

LOAN AND TRUST COMPANY BUSINESS

Ontario Companies' Receipts Increased Last Year— Various Changes Compared

How the operations of loan and trust companies were affected last year by existing conditions in Canada is shown in the loan corporation statements issued by the Ontario registrar of loan corporations.

The grand total receipts of the loan companies (with permanent and with terminating stock), of loaning land companies and trust companies, doing business in Ontario which in 1913 were \$370,908,467, and in 1914 \$305,604,414, dropped in 1915 to \$241,729,473, with an increase in 1916 to \$314,134,283. Of these \$164,030,776 was received as corporate, trustee representative, guardian or agent in trust, while \$150,103,506 was received by the corporations for their own use. The largest item in the receipts is the amount received from borrowers and investments. This totalled \$67,603,719 in 1914 and in 1915 was less than \$50,000,000, the correct figure being \$49,845,811, increasing in 1916 to \$62,495,677. The next largest receipts are the moneys received from depositors during the year. These aggregated \$54,291,148. Debentures issued during the year 1914 totalled \$13,238,537, while \$10,775,149 were issued in 1915 and \$11,406,895 in 1916, which is satisfactory in view of British Treasury restrictions. The loan companies having only permanent stock took by far the greatest proportion of deposits—namely, \$44,376,681 out of \$45,298,798 in 1915, and \$53,202,203 out of \$54,291,148 in 1916. The deposits of trust companies which previously increased considerably, having changed from \$322,490 in 1912 to \$4,141,398 in 1913 and to \$8,107,786 in 1914, were nil in 1915 with \$3,117,594 being received for guaranteed investments, last year \$1,810,677 was received for guaranteed investments. Bank advances of all the four classes of companies in 1915 amounted to \$1,495,368, while other borrowed money totalled \$134,579, against \$3,619,579 and \$1,503,799 respectively in 1916. According to the report of the provincial department all these amounts were received by the corporations for their own use.

Trust companies in their trustee and similar capacities, received from borrowers during the year 1914 a sum of \$47,677,268. In 1915 the sum received was \$39,997,661, and last year \$47,823,464. Their real estate rents totalled \$1,569,783 and their real estate sales, \$3,490,607. Money received for investment amounted to \$57,672,785 in 1915, as compared with \$50,851,125 last year.

Loaned on Mortgages.

In 1915, the four classes of companies under review loaned on mortgages \$13,149,583, against \$14,466,758 in 1916, and on other securities \$18,176,325, as compared with \$38,155,075 in 1916. The companies repaid their banks \$6,102,245 in 1914, \$7,111,766 in 1915 and \$3,235,177 last year. They repaid other borrowed money amounting to \$369,238 in 1914, \$287,928 in 1915 and \$2,069,365 last year. The cost of management of all the companies was \$3,640,008. The expenses on corporation account aggregated \$150,103,506 and on trust and agency account \$164,030,776, a grand total expenditure of \$314,134,283. Details of these receipts and expenditures appear in the accompanying table.

A total of \$16,916,327 of debentures of all these classes of companies mature during 1916-17, the greater portion of these are the debentures of loan companies having only permanent stock, the amount credited to them being \$15,816,501. Loan companies having terminating stock as well as permanent stock, or having terminating stock only, have \$857,496, and loaning land companies have \$242,329.

Interest Rates Paid.

It is interesting to examine the records of interest paid on the companies' deposits and various securities. Averaging the interest paid by the four classes of companies under review, we get the following result:—

Interest paid on	Rate per cent.			
	1915.	1916.	1913.	1912.
Deposits	3.69	3.68	3.750	3.7385
Debentures	4.683	4.760	4.599	4.4350
Debenture stock ..	4.0	4.25	4.0	4.0

The permanent stock loan companies paid in 1916 3.5457 per cent. on deposits, 4.6990 per cent. on debentures and 4.25 per cent. on debenture stock, compared with 4 per cent. on deposits and 5 per cent. on debentures paid by terminating stock loan companies. On the same accounts, the loaning land companies paid 3.50 per cent. on deposits and 4.583 per cent. on debentures.

The average rate of interest received on realty mortgages and other securities owned beneficially, may be summarized as follows:—

	Rate per cent. on			
	Mortgages of realty.		Other securities.	
	1915.	1916.	1915.	1916.
Loan companies (permanent stock)	7.107	7.116	5.823	5.815
Loan companies (terminating stock)	6.64	6.906	6.30	6.30
Loaning land companies	6.28	6.10	5.66	5.66
Trust companies	6.913	6.873	5.872	6.833

The average rate of interest received by the trust companies on realty mortgages, not owned beneficially, was 5.867 per cent. and on other securities not owned beneficially, 5.909 per cent. The number and amount of mortgages enforced by the two classes of loan companies and by the trust companies may be tabulated as follows:—

	Owned beneficially.		Not so owned.	
	No.	Amount.	No.	Amount.
Loan companies (permanent stock)	954	\$2,003,624
Loan companies (terminating stock)
Trust companies	130	405,100	322	\$879,605

Changes in Debenture Holdings.

Commenting particularly on the changes in the debenture position, Mr. Victor Ross, Toronto, says:—"Pressure upon the investors of the United Kingdom is evidenced in the report issued by the Registrar of Loan Corporations in Ontario. Debentures payable abroad, chiefly in Scotland, declined during 1916 from \$76,000,000 to \$72,000,000. This means that many holders have had to call in their money. It is not a question altogether of the yield. The rate has been advanced generally to 5½ per cent. At such rates as are at present obtainable for mortgage money, either on city or farm property, there is but a slim margin of profit where such a price as 5½ per cent., plus commissions, has to be paid for funds.

"Of course the bulk of the funds which the corporations registered in Ontario are handling for the public, about \$136,000,000, were obtained when rates were very much lower. Last year—that is, 1916—the average rate of interest paid on debentures was 4.760 per cent., and in the year previously 4.68. About ten years ago the average was below four per cent. For the time being the upward trend is very rapid. If high rates persist for a few years it is therefore quite probable that borrowers on mortgage security will have to pay more. At any rate the prospect of easier terms is bleak.

British and Domestic.

"As the British debenture holders call in their money there is obtained from domestic purchasers and deposits a steady supply of funds. The returns referred to show a fair increase, as comparisons of the corporations' liabilities in that respect in 1915 and 1916, as follows, show:—

	1915.	1916.
Deposits	\$23,180,899	\$24,545,532
Currency debentures	26,642,486	26,963,698

"It would thus appear that the Canadian investor in loan corporation securities is not as yet suffering the same pressure as Britishers are doing. The domestic supply of funds is not sufficient to satisfy a normal demand, for mortgage money. If therefore the corporations have to retire at each half-yearly term a considerable proportion of maturing sterling debentures it will be necessary for them to either call in mortgage money as it falls due or liquidate part of their security holdings, which represent about 25 per cent. of their liabilities to the public of \$136,000,000. A margin of that extent is desirable, and any serious decline in that proportion would necessitate more mortgages being paid at maturity."