first of all I want to thank the hon. member for the confidence he has in the government, that it will be here for another 20 years. In this regard I can assure him that we will take this question into close consideration. We have indicated in a very tangible way that we think this 5 per cent rate should be held this year, and this amendment will take us into the future as far as 1966. Certainly it is my feeling that this should be done. I share the opinion and the views of the hon. member for Qu'Appelle; I also believe that high interest rates are often the cause of many problems in so far as agriculture is concerned, and personally and as the Minister of Agriculture I would oppose it very vigorously if this rate were sought to be changed.