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GOVERNMENT RURAL CREDITS.

Details have recently become available of a scheme of Government rural credits which is being worked upon by the authorities of the three prairie provinces, is designed to furnish mortgage money to farmers at 6 per cent. and, with the necessary legislation passed this winter, to come into force next spring. It is intended to make use of the amortisation principle, loans being granted for 20, 30 or 40-year terms, principal and interest to be repaid in equal annual instalments. At the same time, it will be possible for the borrower to repay any mortgage in full at any half-yearly period. In Manitoba—and it is understood that in the two other prairie provinces similar schemes are likely to be adopted—arrangements are to be controlled by a central body known as the Rural Credits' Association, under the chairmanship of a permanent Commissioner. Local administration will be in the hands of the municipal councils, with whom the neighbourhood adoption of the scheme rests. Applications for loans will be made through the municipalities to the central authority, the municipality guaranteeing the Government against loss on the loans placed in the municipality to the extent of five per cent. The stock of the Rural Credits Association is to be held jointly by the Government and the borrowers, it being a condition of each loan that a borrower take 5 per cent. of it in shares of the Association, these shares being surrendered when the loan is paid off, and re-distributed to new borrowers. To set the scheme in operation in Manitoba, the Government, it is said, will arrange to borrow from the banks at five per cent. the sum of \$1,000,000, and to subscribe for \$100,000 worth of stock in the association. The government will subsequently proceed to issue guaranteed five per cent. bonds which will be free from all local taxation, in order to supply the necessary funds. Special arrangements are being made to keep down administration expenses.

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Such is the new scheme in outline, and its working-out in practise will be watched with a good deal of interest. There are certain to be hitches from time to time—no large scheme of this kind ever got under way without them. It is evident that the 6 per cent. rate to borrowers can only be justified

if it covers both the interest on the funds and the legitimate expenses of administration. Possibly the Manitoba Government will be able to raise funds for this scheme at about 5 per cent. But there is no certainty in these times that that will be the case, and the details of the scheme already published show that it is intended to put some of the cost of administration on other departments of the Government. In other words, it is intended that the whole body of taxpayers shall contribute the cost of giving favors to a comparatively few borrowers. To what extent would-be borrowers will be in a position to qualify for the Government's offer through having their land free of encumbrances remains to be seen. It is thought that at the outset probably comparatively few will be able to take advantage of it. But if there are more applicants than funds, it is not unlikely that political friends will get the preference, and not for the reason that they are better farmers than the other fellows.

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The scheme may indirectly do some good if it opens the eyes of the Government to the grave disabilities under which the companies loaning in the western provinces now labour—disabilities which have resulted in what is commonly known as a first mortgage being in fact anything but a real first mortgage. With the Government itself in the position of a mortgagor of farm lands, there should be some improvement in this respect. However that may be, it seems that the Manitoba Government's financial plans are unlikely to meet more than a small proportion of the normal demand for mortgage loans in the province, or to put it inversely—a minority of borrowers will be exceptionally favored by a paternal Government. Significantly enough, the "Grain Growers' Guide" remarks that it is doubtful whether it would be desirable to establish a Government monopoly in farm mortgages, and it urges that all legislative restrictions should be removed from the private companies in order that they may compete with the Government on the best possible terms. Evidently, there will still be lots of scope for private lenders whether in the prairie provinces or in British Columbia, where some sort of a Government scheme with loans at 6½ per cent. is already in force.