

In a business so extensive as this, spread over the whole country, and where the loans are made for long terms of years, it is inevitable that from death, disappointment, and other causes, instances of default will happen, and occasionally the Company has no resource but to proceed to the sale of the property mortgaged. These cases throw much unremunerative labour on the Company's officers, and I am happy to say amount to only a small percentage on the number of loans effected. At the end of each year some of these properties remain on our hands for sale, and sometimes, through the original advance having been a little too liberal, or from deterioration, or reduction in value, or from our having yielded too indulgently to importunity, and not pressed with sufficient promptness, or perhaps from all these causes combined, we are unable to realize the full claim of the Company. Our excellent staff of inspectors is constantly employed in examining and looking after our securities, in minimizing losses, and in revising the work of our local appraisers. Every property in default is carefully examined, and wherever a doubt exists as to the full amount of the debt being recovered, no interest is charged, and if necessary the claim is written down. So rigidly is this rule observed, that in Ontario in the past, as in several previous years, the amount of these deductions has been nearly or quite counterbalanced by previously written off deductions, which on closing the transactions were found to be unnecessary, and have therefore been credited back to profit and loss.

Even in Manitoba, which has not yet recovered from the effects of the "boom," as it is called, we are beginning to find this to be the case. It will be remembered that three years ago we wrote of Manitoba Securities all the surplus profits of the year, amounting to more than \$18,000. The hope was expressed at the time that much of that sum would be recovered. Last year, a beginning in that direction has been made. The amount of property in the Company's hands for sale at the end of the year was less than the year previous, the most of it is yielding rental, and the average amount at which it stands on the Company's books is considerably less than we expect to get, or would now accept for it.

With the commencement of the current year the Manitoba business has been placed on a more permanent footing than previously. Mr. J. H. Brock, who with his partner, Mr. Carruthers, has represented the Company in Winnipeg for the past eight years, has been appointed agent of the Company for Manitoba. An office has been opened in Winnipeg, where the books and papers of the Manitoba business will be kept.

Several requests to extend the operations of the Company to the Maritime Provinces, to the North-West Territories, and to British Columbia have been received, but no action has been taken thereon. Numerous similar applications have also been received from the Western States of the American Union, and tempting inducements in the shape of high rates of interest have been offered; but the one invariable reply to these overtures has been, that the Company's Charter does not permit of its lending money on properties outside the Dominion of Canada.

The wide extent to which the business of this Company has reached, and the high position it has so long maintained among the financial institutions of the Dominion, suggest the question of the economic value of Loan or Land Mortgage Companies generally. With your permission, gentlemen, I purpose availing myself of this opportunity to offer a few observations on this subject.

It is customary in some quarters to treat slightly the functions of land mortgage companies, to assume that they are only resorted to by the ignorant, unthrifty and unpeunious, and that they are gradually absorbing the real property of the country; to speak of their growth, if not as an evil, as an unavourable omen, and of their prosperity as an evidence of decadence on the part of their customers. Those who are better informed know that these assumptions are not true; and a little consideration and a reference to well authenticated statistics, will convince even superficial observers that they are not founded on fact.

To develop the resources and carry on the business of this or any country, two things are essential:—First, individual labor, intelligence and skill; and second, capital, or the accumulated results of labor. Progress is necessarily slow where capital is scarce, whether it be in commerce, manufacturing industries, agriculture, or the building up of cities and towns. For supplying this capital, banking institutions are to commerce, and personal property interests generally, what land mortgage institutions are to agriculture, building, and other real property interests. To a great extent they run on parallel lines and do not cross each other's paths. The bank is the merchant's loan company. The loan company is the landowner's bank. When banking institutions are prosperous it is not to be inferred that commerce is unprofitable, and the mercantile community approaching insolvency. On the contrary, increase in the amount of indebtedness to the banks in the shape of discounts is, within reasonable limits, held to be an indication of healthy activity in trade. And the same holds good with respect to loan companies and real property. Neither banks nor land mortgage companies can be permanently prosperous where the interests they are respectively identified with are the reverse. Although the Company holds and relies on real property as the main basis of its security, and is therefore not so entirely dependent as the Bank on the character of those it lends to, both endeavor to avoid shiftless, improvident customers, and transactions that are likely to result unpleasantly or unprofitably to the persons concerned.

In order to carry on their business profitably both classes of institutions have to become borrowers as well as lenders. It is their aim generally, and by stress of competition, the especial aim of each institution in particular, to be able to supply money at the lowest possible rates, consistently with safety and profit. On the credit which their high character and large assets secure, they obtain capital on the best terms and in the cheapest markets, and are thus enabled to furnish it more conveniently and cheaper than could be done by individual lenders, who have only their own funds to invest. This fact accounts for the expansion of land mortgage companies in the last fourteen years, the period during which cheap money from Great Britain has been chiefly obtained by Canadian loan companies. At the beginning of that period, this Company was paying for money deposited with us here, as high a rate of interest as we now are able to lend at, and the supply even then was very limited. That rate (six per cent.) is now freely offered in the Atlantic cities of the American Union by companies doing business in the Western States.

The total assets of Loan Companies in the Province of Ontario at the end of 1874 was \$14,082,380. In 1886 it amounted to \$94,072,221. Ready access to Capital has not only stimulated improvements, but has given a marketable value to property in many districts where it was before almost unsaleable. During that period it appears from the Official Report of the Bureau of Statistics for Ontario that the assessed value for Municipal Taxation of Real Estate increased from \$325,484,116 in 1874 to \$632,140,062 in 1886. A larger proportion of this increase appears in rural districts than in cities and towns, the former showing an increase from \$206,892,278 to \$424,630,202, the latter from \$118,591,838 to \$207,509,860. The actual value of real estate is much greater than the assessed value, as appears from the same return, which gives the value of farm property in 1886 at \$831,738,040, nearly double the assessed value. These figures do not include the value of live stock and farm implements, amounting to \$137,739,871, nor the value of crops and produce. The value of urban property is not given in the report, but assuming it to be twenty-five per cent. more than its assessed value—or \$259,387,925, and adding thereto \$831,738,040, the value of farm lands, the total value of Real Estate in 1886 was \$1,091,145,365. From the Official Returns it appears that the Mortgages held by Land Mortgage Companies doing business in Ontario in 1886 was \$80,400,076. Of this sum about \$10,000,000 was lent on lands situate in Manitoba and other Provinces, so that the total interest of Land Mortgage Companies in all the Real property in this Province, valued at more than One Thousand Millions of Dollars, was Seventy Millions of Dollars, or six and one-half per cent. of the actual value; a sum considerably less than half the value of farm implements and live stock alone! These figures show conclusively, I think, that the capital controlled by Canadian Land Mortgage Companies, even supplemented as it is by that of private lenders, Insurance Companies, and other uncertain and irregular sources, is not more than sufficient to furnish necessary facilities for buying and selling, and for improving and in otherwise promoting, the vast and extending Real Estate interests of the Province. In the discharge of these their legitimate functions, Canadian Land Mortgage Institutions supply an indispensable need, and do good service to the community.