

## APPENDIX No. 1

The aims of the Long Term or Mortgage Credit systems, so far as they relate to agriculture, are:—

1. To free the landowner from the necessity of borrowing directly from the individual creditor.
2. To regulate the payment of interest and principal so as to free the borrower from the danger and anxiety associated with demands for repayment under circumstances which made payment impossible.
3. To get rid of usurious rates of interest, putting agriculture in this regard on the same basis as other business equally secure.

From the effort to meet these conditions arose—

1. Land mortgage bonds.
2. Amortization, the repayment of the principal with the interest at a fixed rate over a series of years.
3. Co-operative land mortgage credit, the combining of the security of the many to secure a reduction in the rate of interest.

The reasons advanced in favour of the land mortgage bond are briefly as follows:—

1. It makes possible the long term mortgage, otherwise impossible, as the individual money lender would not as a rule be willing to take a mortgage for a term of fifteen or twenty or thirty years. This can be done by the creation of a corporate body, the Land Bank, whose existence does not terminate with the death of the individual.

2. It places between the lender and the borrower an intermediary whose business it is to safeguard the loan and whose security is unquestioned.

3. It makes a more flexible arrangement for the lender, as his bonds are always available for sale in case of need or as collateral security of a high order, if desired.

4. It makes possible the use of the amortization principle, that is the repayment of the principal of the debt by means of small annual instalments along with the interest, the payment of principal and interest alike coming out of the annual proceeds of the land.

5. It recognizes also the fact that the mortgage is to be redeemed by production from the land, thus establishing the security on a rational basis. The mortgage is not strictly a real estate mortgage otherwise.

6. It allows that combination of security which makes low rates of interest possible, if correct principles are followed. In so doing it establishes a reasonable limit for a mortgage and thus protects both borrower and lender.

7. If the fixed capital is raised in this way, free from personal or other kind of guarantee, it leaves the total remaining assets of the farmer free as security for his seasonal requirements for immediate production. This can be used with the ordinary bank or through the special banks at the will of the borrower.

The aims of the Short Term Credit systems as they exist in Europe and the Intermediate Credit system as it exists in the United States are:

1. To give to the agriculturist a credit system suited to the seasonal requirements of his occupation.

2. To secure for him rates of interest for this requirement consistent with the security of his business.

With regard to the first of these aims, it is claimed everywhere by those who advocate such credit systems that the ordinary banks are not organized to meet in a normal way the claims of agriculture. It is not necessary in this report to go over the arguments advanced, as they are quite well known. Briefly it amounts to this.