In connection with the western provinces there must be provision in the new mortgages, if the central mortgage bank so desires, for a crop share basis of payment; and in the case of urban homes the method of payment must be the same as that under the National Housing Act, that is to say monthly payments of principal and interest amortized over the period of the mortgage.

That is what the member company will have to obligate itself to do with respect to its present mortgages before it becomes a member company. What then are the advantages, from the point of view of a member company coming into the scheme? Well, in the first place, to the extent of fifty per cent of the aggregate write-offs necessitated by the conditions I have just outlined, twenty year debentures of the mortgage bank will be handed to the member company. In other words the dominion, through the mortgage bank, undertakes to bear, over the next twenty years, half the loss brought about by this general readjustment of mortgages across the dominion.

Mr. MANION: Including arrears of interest?

Mr. DUNNING: Including arrears of interest and the necessary reduction of principal to bring it to the eighty per cent valuation, but of course with no provision for the dominion to bear anything with reference to the new rate of interest which will apply from now on; with respect to the determined amount of the loss created by complying with the adjustment terms; with respect to interest write-offs in all cases, in excess of two years, and any adjustments of principal which may be necessary under the eighty per cent provision. In effect, one half of that amount is borne by the dominion through the medium of the mortgage bank, and spread over the next twenty years. Provision is made for these particular debentures to be redeemed by moneys voted by this parliament annually to meet the amortization terms of the debentures. That is one advantage a lending institution will get, namely that it will at any rate receive an asset for one-half of its total write-offs.

Miss MACPHAIL: The creditor receives it. He loses one-half and gets one-half.

Mr. DUNNING: Yes.

Mr. LANDERYOU: You are going to give him something he would not otherwise get.

Mr. DUNNING: The next advantage to the lending institution, and, may I say, to the whole mortgage fabric of Canada, is the creating under national auspices of permanent mortgage rediscount facilities under the most economic terms which it is possible for us to devise.

Now, with regard to those terms for discount, the mortgage bank will be permitted to buy from the member company its bonds, debentures, or other evidences of indebtedness, and the mortgage bank will be empowered to set the rate at which member companies may lend money on mortgages, and to advertise that rate from time to time in the Canada *Gazette*. That rate must never be more than two per cent above the rate for comparable long term dominion securities, and the mortgage bank undertakes by this legislation to buy the debentures of its member companies at a rate which will leave them an operating margin of not less than 1½ per cent or more than two per cent.

I know there are many who will say it is impossible to operate lending on such a close basis. I may say in that regard I have given a great deal of personal study to the question in the last three years. I have had a little experience with it, apart from governmental experience. We have had the experience also in connection with our farm loan board and other institutions of the kind, and I will admit that very efficient and economical management of lending is required to enable a 1½ per cent or two per cent margin between the cost of money and the effective rate of yield in return to the lender. But I believe we have evidence enough to indicate it can be done, and therefore in this legislation those are the limits set out.

There is therefore no fixed rate of interest for future loans. The rate of interest with respect to adjusted loans is as I have stated, five per cent. Under present conditions, the rate with respect to new loans is likely to continue to be five per cent, but we have not attempted to legislate in that manner. We have, instead, related the effective rate on farm mortgages to whatever may be the current rate of dominion bonds of equivalent term—that is, in order to make the legislation permanent and also flexible in character.

There are a number of other conditions which I think might better be discussed at a later stage of the bill. When hon. members have the bill before them, they may find it unnecessary to ask many questions which I know are in their minds at this moment. I have endeavoured to sketch the main, broad principles. We believe it to be a very important and most constructive forward step in reorganizing the financing of long-term obligations in Canada. It cannot, of course, be made compulsory. I need not go into the