

in arriving at any information which would enable the committee to decide as to whether this two per cent is a right figure or whether or not the other figures, as between a national rate of interest and the rate of interest of the Dominion of Canada bonds—

Q. No, I was not approaching the problem from that standpoint. My latter questions were directed in an effort to ascertain the loan companies' viewpoint as to what spread they require between the cost of their money on the one hand and the interest return on the other, in order to show them a legitimate return over the cost of money plus operating, plus profits; and in that statement I would ask you, if you would be good enough, to segregate the items and give us one estimate with respect to the item for losses, and also an estimate for profits.—A. I would be very glad to get such information as is available along that line. There is never, so far as I know, in the making of an ordinary mortgage contract any specific provision for risk of loss or for profit. It is not like, for example, under the federal housing administration in the United States.

Q. No, but you will find this, Mr. Leonard, if you will go over the statements of the loan companies for the last ten years—you will find that all of them have put up very heavy losses and made a big reduction in their reserves, and I think we realize the necessity for that because we have been living in most extraordinary times. Just for example, I checked up the figures in connection with one company, and that company with a capitalization of \$12,000,000 borrowed capital of about \$17,000,000, and it would only take .145 per cent of interest to show a 6 per cent return on both capital and reserves.

Hon. Mr. DUNNING: That would have to be the net return.

Mr. CLEAVER: Oh, yes, quite.

*By Mr. Cleaver:*

Q. Well then, coming back to the other point if I may, with regard to the objection of the loan companies to the inclusion of urban mortgages under the Act, let me first get clear what you mean by the mortgage that is in default. I believe your suggestion this morning was that if the Act were made to apply simply to mortgages in default it would be satisfactory to the loan companies, or more satisfactory to the loan companies, than in its present form; what do you mean by mortgages in default?—A. That was not the phrase I used. I spoke of non-current mortgages.

Q. What do you mean by non-current mortgages?—A. I mean mortgages where the full amount of the principal has matured and has not been renewed, is over-due and outstanding.

Q. Over-due as to principal?—A. Over-due as to principal.

Q. Then you were not speaking of mortgages which were simply over-due as to interest?—A. No.

Q. Well then, as to the mortgages which are over-due as to principal; do you not find with existing provincial moratoria that perhaps some people are taking unfair advantage of the loan companies and that some of the deferred mortgages are perhaps not as deserving cases as some that kept their mortgages properly renewed?—A. There are some cases of that character.

Q. I wonder if it would be possible for the committee to have from you an analysis that would give us some idea of what these deferred mortgages are; and as to what percentage they bear to the total of your urban mortgages?—A. You would appreciate, Mr. Cleaver, that time is a factor in getting any of this information.

Q. What do you say to this suggestion: might it not be argued that we were penalizing thrift if we simply allowed this Act to function in favour of deferred mortgages? Mind you, I am not criticizing your suggestion; I am just trying to explore all the different avenues that open up as a result of that suggestion.