

Security For Bank Loans—(continued)

this expectation fails, a bank is undoubtedly entitled to ask for security and would be foolish not to do so.

Mortgage and chattel mortgage security given by farmers to banks has saved many men from being put out of business unnecessarily by other less patient creditors. If a farmer in financial difficulty is of a type likely to work on to his feet again, the best thing he can do is to give his banker security and put himself under the guidance of the latter. A country bank manager will go a long way to help out a farmer whom he knows to be honest and a hard worker. A farmer who cannot even win the confidence of his banker would have slim chances of being helped thru by a miscellaneous lot of creditors most of whom have only a moderate claim to collect.

Rates of Interest

The banks have come in for much unfair criticism for the rates of interest charged, which at the small country points range from 8 to 10 per cent.

The smallness of the business obtainable at the average western country point renders high interest rates absolutely necessary. The out-of-pocket expenses of operating the smallest country branch may be set down at \$6,000 per annum, and the total profits of a great many bank branches now in existence are not sufficient to offset expenses—in other words, they are being conducted at a direct loss. Many people find it difficult to credit this, but the explanation is that the banks have opened many branches knowing that they could not be made to pay for some years, in order to be in a position to profit by future development.

I have been asked to explain why the very best farmer borrower does not get as low a rate as the very best commercial borrower. It will be advantageous to set my answer out under five heads:

1—The very best commercial customer brings to the bank a balance sheet and profit and loss statement audited by chartered accountants, and therefore correct to the last cent. In the case of the very best farmer, however, as I have already pointed out, the manager has to spend considerable time preparing the statement from information obtained by a somewhat lengthy process of questioning, and statements so prepared are frequently found to be incomplete and inaccurate even where the customer's honesty and straightforwardness are beyond question.

2—The best commercial customers are usually borrowers of large amounts. The actual time and labor involved in disposing of a commercial credit of \$100,000 is no greater than in the case of a credit of \$1,000 to a farmer. In other words, as the average farmer's loan is less than \$1,000, the time and labor which must be expended in lending \$100,000 to farmers at a small western country point would be more than 100-times that connected with one commercial loan of \$100,000.

3—The borrowing of farmers is usually done at small points where the total volume of banking business would not be sufficient to support a bank unless the rates all round were higher than those prevailing at large centres.