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MEMORANDUM FOR HON. MR. ROBB

Department of Insurance

Ottawa, Dec. 10, 1925.

RURAL CREDITS

In Section 2 of Dr. Tory's supplementary report on Agricultural Credit, laid before Parliament at the last session, certain alternative methods of solving the problem of long term farm loans are considered, two of which are favourably regarded by Dr. Tory,

1. The American Farm Loan Plan,
2. The loaning of money by the Dominion to the provinces and by the provinces, in turn, to the farmers.

Method No. 1 is fully set out in the United States Farm Loan Act and the annual reports of the Farm Loan Board.

Method No. 2 was embodied in the Bill presented to Parliament at the last session.

The fundamental principles of method No. 1 is that of

- (a) collective responsibility on the part of associations of farmers for the mortgage obligations of the individual borrower, and
- (b) the raising of funds by the sale to the public of farm loan bonds secured by pledge of these mortgages.

The principles involved in Method No. 2 are

- (a) Individual liability for mortgage obligations in the same way as at present under commercial loans, and
- (b) the loaning of Government money direct to the farmer.

Dr. Tory recognizes the merits of method No. 1, but favours method No. 2 as a more practicable means of obtaining early action, while expressing the hope that it may ultimately lead to the adoption of method No. 1. He says, in recommending method No. 2,

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