

sympathetically and with the hearty support of the government there is nothing to prevent its taking the place, in all provinces, of the existing loan system. If that is done there is no question about the volume, and, with the volume, no question about the ability to carry on with the one per cent margin. I strongly recommend that the one per cent limitation be retained.

Mr. FANSHER (Last Mountain): I would refer to a point raised by the hon. member for Vancouver Centre with regard to the initial expense of setting up the offices and hiring the staff, which he said would exceed one per cent. I might draw his attention to clause 5 of the bill, which provides that the first five millions of bonds issued by the government shall be free of interest for a term of three years. So that while the board will be charging interest on this amount, according as it is loaned, and not having to pay interest on it to the government, the interest it gets from the mortgagors can be used for any initial expense that may be incurred.

The CHAIRMAN: Shall the section carry?

Mr. GARLAND (Bow River): No.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

The CHAIRMAN: When the committee rose at six o'clock we were considering section 7 of this bill.

Mr. SPENCER: I would like to refer for a moment to subsection 7, which calls for a charge of 8 per cent on default payments. It would seem to me, Mr. Chairman, that that rate is too high; I think anyone will admit that farming cannot be made to pay under a burden of that kind year after year, and I would be glad if the Minister of Finance could see his way clear to lower that rate to 7 per cent.

Mr. GARLAND (Bow River): I would like to add my hearty approval of that suggestion. We have had sufficient experience in the last five years to show that the policy of still further burdening the farmer with heavy arrears of interest makes it almost impossible for him to get out of his difficulties. As a result of that condition, as hon. members know, in our province we have had to establish a special board for the purpose of adjusting debts as between farmers and their creditors, which has caused a great deal of contentious discussion among the financial interests. I

[Mr. E. J. Garland.]

think the minister would be saving himself and the board a good deal of trouble later on if he could moderate that penalty against the unfortunate man who, because of conditions not under his control, is not in a position to make his payments in any particular year. Has the minister ever considered the possibility of giving the board discretionary powers in respect of this penalty clause? For example, should not the board be given power to say to the borrower "We understand your conditions this year; you have had a total crop failure either through drought, hail, grasshoppers or something of that kind, and you cannot pay. We know it is no fault of yours and that you are not trying to defraud us, therefore the interest this year will be at the ordinary rate, with no penalty." Should anyone attempt to defraud the board, of course, I would agree with the authorities that a penalty should be imposed, but if through conditions beyond the control of the farmer, such as what are known as acts of God and the like, he is unable to make his payments, I think the board should have some discretion in the matter.

Mr. ROBB: I quite agree with my hon. friend that it should be made as easy as possible for the borrower to wipe out his debts. This rate of 8 per cent was fixed as an incentive to induce borrowers to pay up, but as I understand it the board may, if the circumstances justify, make the rate less. My hon. friend will notice that the clause reads "not exceeding 8 per cent." I think this a pretty safe clause to insert.

Mr. GARLAND (Bow River): I think the minister will realize that 8 per cent is altogether out of the question; that is the very thing we are trying to get away from in this legislation. We want a lower rate of interest if possible and if, because of unforeseen circumstances, it is impossible for a farmer to make his payments, why put him back in the situation he is trying to escape by this legislation?

Mr. ROBB: Of course it must be remembered that the board will be sympathetic. My hon. friend knows that there are people who dally along and avoid payment if they can do so. This clause is inserted to provide an incentive for them to pay, and in their judgment the board may reduce the rate to the usual one of 5 per cent or 5½ per cent; there is nothing to prevent the board from allowing that rate to continue. But if the man is careless and pays no attention to his obligations the board has the right to charge up to 8 per cent, and this will be helpful to all the other borrowers as well.