

INTEREST RATES ON BANK LOANS

Farmers Regard all Loans as Similar—Differences Which Make Variety of Rates Essential

BY A. B. BARKER

AT a recent convention of the United Farmers, a resolution was passed, recommending long credits on easy terms for farmers, the money to be found by the government. The fact that the government is paying $5\frac{1}{2}$ per cent. on its loans, plus the cost of the organization necessary to ensure the success of the flotation, was not touched on. The essential point was that the money for the farmer must be cheap.

So far as the eastern provinces are concerned, the farmers, as a class, are in better shape, financially, than any other part of the community. They have had the benefit of high prices for their products during the war, and the results are shown in their bank balances to-day. Even before the war it was well known that in the east farmers' deposits, as a whole, were in excess of loans to farmers. There are few instances where a reputable farmer has been unable to obtain bank accommodation for legitimate purposes. Loans to purchase more land have frequently been turned down, but where the money was required in connection with his crop or cattle—his actual business needs—it has been readily advanced. In general, it may be said that credit is more easily obtained in the country than in the cities, and in the latter the terms as a rule are more rigidly insisted on.

Idea of Uniform Rate

Part of the farmers' attitude is due to a misconception of a bank loan. To many, a loan is a loan whether represented by a note or a mortgage, and they want to treat both alike, refusing to see that the one is a long-term investment of funds which are obtained for that particular purpose, while the other comes from funds which are repayable on demand. A bank deals in credit as a merchant deals in goods—it buys credit from its depositors and sells it when it makes a loan or discounts a note. Like a merchant, it must keep its assets in readily available shape, in order to make a success of the business, and be able to supply the demands of its customers. When a merchant allows too much of his assets to get into slow-paying accounts it reduces his working capital and his ability to supply his customers is curtailed to that extent. With a bank exactly the same result occurs when too many of its loans get into the perpetual renewal class; it is unable to supply the requirements of its customers. For this reason, it is essential that bank loans be confined to that class of business, which will give it a constant turnover of its funds. No one questions the fundamental soundness of the farmers' loans—they are generally admitted to be safe—but when the funds from which these loans come, consist of deposits repayable on demand, something more than safety is required.

Part of the price which a bank pays for the credit in which it deals, is that the deposits, which make up this fund, shall be repaid on demand. To be able to carry out the object for which its charter was granted, to assist trade, it must keep these funds working; neither can it use the whole of them, as a certain proportion must be held in cash to provide for any possible demand from its depositors.

Bank Assets Must be Liquid

The function of the bank, therefore, is to supplement the working capital of its clients, and not to provide funds for long-winded and indefinite operations.

Considering the present favorable financial position of the farmers, as a whole, it seems strange that the convention did not suggest some similar plan by which, through co-operation, the farmers themselves would provide the funds for these proposed long-term credits to farmers.

The question of farm credits in the west is being dealt with through the medium of rural credits associations,

organized under provincial acts in Manitoba and Saskatchewan. These provide for borrowing for certain specific purposes, and under terms which insure the loans being utilized for these purposes, and that they are paid off when that purpose is accomplished. The money is obtained from the banks by the associations, who in turn lend to their members. The purposes for which loans may be obtained in this way are strictly limited to what may be termed the business of the farm, to supplement the farmers' working capital, and not to be used for land purchases.

APPLICATION FOR BANK CHARTER

Application has been made in Ottawa for the incorporation of a new western bank, to be known as the Bank of Saskatchewan. Toronto and Vancouver capitalists are said to be behind the new financial institution, among the incorporators being W. Herbert Phillips, of the Imperial Federation Corporation, Toronto, and Messrs. Faulkner and Potts, Pacific coast financiers. It is proposed to establish head offices at Regina and a number of branches throughout the province. Application is being made in the form of a bill which will make its first appearance in the Senate. The authorized capital of the institution is ten million dollars, of which a million and a half will be paid up.

RAILROAD EARNINGS

The following are the approximate gross earnings of Canada's transcontinental railways for the week ending May 7th:—

| Canadian Pacific Railway. | | | |
|-----------------------------|-------------|-------------|--------------|
| | 1920. | 1919. | Inc. or dec. |
| May 7 | \$3,520,000 | \$2,856,000 | +\$ 664,000 |
| Grand Trunk Railway. | | | |
| May 7 | \$1,256,007 | \$1,130,352 | +\$ 125,655 |
| Canadian National Railways. | | | |
| May 7 | \$1,896,301 | \$1,664,673 | +\$ 231,628 |

CAPITAL TRUST CORPORATION

During the year 1919, the paid-up capital of the Capital Trust Corporation, Ottawa, was increased by \$87,176 and now amounts to \$488,241. The subscribed capital was also increased by \$61,400, and is now \$792,000. Capital assets increased from \$450,777 in 1918 to \$545,073, the principal advances being in mortgages on real estate, debentures on bonds and cash on hand and in banks. The profit and loss account shows net profit of \$26,375, as compared with \$19,354 in 1918. The annual meeting was held on February 10.

The directorate of the company is now comprised of the following: President, Hon. M. J. O'Brien, Renfrew; vice-presidents, J. J. Lyons, Ottawa; A. E. Provost, Ottawa; R. P. Gough, Toronto; E. W. Tobin, M.P., Bromptonville. Directors: A. W. Robertson, Montreal; Hugh Doheny, Montreal; P. V. Byrnes, Hamilton; J. J. McFadden, Renfrew; W. H. McAuliffe, Ottawa; J. F. Brown, Toronto; Gordon Grant, C.E., Ottawa; Colonel D. R. Street, Ottawa; Arthur Ferland, Haileybury; J. B. Duford, Ottawa; T. P. Phalen, Toronto; B. G. Connolly, Ottawa.

Indians from northern British Columbia were entertained at the head office of the Union Bank in Winnipeg on May 6. A request had come in from the branch manager at Hazelton on the Skeena River, to permit the visitors, some of whom are customers at Hazelton, to view the offices. They were taken into the vaults and saw the silver and gold carried by the bank.