

add one per cent, and add to that, again, whatever might be thought proper for losses. I certainly agree with the minister that the word "losses" as used here means losses in loans, and not any other losses, and it might be wise to make that clear, because as the hon. member for Vancouver-Burrard has pointed out, if there is a loss sustained in operation amounting to over one per cent, where is the money going to come from? It has to be made up out of some fund, and I do not know where it can come from except out of the moneys that will be at the disposal of the board under this act.

In Ontario, under the existing law, farmers are entitled to obtain mortgage loans very much on the same basis as under this act. It is fifty per cent of the value of the farm. There is not the distinction we have in this act, of fifty per cent of the value of the land and twenty per cent of the value of the improvements. It is fifty or fifty-five per cent of the actual value of the farm, and they are paying five and a half per cent. During the last election the Premier of Ontario made the announcement, which I have every reason to believe he will fulfil, that the rate of interest on the loans to farmers under the Agricultural Development Board Act would be five per cent. It is perfectly manifest that if the rate of interest to be charged under this act is to be over five and one-half per cent, the act will be absolutely useless so far as Ontario is concerned, because the farmers there are able to get their money now at five and a half per cent, and if they are able to get it at five per cent in the future they would not resort to the benefits of this act if the interest rate is going to be higher than they are now paying.

Mr. ROBB: If my hon. friend is right in saying that they get the money at five per cent, and it costs one per cent for administration, that means they are getting their money at four per cent.

Mr. BOYS: I do not want to be misquoted. I say they are getting their money to-day at five and a half per cent, and that the Premier of Ontario during the last election campaign stated that he expected to be able to make that rate five per cent. I do not altogether agree with some of the remarks that have been made. I am of the opinion that you should be able to administer this act at a cost of one per cent, and certainly you ought to be able to raise the money on bonds guaranteed by the government at four per cent. If that is the case, there should be some estimate made for losses, and I would think the farmers would be able to get their

money under this act at five and one-half per cent, which is the prevailing rate to-day in Ontario.

Mr. ROBB: That is very encouraging. We will get the money as cheap as we can.

Mr. GARLAND (Bow River): A great deal is to be said for the argument of the hon. member for North Simcoe. I notice that in Alberta this last winter there were no less than thirteen or fourteen mortgage companies competing for business, while four years ago there were only two, and neither of them was competing for business at that time they were just keeping a staff on and doing very little lending. There seems to be a considerable expansion of credit taking place in this country at the present time, and if the scheme is wisely administered, that is all to the good; but if it is unwisely administered it may lead to another crash such as that from which we have just recovered.

I wish to correct an impression that may have been left on the House by the hon. member for Vancouver-Burrard. I have in my hand the ninth annual report of the Federal Farm Loan Board for the year 1925, from which I quote the following:

Rates of interest—the rate of interest charged borrowers by all of the banks in this system is governed by the rate at which they can sell their bonds.

Just as is proposed in this bill.

Every bank is limited in its interest charge to one per cent above the rate at which its last preceding issue of bonds was sold.

Mr. BOYS: Is there any provision for losses?

Mr. GARLAND (Bow River): Just a moment.

The rate borne by the bonds marketed during 1925 by federal land banks was four and a half per cent, which made five and a half per cent the maximum interest charge.

That indicated that all losses and contingencies had been taken care of in that one per cent. The report goes on:

Experience has fully demonstrated that when a bank obtains a volume of one hundred millions in mortgages, and is in good shape as to its delinquencies and probable foreclosures, it can, owing to large volume, operate on a spread less than one per cent. Three of the federal land banks, being in this situation, have reduced their loaning rate—two of them to five per cent and one to five and a quarter per cent.

I need not quote further. This is simply in contradiction to the hon. member's remarks. There was no deliberate misrepresentation; he was merely misinformed. There are other illustrations that might be cited, but I am satisfied that if the act is administered