adjustments on existing mortgages. It is not a rate that is being fixed for future mortgages.

Hon. Mr. DUNNING: That is right.

The WITNESS: There is in the bill provision as to the rate of interest on future mortgages, on a basis—

Hon. Mr. DUNNING: Of spread.

The WITNESS: Of spread as between Dominion of Canada bonds and the mortgage rate which, if the bill went through in its present form, would be applicable to both farm mortgages and to non-farm mortgages, but which would have the result that I have said, because it is an uneconomic rate; it would concentrate in mortgage lending in those localities. But if that question of spread, of maximum rate of interest determined by spread, was confined to say future borrowings, then the result of that would be that those future borrowings from the Central Mortgage Bank would only go out at a certain rate of interest represented by that maximum spread; and in so far as my opinion goes, I think that 2 per cent is too small a maximum spread.

*By Mr. Maybank:*

Q. In connection with the particular section you are now referring to, have you estimated what the rate would be?—A. At the present time, for example, I think it is about 3·1 per cent as basis.

Hon. Mr. DUNNING: At the present time it would be around 5 per cent.

The WITNESS: What would no doubt happen is that by taking the Dominion of Canada bond rate, you cannot lend money at 5·1 or 5·2; it would be 5 per cent.

*By Hon. Mr. Cahan:*

Q. Would not the fixing of a rate, whether you fixed it at 5 per cent or 6 per cent, tend to prevent rural development in all the undeveloped parts of Canada?—A. The fixing of an uneconomical rate would have that result.

*By Mr. Maybank:*

Q. Is not this what would happen: Take a certain company, the XYZ Company which comes into this scheme. One of the arrangements it enters into is that it will not lend money in the future except, we shall say for the moment, at 5 per cent. We will suppose that is the rate. Would you not say that this would result in the XYZ Company thereafter confining its operations to certain well selected districts?—A. That would be the natural result.

Q. Then would not the next step be for the same company to have a subsidiary company which would not be in the scheme at all lending in these other less well selected districts at 5 per cent plus?

Hon. Mr. CAHAN: But that is not—

The CHAIRMAN: Order; let Mr. Maybank finish.

*By Mr. Maybank:*

Q. Is that not what would happen?—A. No, it would not happen, sir, for this reason; that in so far as our institutions are concerned they cannot control subsidiary companies except on a basis that a loaning company may have the stock of a trust company. We are all subject to government supervision and control.

Q. All right. It would not occur that way, we shall say. Mr. Cahan has indicated that there would be something in the nature of a trick involved. Well, whatever it is, would not this happen, that whereas the XYZ Company would only be lending in certain districts there would be plenty of other mortgage companies which would not be in the scheme at all——A. Yes.