regulations of paying ⅓ each year—paying off in 3 years—the equal annual payment would be $1,666, plus interest at 5 per cent; the first year he would have to pay $1,916, the second year $1,832, and then by that time he would have paid $3,200; then, he can step out and get a new loan of $3,200 and bring the total again up to the $5,000 maximum. So, the third year he has to pay $1,666 principal on the first loan plus $83 interest, which is $1,749, plus ⅓ of the second loan which is $1,100 principal, plus $165 interest, or $1,265. On the two loans together, it totals $3,014. Again, you can get the farmer into a position where, even though his total loan has been only $5,000, he could get into a position where a $3,000 payment, and if he gets into arrears the loan has to be renewed. No farmer likes to get in that position of having to have his notes always renewed. I would say this, in line with our thinking on 5 (b) and 5 (c), if the maximum is made $5,000, that the term should be lengthened to 6 years on farm machinery and then some sort of a maximum applied to his annual payment.

Now, the present plan of paying a farm improvement loan off in 3 years requires ⅓ each year of the debt to be paid. Lengthening it to 6 years, somebody might say is making it 16½ per cent per annum on principal. A piece of farm machinery might depreciate far more rapidly than that in the first few years of use. But we do not mean to say that even if a loan on farm machinery is for 6 years that the payments have to be equal annual payments. This is a personal idea—our committee did not discuss this in detail—but looking it over it would seem to me fairly practicable if it were made a 6-year loan, the first year could be 30 per cent of the loan, the second 20 per cent, and the third and fourth years 15 per cent each year, and the fifth and sixth years 10 per cent each year. In other words, the repayment would be something in line with the rate at which a machine becomes obsolescent and depreciates, and moreover in the first two or three years of the life of the machine the repairs are small and the farmer can probably afford to pay a higher payment because his repairs are very small. Later on, when the repair bill gets higher on the machinery, then his payments get less. I think you will find, under a $5,000 loan repayable the first year at 30 per cent, he would pay $1,500 per annum, plus $250 interest, or a total of $1,750. The second year he would pay 20 per cent, which is $1,000, plus $175 interest, or a total of $1,175. Then, if in that second year he got a new loan by that time he would have paid off 50 per cent of the original loan, namely $2,500. Then if he wants to bring it up to $5,000 again he gets another loan for $2,500 repayable on the same terms as the first one. Now, he comes to the third year; on the first loan the payments dropped to 15 per cent which would be $750 plus $175 interest, or a total of $925; and then he would begin to pay on the second loan. He would pay 30 per cent of that which would be $750, 30 per cent of $2,500, plus $175 interest, a total of $925. He would pay $925 on each loan, a total of $1850. It is pretty difficult by this means for him to get heavily loaded down, even if he does take additional loans. He could even take a third loan and still would not be tending to load himself down with too heavy an annual payment as he is today by having to pay the full loan off in 3 years' time. It will be seen that it would be pretty hard to get a combination where you would have to pay more than about $1,850 a year no matter how many loans you had as long as the total did not exceed $5,000.

So I suggest then, Mr. Chairman, that when you consider this suggestion of a 6-year term on farm machinery that the payments in the first years could be higher and then the rates could fall down so that the maximum payments that is the rate of repayment—would always be in line with the depreciation of the machine.

Now, Mr. Chairman, we consider the farm improvement loans just as important a source of credit as the Canadian Farm Loan Board for establishing