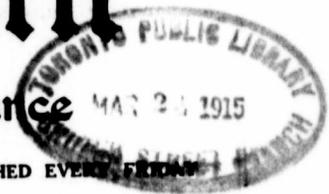


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VIOLATING FIRST MORTGAGES.

The volume of unwise legislation calculated to disturb the serenity and confidence of investors abroad who have placed large amounts of funds in Canada, appears to be growing. Following upon Manitoba's new moratorium legislation which, it is to be feared, will have serious effects upon the investment position in that province, there is now brought forward the new seed-grain legislation of the Dominion Government, which places a lien before the first mortgages on Western farm lands, on which mortgages many millions of dollars, secured abroad in many cases for that specific purpose, have been lent in recent years. There is general agreement as to the desirability and, in fact, the necessity, under present circumstances, of aid being given those farmers who for climatic or other legitimate reasons last year failed to secure a crop and in consequence are not in a position this year to purchase the seed-grain which they require. It is pretty certain, however, that the \$10,000,000 which is proposed by the Dominion Government to be devoted to this purpose will not all go into the hands of those who need it. For political reasons, many farmers who are in a good position enough to purchase their own seed-grain, will get a very fair share of what is given out. At the moment, however, this point is not of primary importance. The important point is that the Government by placing a prior lien upon the lands of farmers, to whom these seed-grain advances are made, in order to secure those advances, may possibly cause considerable unsettlement among investors abroad, cause them to cease sending funds to Canada for this purpose and indirectly give a hard blow to Canada's credit. If the Dominion Government is in a position to freely impose whatever prior liens it likes in front of securities on which money has been lent on the distinct understanding, in many cases the specific assurance, that they were first mortgages, where is there security left for the foreign investor in Canada?

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The new legislation may have very widespread effects. The various loan companies have secured

funds running into scores of millions of dollars from Great Britain, France, and other countries on the understanding and in some cases the direct agreement that these funds would be invested in first mortgages. When the debenture holders of these companies find out that they have not in fact, but only in name, a first mortgage upon properties, and that a prior lien has been placed before them, it is within the bounds of possibility that they may consider the loan companies have not kept faith. In view of the important and indeed essential part which those companies have played in the development of Canada, it is impossible to regard a contingency of that kind as merely a domestic affair between the companies and their debenture holders. The companies are the channels through which immense amounts of funds have been invested in Canada. That they should continue to maintain the entire confidence of their debenture-holders is not merely desirable, but a necessity in the interests of the whole of the Dominion. Again, trust companies have invested large amounts of trust funds in first mortgages on real estate, accordingly as the law of the various provinces permits them. It is not a far-fetched suggestion that if the seed-grain legislation passes the Canadian Parliament in the form that is contemplated, the companies may be placed in the position of violators of their trust—and that through no fault of their own but through the action of the Dominion Government. The serious consequences possibly following upon such a position can be readily appreciated. Again, some of the life insurance companies, somewhat unwisely as we think, have placed almost the whole of their invested assets in these Western farm mortgages. Morally, if not legally, they are in the position of trustees of their policyholders' funds. They cannot afford to contemplate with equanimity an arrangement by the Dominion Government which has the effect of impairing their security.

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It must be remembered that these prior liens are likely to be permanent. The farmer being human, pays those accounts for which he is most dunned,

(Continued on p. 325).