Farmers' Financial Directory

WHY NOT CHEAPER MORTGAGES?

It will take the West many years to live down the unfavorable impression brought about by placing $13,000,000 or 14,000,000 of liens (for 1914 seed grain and special relief distribution) ahead of first mortgages and other vested interests appearing on titles to property. All classes were agreed that Dominion government assistance was necessary in the circumstances. But that mortgages as a class should shoulder almost the entire burden is as unjust as it is unwise, as was emphasized by William Toole in his annual presidential report to the Mortgage Loans Association of Alberta.

Despite the opportunity afforded by a bumper crop for government collection of the greater part of these relief advances last fall or winter, it is reported that not much over $1,500,000 has been liquidated thus far—scarcely one dollar in eight. The balance of well on to $12,000,000 remains, and seems likely long to remain, as a charge with prior claim over first mortgage security. Each quarter section to which a borrower held title at the time of distribution has had registered against it the amount of his entire seed loan, however widely spread over other lands. And this charge remains against each quarter section whatever property transfers may subsequently be made. If the borrower subsequently acquires additional lands with liens against them, these charges too form an added burden upon each original quarter. One mortgage company finds that there are nine seed grain liens now ranking ahead of its first mortgage on a certain quarter section—and aggregating an amount equal to the mortgage itself.

Confusion worse confounded characterizes the whole affair. Lenders are experiencing great difficulty in getting definite official information from Ottawa as to the status of any particular piece of property with regard to seed grain liens, thus involving much unnecessary delay and expense to the borrower.

It is impossibe to escape the conclusion that ill-advised legislation has been the chief factor in keeping up the mortgage interest rate in Western Canada. Mr. Toole remarked in his Calgary address that every loan company manager to whom one speaks to-day has the same story to tell—his difficulty in finding absolutely satisfactory mortgage investments for the funds at his disposal. Even with present unsettled world conditions in finance, millions of dollars could be put out at 8 per cent, or even 7 per cent., to the farmers of Alberta if security were fully protected. And, by the same token, Manitoba farmers would probably get new money at 6½ to 7 per cent. to-day but for legislative bars.

Interesting in this connection is an extract from a letter written by the head of a United States company which invests considerably in Western Canada, in response to an enquiry from "what probably is the largest mortgage house in the Northwestern States" relative to Canada as an investment field. Speaking of legislative sanction of prior charges against first mortgages he says: "The objection to this character of legislation is that it interferes with the law of contract, deprives the creditor of his security (that is his property) without due process of law, and is ex post facto in effect. Under these three counts such legislation would violate the constitution of the United States, or its constituent states."

In view of the extent to which it will look across the line for its borrowings in coming years of development, it behooves Western Canada to straighten out not a few legislative tangles that will otherwise seriously hamper the normal movement of capital. Whatever may or not be accomplished for a part of the farming community by way of government-backed or other co-operative rural credit systems (and Canadian Finance is far from deprecating the giving of careful study to this), the bulk of farm mortgage capital is likely to be sought thru existing channels for many years to come. The three prairie provinces have perhaps a population of about 1,500,000. Their mortgage borrowings, urban and agricultural, probably amount to over $300,000,000—or more than $200 for every man, woman and child on the prairies. Under the government loaning system of New Zealand, which has a population of about 1,000,000, loans in force amount to less than $35,000,000, or under $35 per head—this being about one-sixth of the Western Canada average. The corporate and private lender will long be needed on the prairies. Is it not of prime