

*Central Mortgage Bank*

Cahan) has already so ably pointed out. A large number of members of the committee on banking and commerce and other hon. members share this view. On the one hand there is the class who might be described, in my opening words, as deserving and distressed debtors. There is no question about the desirability of assisting these. On the other hand, among the beneficiaries under this bill, there will be a very large number of debtors who are quite competent to carry out the contracts entered into by them under various mortgages; and not only, perhaps, are the majority of those in the urban class capable of carrying out their contracts, but those contracts are not unreasonable at rates varying from five and a half to six and a half per cent, or, if we take the average given by a witness we had before us, from 5.9 to 6.2 per cent. There is no need, therefore, to make provision out of the funds of the taxpayers of Canada to benefit that large class. There again, in my opinion and in the opinion of many other members of the committee, there is a definite weakness in the bill.

The hon. member for Fort William (Mr. McIvor) in his characteristic manner, before the noon recess, congratulated the minister. My hon. friend has a habit, during the passage of various measures, of rising in his place in the house and congratulating the minister. I also congratulate the minister upon having such a devoted and abject supporter as he has in the hon. member for Fort William.

Mr. McIVOR: If the hon. gentleman would allow me to make a suggestion, I would say "intelligent."

Mr. STEVENS: No. I am sorry, but my appreciation of veracity will not permit me to make that admission. The hon. member based his congratulations upon this circumstance—and I would invite him to apply to the consideration of the measure that degree of intelligence which he now claims—that it would reduce the rates of interest on mortgages for the farmers in his district from six, seven, eight or nine per cent to five per cent. My opinion is—and I think it is shared by a great many others—that the tendency will be to gather into those companies who become members of the bank the choicer farm mortgages in the more settled districts and to leave those in the more remote districts to the mercy of the private lender. But another consequence follows inevitably from this bill. The private lender will be driven out of the field where the choicer securities lie, because of the occupation of that field with this lower rate of interest, and he in turn will be looking for higher rewards for his lendings to those

[Mr. Stevens.]

in the less favoured areas, in the more remote districts. That is a real and very serious problem.

It occurred to me that there might be a parallel in this. Earlier in the session we passed a bill dealing with small loans, and it is known that for years, in the cities where there was security of employment, certain companies lent at a lower rate of interest than did the loan sharks. The loan shark entered the field where these companies would not grant extension of credit. We may well, therefore, be laying the foundation to-day for the erection of a new class of loan sharks who will avail themselves of the paucity of funds for mortgage purposes in the more remote districts in order to take advantage of the distress of people and to charge much higher rates of interest.

If we wish to deal with the interest problem there is with regard to interest a sphere which is peculiarly within the jurisdiction of the federal authority, and it is quite within the power of this government to bring in a measure, if they so desire, to limit the rate of interest that may be charged throughout Canada. The minister this morning, in answer to a question, suggested the possibility, if such a thing were done, of the result being to dry up entirely any lending in certain districts. That is true, but it does not follow that this measure should disregard the factors that I have been pointing out. There is no doubt that certain risks are taken in the more remote sections, and therefore higher rates of interest are called for than in the cities or in the farm districts adjacent to more settled centres.

With reference to the adjustment feature, I am not including in my present remarks that agricultural area of Canada where obviously there is a disaster of national magnitude, nor do I believe that any other member of the committee had that area in mind. I say, however, that apart from such a condition it is much better to achieve an adjustment by mutual arrangement such as has been going on for some time with a little stimulus, assistance, cooperation and leadership on the part of the government; it is much better to bring about adjustments on a personal basis than to initiate a wholesale overriding scheme which disregards capacity to pay and to discharge obligations. In other words, I do not believe there is any general formula that can be wholly satisfactory in the circumstances with which we are confronted.

The question also arises: Is it possible to grant a loan on choice residential property in an established city on the same basis as on a loan in a remote, unsettled district?