

Farm Improvement Loans Act

to obtain credit in this way for smaller parcels of land than to go through the process of making application to the Farm Credit Corporation, with the legal fees involved in mortgages, and so on, which is the way in which the F.C.C. must operate.

Mr. Gleave: What is the approximate cost of processing a loan through the Farm Credit Corporation?

Mr. Olson: I am not exactly sure of the total cost. I think they used to charge an application fee of something like \$50. I believe this has been reduced to \$10. But I suppose the legal fees for each mortgage are not identical. I understand there is a cost involved here of anything from \$50 to over \$100, because inspections have to be made by the field staff and one has to pay for these. We do not have any assurance at this stage as to how the banks will respond to lending money for the purchase of land; they have not been in that business for some time. From time to time we are prepared to make available for assessment purposes, in an advisory capacity only, the competent people that we have in the Farm Credit Corporation, if some kind of arrangement can be worked out with the banks and provided they want to make use of this facility.

● (4:40 p.m.)

Mr. Gleave: Might I suggest that the fee, whatever it may be, whether it is \$10 or \$50 for inspection is not very significant when you are borrowing \$15,000. Might I also suggest there are legal fees involved in the transfer of land whether you are buying it on a 15 year or 30 year mortgage; you are going to pay legal fees anyway. I had hoped that the minister could surely come forward with a better argument than that. I do say that this is a departure in lending policy and unless it can be justified it should not be followed.

Mr. Olson: In reply to that, Mr. Chairman, we are of the opinion that there is a place for a government guarantee. Until this amendment was written there was no place where the government guarantee was available to farmers for buying small parcels of land except through the Farm Credit Corporation. Unless there is a major change in the manner in which these loans are processed, then I do not see how these changes can be made. It is easy and simple for these smaller purchasers to go to their local banks. There are not nearly so many government offices close at hand. I am not saying that this is a problem which is

[Mr. Olson.]

insurmountable; but for convenience sake and the cost of processing, there is a place for government guarantees for loans on purchases of small parcels of land.

Mr. Stewart (Marquette): Mr. Chairman, I would like to ask the minister a question on his earlier statement, when he was referring to those interest free deals that are supplied by machinery companies. The minister stated that if the farmer goes to the bank to make a loan on an interest free deal, the bank cannot make a loan at this time because it is then a used piece of equipment. Does this mean we are going to have a rate for new machinery and a rate for used machinery? Previously only a down payment was required.

Mr. Olson: No, I was not saying that you could not make a loan under the Farm Improvement Loans Act for used equipment. I can understand the hon. member's apprehension because when I finished saying what I said I wondered at that time if I left some misunderstanding. What I intended to say was that under the provisions of the previous act there was no possibility of refinancing; whether it was a piece of new or used equipment was not that important. I do not know all of the answers. This could be handled by regulation I suppose. Most farm equipment dealers have an arrangement whereby they finance within the company a piece of equipment with no down payment at the time, and sometimes the first payment is as much as six months or more later after the delivery of the piece of equipment. This does in fact constitute re-financing, whether the machinery is new or old. We have to take this into account. I do not think the statement of the Minister of Finance included that kind of re-financing. What the minister was talking about was that a government guarantee would be made available to loans that were made by the banks from July 1 until the date that this act becomes operative, to attract the lower rate.

Mr. Stewart (Marquette): I would like to ask a further question, Mr. Chairman. A lot of this farm machinery is used seasonally. An example of this is a combine. This may be purchased right after the harvest season and not put into use for another 10 to 12 months. The farmer may wish to take advantage of a price reduction by ordering equipment in the fall. If he does not use the machine for 10 months, he can get an interest free program from the implement company. It is not uncommon in this day and age for a farmer to obtain a loan of \$8,000. If you use the rate