SASKATCHEWAN'S LAND BANK

New Scheme Should Replace Many Existing Mortgages To Be of Any Great Value

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The Saskatoon Phœnix takes exception, in an editorial on November 4th, to some of the statements and arguments used by the writer in the article on "Saskatchewan Land Bank's Bonds" appearing in the October 25th issue of *The Monetary Times*. In the first instance exception is taken to the statement that "every farmer who joins a local association is to be responsible for the borrowings of his fellow-members." With reference to this the editor of the Phœnix quotes article 10 of the recommendations of the commission. Article 10 says: "That the liability of the individual member, whether as member of the local association or as member of the Saskatchewan Co-operative Farm Mortgage Association, in respect of any obligation incurred or losses suffered, or in any other respect whatever, be limited to an amount not more than fifty per cent. greater than the amount of his loan."

I submit in reply that the limitation of the member's liability as above described makes no great difference.

The essential point is that every farmer joining the local association and borrowing by means of it becomes liable to an extent, for the borrowings of his fellow-members. A farmer who, by hard work and careful expenditure, has raised himself to a position of comparative comfort will not lightly subject himself to liability for the borrowings of other farmers in his own or another district, even if his liability were confined to 25 per cent. or 15 per cent. of his own co-operative borrowing. Fifteen per cent. of a $3,000 loan is $450—quite a respectable amount. Perhaps most of the best farmers will prefer to pay a little more in the way of interest to the loan companies and other lenders, and thus confine their liability to the amount of cash received by them.

Experts Have Sometimes Made Mistakes.

If the farmers generally have full confidence that the loans made by the associations will all be perfectly good and that all obligants will faithfully carry out the obligation to pay, they would be more disposed to accept the responsibility for making good the losses. But it is doubtful if the commission, or any other body created by the provincial government, can make them have such confidence. Everybody knows that the loan and mortgage companies having the longest and widest experience in the Western field, and having the services of the most expert inspectors and appraisers, sometimes make bad loans. And it is probable if the operations of the co-operative associations have any important scope at all, that they will meet with serious losses.

The editor of the Phœnix reminds us that "membership in the association is dependent upon not only mutual approval, but upon approval by the central commission, a condition which, so far as it is humanly possible, eliminates those who will not carry out the obligation to pay." Careful reflection on this feature of the programme suggests the thought if the associations so conduct their business as to escape bad loans it may be through practices or regulations which will have the effect of deterring the majority of good farmers from taking advantage of the facilities they offer. "Mutual approval" of an application made to a local association seems to imply that the existing members must consent before the application is sent away to be passed upon by the central body. The local members could not well consent or approve, unless they had the details of the applicant's position. And it will doubtless be repugnant to many prospective borrowers to have to submit their affairs to all the neighbors.

Article 15 of the recommendations is "that loans be limited to 40 per cent. of the central commission's valuation of the property to be mortgaged." This is another safeguard against bad loans which in its working out may tend to confine the benefits of the scheme to a limited class. Much depends on the nature of the valuations put upon the land by the central commission. It would be possible to so overvalue the land that a loan up to 40 per cent. of the value thus set would represent a much larger per cent. of the real value.

If we assume that the central commission will keep their valuations strictly down, then it seems to follow that only those farmers who can finance themselves through borrowing up to 40 per cent. of the value of their farms can derive benefit from the plan. Now, it can be said that the farmers who are most in need of assistance have loans outstanding, as a rule, to 50 per cent. and more of the value of their farms. These men could not qualify for the cheap loans.

Must Replace Mortgages on Large Scale.

With respect to my statement that a tremendous financial operation would be required to replace at once the existing 7 per cent., 8 per cent., and 9 per cent. mortgages with new mortgages to the association at a lower rate, the Western newspaper says the association is not bound by the terms of the proposed scheme to advance all the money that may be demanded in any given time. The bond issues of the association are to be determined annually by agreement between the provincial government and the association.

While the London money market is in its present condition it is quite safe to say that an inconsiderable amount of existing mortgages will be replaced by the cheap loans. The provincial governments are finding it difficult enough just now to borrow moderate sums at high rates for pressing requirements. But at the same time it should be borne in mind that in any district or locality the new scheme cannot confer any benefit of importance on the farmers unless it replaces existing mortgages on a large scale. If it essays to do that, financial operations of magnitude must be attempted in London; if it does not attempt to replace existing mortgages on an extensive scale, perhaps there will be only five or six farmers in each district having the benefit of the cheap loans. The small loans made to them could have no possible effect on the rates generally paid by the farmers in these localities.

DIVIDEND INCREASE.

The Hamilton Provident and Loan Company Society has declared a dividend of 4 per cent. for the last half-year of 1913, payable January 2, 1914. This puts the stock on an 8 per cent., instead of 7 per cent. basis.

SHORT TERM DEBENTURE ISSUE.

In order to place itself in a better cash position, the Canadian Jewellers, Limited, will make an issue of debentures, the directors being authorized to issue three-year debentures to the extent of $150,000 in the denominations of $100, $500 and $1,000, at the price of 95. The debentures will carry interest at the rate of 7 per cent.

COMPANIES LICENSED.

The following companies have been licensed to do business in British Columbia:—

Holbrooks, Limited, of Birmingham, England, head office, Vancouver, B.C. Stilenfit Clothing, Limited, of Montreal, head office, Vancouver, B.C. Pacific Coast Steamship Company, of California, head office, Victoria, B.C.

The following companies have been licensed to do business in Ontario:—

McCutcheon Brothers, Limited, head office, Toronto, capital, $25,000. The Ross Realty Company, Limited, head office, Ottawa, capital, $40,000. W. D. Lewis Company, head office, Toronto, capital, $20,000. Raymond Construction Company, Limited, head office, Toronto, capital, $40,000.

The attention of the minister of the interior has been called to the fact that certain promoters are inaugurating an extensive stock selling campaign, especially at Calgary, Alta., based largely on a proposed power development project on the Bow River within the city precincts, or a very short distance from Calgary, says an Ottawa dispatch. As no authority has been or is likely to be given for a power development within the district in question, stock in any company has no value whatever in so far as a power project on the Bow River within the limits of the city of Calgary is concerned.