

As to the second suggestion, it is true that loaning capital has been disturbed by certain Dominion and provincial legislation which has had the effect of undermining the security afforded by the mortgage. It is impossible to trace the actual loss which has occurred to lenders through any one of these Acts, but they have had the effect of inducing a feeling of insecurity which has led either to an abandonment of the field or to the exaction of a rate of interest which the companies believe to be necessary to recompense them for the risk involved. The legislation has also given the loaning companies a talking point which readily appeals to the public when called upon to justify the high rates of interest prevailing.

As to the suggestion that the high rates have been due to the rapacity of loaning institutions, this is very largely answered by the foregoing statement of the results of the Western loans and by the fact that the administration expense is larger than in Eastern loans. Loan companies and insurance companies with wide experience in the Western loaning field have assumed, and I believe, properly, that at least one per cent must be allowed as an annual charge to cover investment expenses in Western loans. The most common rate of interest on Western loans has been eight per cent, although loans at nine and even ten percent can be found. Deducting one per cent administration expense and, say, one per cent on the average for losses incurred, and we have a net six per cent yield to the lender. The average rate of interest earned by Canadian life insurance companies in 1924 was 6.6%, and deducting an average investment expense of one quarter of one per cent, we have a net rate substantially in excess of the net rate on Western mortgages.

The foregoing answers the four suggestions made above as to the reason for high rates.

It is believed that to no one of the foregoing reasons is the high loaning rate due. The cause is probably to be found in the fact that the country is new, the farmers in many cases inexperienced, the value of the land not clearly established as it is in the older farming countries in Europe, and to the fact that the lender has had as security for any loan the property and covenant of one man whose character and efficiency were either not ascertainable or not sufficiently scrutinized. It is well recognized

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