

OUTLOOK FOR LOANING INSTITUTIONS

When Will London, Paris, New York Be Able to Resume Absorption of Loan Companies' Offerings?

Discussing the outlook for loaning institutions at the annual meeting of the Dominion Mortgage and Investment Association, Mr. M. Chevalier, managing director of the Credit Foncier Franco-Canadien, recalled that during the last four years the supply of new funds has been very much reduced, that the money markets of Great Britain and France have been practically closed, that the United States market, which was looked upon for a time as the only accessible one for Canadian securities, has, since the United States' entrance into the war, considerably reduced the facilities, and that even the Canadian investor, who was a frequent depositor with loan companies, has had his savings attracted by powerful and higher bidders.

"Under these conditions," he said, "the loan companies' attitude could only be an expectant one. They have been living on their past business and will have to do so until the war is over. While commerce and industries have in various branches greatly benefited by the war and wonderfully developed, the loaning business is, and will be, stagnant, until the conditions I have just referred to have been modified.

What are Prospects?

"What then are the prospects? Here we are treading on unknown ground, and the experience of would-be prophets during the last four years has not been very encouraging.

"There are probabilities, however, and these may be suggested by the study of similar circumstances in the past. Here in Canada we can hardly find in the past history of the economies of the country a period resembling the present one. We have passed through serious real estate crises, which were the result of local conditions and greatly affected the loaning business, but never before has the loaning business been governed by conditions of such a varied and unexpected nature.

"It is a well-known fact that the importance of the mortgage loan business is in proportion to the influx of immigrants. Just before the war was declared, Canada received in one year over 400,000 immigrants and the result was that the year 1913 was the heaviest on record for the loan companies. The North-West people in those days were always asking for more capital, and very often they received more than they could digest.

"Less than a year after, all that optimism was destroyed and the depression intense. Immigration practically stopped, and to cap the climax, in 1914, the crops were so poor, that the governments thought advisable to come to the assistance of the Western farmers. Things looked then very dark, and the natural consequence should have been disaster for many. But here we had to realize that the influence of the war, notwithstanding its terrible consequences, had unexpected and beneficial results. One very good and one fair crop sold at war prices put the farmer on his feet again.

Under Normal Conditions.

"Under normal conditions his prosperity should attract a large number of newcomers. Many are already coming from the neighboring states, but will the European immigrant resume his influx when the struggle is over?

"Perhaps Great Britain will send us a number of her discharged soldiers, but the arrival of the others is still a doubtful problem. Until it is solved the demand for funds is bound to be moderate. No great development is possible without an increase in population, and the best that the loan companies can hope is that until a new active immigration movement sets in, conditions in towns may improve as well as they have done in the rural districts. Then conditions will be normal and loan companies will find sufficient employment for their available funds.

Period of Moderate Demand.

"No one can predict now how long that period of moderate demand may last. But the chances are that it will not be of very long duration. We must not forget that Canada, with its immense natural resources, its vast territories still unoccupied, offers an irresistible attraction to settlers and fortune seekers, and that the flow of immigration which is now at its lowest ebb, may unexpectedly attain torrential proportions.

"When this happens, will the supply of funds be adequate to the demand which would result from this movement? Until the war Canada was amply supplied, even to an excess and indiscriminately, not only through regular channels, but by private individuals who living thousands of miles away could not judge of the value of the securities they held. The losses these private individuals have had to sustain are not forgotten yet. Fortunately, the loan companies, guided by their experience, have kept out of the danger zone and enjoy a good credit.

Demand and Supply.

"As soon as the demand exceeds their present supply an appeal will have to be made. What will be the result? We have seen that the markets are all practically closed. How long is this going to last? When will London, Paris, New York, be in a position to resume absorbing the Canadian loan companies offerings? The question is not an easy one to answer.

"That these markets will, after a time, occupy their former place on money centres, there can be no doubt, but the recuperation may be slow. We hear a good deal about the enormous accumulation of debt in all the allied countries, but this may sound and look worse than it is in reality. The misfortune of some makes the fortune of others, money changes hands but does not vanish and new investors will replace old ones. Competition, however, is bound to be intense. Devastated countries will call for a large expenditure and government issues will be a prominent factor.

Rights of Loan Companies.

"In order to succeed in securing funds in these markets, as well as in Canada, borrowing companies will have to offer to the investor a security that will stand the most critical examination. Until lately Canada has enjoyed abroad the best of reputations. It is important that this good reputation be sustained and that nothing be allowed to create outside the impression that the capital invested in Canada is not sufficiently protected.

"Unfortunately, during the last four years, there has been a pronounced tendency amongst the legislators of this country to disregard the just rights of the loan companies, and to interfere with their agreements. This has been carried so far that it was found expedient to organize your association for the protection of the companies. Thanks to your efforts, some good has already resulted. Time and experience will take care of certain provincial schemes and I hope that with your assistance and the numerous protests which find their expression in our financial papers, the public will realize how dangerous it is to frighten capital away."

CANADIAN NORTHERN RAILWAY SITUATION

The government has issued a statement on the Canadian Northern Railway situation, which asserts that no part of the system has as yet been taken over, and denies that the government has been paying bond coupons or notes for the Canadian Northern or its subsidiaries. The government has, however, paid \$25,000,000 to the Canadian Northern Railway, which has been utilized as follows: Reducing construction loans, \$3,500,000; equipment, \$6,051,502; interest and sinking fund on mortgage securities, \$15,398,498. This is in addition to \$353,894 cash subsidies paid last December and a payment of \$1,867,858 made under Guarantee Acts.

The comparatively small amount of the \$25,000,000 which has been spent for rolling stock and equipment indicates that an additional sum will be asked from parliament later this year.

Mr. John Appleton, secretary of the Dominion Mortgage and Investments Association, left Toronto last night for Vancouver to attend the annual meeting of the British Columbia branch. Before returning to Toronto Mr. Appleton will attend the annual meetings of the Alberta, Saskatchewan and Manitoba branches of the association, to be held in Calgary, Regina and Winnipeg, respectively.

C. W. Kirkpatrick, prominent newspaperman, of Hamilton, was recommended by the board of control to succeed H. M. Marsh, commissioner of industries, who resigned on April 1st. In making the recommendation, the controllers gave careful consideration to the qualifications of all applicants. It was held that Mr. Kirkpatrick's many years' publicity experience would particularly fit him for his new duties.