

service of the loan in the distant districts is always more expensive than the service of the loans locally under direct supervision.

Hon. Mr. DUNNING: Do the questions asked by Mr. Thorson really have a bearing on what we are doing? We keep talking about a fixed rate of interest as a matter of fact, the bill does not contemplate a fixed rate of interest, and with the suggestion I made this morning that the government is prepared to consider favourably making that controlled spread apply with respect to the moneys borrowed under the terms of the bill from the bank, does that not very largely dispose of your fears, Mr. Leonard, with respect to what might be called the more pioneer areas? What difference would it make to anyone of your companies? If they became a member company to-day they would make their adjustments on all their existing mortgages in connection with the terms of the Act. They would be perfectly free to loan in undeveloped areas except that they come to the bank for their funds and, in that case, they would have to lend the funds secured from the bank at the spread set by the legislation.

Hon. Mr. CAHAN: If they come to the bank for some of the funds, can they differentiate between those funds and other funds of the company?

Hon. Mr. DUNNING: Most certainly. They would have to.

Hon. Mr. CAHAN: Under this bill they are not allowed.

Hon. Mr. DUNNING: That is the clarification I intended to apply.

Hon. Mr. CAHAN: Then the spread between the cost of money or credit obtained from the government through this government agency and the price of loan, or the interest payable on the loan, in the remote district would have to be so great as to cover the risk of loss in the remote and undeveloped district which is a greater risk than when the loan is made in the settled districts of the country.

Hon. Mr. DUNNING: Well the legislation, of course, does not contemplate districts, it contemplates the fact that the business of lending institutions is in fact the operating of a whole range of relative risks. Naturally they attempt to get their loans in the safest and most secure districts, but then all of them are trying to do it, Mr. Cahan.

Hon. Mr. CAHAN: Quite so.

Hon. Mr. DUNNING: The competition in lending in these areas in times of easy money is great, and they have tended for many years to go after the new areas. I remember, let me see, it is over 30 years ago now since I got a mortgage in the approved fashion of western Canada. When I use the term, approved fashion, of course I mean the approved fashion of those days. I am bound to say that my character didn't enter very much into it.

Hon. Mr. CAHAN: I think just looking at you would be some security.

Hon. Mr. DUNNING: Thank you. The approved fashion of that time was that a man would take a homestead and he would do most anything to get through his three years during which he demonstrated that he could live on the homestead without starving to death, and he would get as much credit as he could from the local merchant, or from the implement men, and by the time the three years was up he got his patent from the Dominion government and he had a lot of floating debt; and believe me the mortgage company agent would be around five minutes after that man got his patent trying to do business with him. That was the normal way in which it was done in those days.

Hon. Mr. CAHAN: Quite so.

Hon. Mr. DUNNING: I don't remember that they bothered very much about my character, except I suppose they assured themselves that I intended to stay on that farm; but I had to pay for that mortgage, it wasn't cheap.

Mr. DONNELLY: And many men got their patents but were not able to get any large mortgage at any low rate of interest.

[Mr. P. D'Arcy Leonard.]