FINANCIAL

The Note and the Guaranteed Mortgage

By INVESTICUS

SOONER or later people find out whether you have any money tucked away or not. Sooner or later they will come to you and want to borrow it or "invest" it for you. How the information ever leaks out is very hard to tell. If you live comfortably they seem to take that as a hint that you must have something laid aside for rainy weather. If you live frugally they say it is because you are "saving." Anyway, you will be sure to have a neighbour come to you to borrow a hundred or a thousand dollars on a note or a mortgage, or a security salesman will start pouring honied arguments in your ears.

The troubles that our grandfathers used to have have taught most of us to avoid the note business. There is nothing dishonest in lending your neighbour money on the security of his note of hand, and you may, in fact, by accepting this security be doing him a very great favour. But when you come to think it over there is a point where even a good rate of interest and a sound security cannot be accepted. A note transaction may offer both, but it also offers infinite possibilities of injuring his good name in the community and interfering with your social relationships. It is one of the strange facts of this life that the man who borrows on a note and fails to pay up will get the sympathy of ninety-nine out of a hundred people, while the man who loaned the money —and lost it—will be called a sharper if he sues or takes strenuous means of collecting his money. Many a man who is to-day a note-shaver is really far from deserving the opprobrium that goes with the name.

The next step after the note, is the mortgage. In many respects the mortgage is perhaps the best security that the amateur financier can deal in. Most men or women have a secret hankering to lay their money out for themselves. They like to feel that they are using their own judgment in placing their money out "to work." That is why the country is dotted thickly with people who have mortgages on the neighbours' farms or houses or cattle or household chattels. At the same time it should be borne in mind that there are very marked disadvantages to be considered in the handling of mortgages. First of all, take the value of the farm or the house on which you propose to lend your money. You have to remember that although that property to-day is marketable at say ten thousand dollars, there may come a slump that will readjust values throughout the whole country so that if you had to sell that property under foreclosure you would not get even the amount of your principal. Expert valuators should be employed in determining the amount which you ought to lend on a given security. Now then, if you merely want your money put to work and are glad to have it disposed of for the time being you may be satisfied. But suppose you are going to depend more or less on the interest on this mortgage to help you pay your own living expenses. Or suppose—if you are a man—that death removes you suddenly and your widow is left to collect the interest on the mortgages you have bought. This is where one of the great difficulties in connection with mortgages comes. Mortgagors WILL fall in arrears with their interest, or become irregular. Without doubt absolutely honest, their excuses are sincere and touching. BUT those excuses will not pay your taxes nor your grocery bill.

A number of companies have sprung up in Canada in the last few decades who make a business of guaranteeing mortgages. They take your money and invest it for you in one of the many mortgages which they own. They ear-mark that mortgage as belonging to you. They see to the collection of the interest and principal, and in case either fails to come to hand promptly they do not wait but send you the money out of their own funds. In short they GUARANTEE such mortgages. For inexperienced investors this is unquestionably a good form of security. But even in this case investors must be prudent in selecting a good corporation. There is no use having a mortgage guaranteed by a corporation whose guarantee, if brought to the test, would be worth only about ten cents on the dollar.

BANK OF MONTREAL.

THE financial position of the country is bound to be reflected in the position of its great banks. The annual statement of the Bank of Montreal for the year ending October 31st is thus a matter of national importance. It reflects credit not only upon the management and directorate of the Bank of Montreal but on the country as a whole.

It is one of the best statements ever issued by the bank and being one of the first bank statements this year, it presages well for what is to follow. During the year total assets increased about $62,000,000 and are shown at $365,215,541, against $302,980,554 last year. Of these total assets, the bank is able to report liquid assets of $246,982,680, which is equal to 75.2% of total liabilities, compared with $170,007,568 last year, an increase of over $77,000,000. Of liquid assets actual cash represented by gold and silver coin and Dominion notes, amount to approximately $41,300,000, equal to 12.57% of liabilities to public.

An analysis of the liquid assets would seem to indicate the large amount of business of an Imperial nature in which the bank is engaged through its branches in Canada and abroad, as the balances due by banks and banking correspondents elsewhere than in Canada have increased to $31,631,237, while the call and short loans in Great Britain and the U. S. now stand at $113,002,098, compared with $70,957,527 a year ago. Among other accounts in this group are railway and other bonds, debentures and stocks, $13,947,120, compared with $13,332,074. Canadian municipals, British, Foreign and Colonial public securities, other than Canadian, $21,796,159, up from $4,475,487. Checks on other banks, $14,832,868, compared with $9,893,506. Current loans and discounts in Canada stand at $93,729,065, against $99,079,506. Loans to cities, towns, municipalities and school districts, $11,255,571, against $11,203,472. Current loans and discounts elsewhere than in Canada, $6,478,263, against $5,893,975. A loan of $5,000,000 to Dominion Government which appeared last year has been paid off. Deposit in Central Gold Reserve now stands at $7,500,000, against $1,500,000, an increase of $6,000,000. This partly indicates the heavy call on bank for circulation necessary for crop moving and payment of troops at various military camps, at which bank opened temporary branches.

Interest bearing deposits increased