

and Commerce Committee to get very much done to-morrow morning. This committee, by the way, meets immediately upon the adjournment of this Chamber this afternoon.

The Senate adjourned until to-morrow at 12 o'clock noon.

## THE SENATE

Wednesday, June 27, 1934.

The Senate met at 12 o'clock noon, the Speaker in the Chair.

Prayers and routine proceedings.

### CANADIAN FARM LOAN BILL

#### THIRD READING

Right Hon. Mr. MEIGHEN moved the third reading of Bill 93, an Act to amend the Canadian Farm Loan Act.

Hon. Mr. SINCLAIR: There is one feature of this Bill I should like to point out to the members of this honourable House. I brought it up when the Bill was in committee. Since then I have had an opportunity to look into it a little more closely, and I think it worthy of consideration. It is in regard to Part II of the Bill, subsection 4 of section 9, dealing with the rate of interest that may be charged on second mortgage loans which the Farm Loan Board is being empowered to make to farmers.

Under the present Act the rate of interest charged by the Board on farm mortgages is 6½ per cent. The cost of the money to the Board is 5 per cent, administration costs account for one per cent, and one-half of one per cent is added as a reserve for losses that may be incurred on the loans. It was explained to the committee that the reserve thus created had been ample to take care of all losses incurred to date.

Hon. Mr. GRIESBACH: May I ask the honourable gentleman what is his authority for that statement?

Hon. Mr. SINCLAIR: What statement?

Hon. Mr. GRIESBACH: The statement that the reserve created is ample to meet all possible losses.

Hon. Mr. SINCLAIR: The Chairman of the Farm Loan Board stated that the reserve created had been sufficient to meet the losses incurred to date.

The primary and main purpose of the Farm Loan Act is to open up channels of borrowing at a reasonable rate for farmers who are able to give good security, and the Act is neces-

sary because in recent years a great many of the ordinary channels of borrowing, through private loan companies and individuals, have been closed to such farmers. It is true that the money has cost the Board 5 per cent, but I think all honourable members will agree that at the present time money could be secured for the use of the Board, by borrowing on Government-guaranteed bonds, at a lower rate. I feel sure it could be borrowed at 4½ per cent, and I should not be surprised to learn that even 4 per cent would be high enough.

Certain limitations are placed upon the size of the loan that may be made by the Board on the security of a second mortgage. Subsection 2 of section 9 provides:

The aggregate of loans made to any one borrower under the provisions of this Act and of the Canadian Farm Loan Act shall not exceed two-thirds of the appraised value of the land and buildings in respect of which security is taken...

This appraisal would be made on the basis of present-day values. When the Act was first brought into force the limit for a loan against first mortgage security was placed at 50 per cent of the value of the land and 20 per cent of the value of the insured property or the buildings—I am not quite sure about that—

Hon. Mr. DANDURAND: Yes, 20 per cent.

Hon. Mr. SINCLAIR: It would amount to between 40 and 50 per cent of the value of the farm at that time. I submit to honourable members that loans made to-day, not in excess of two-thirds of present appraisals on farms, would be safer than loans made, say, five years ago, when the limit was 50 per cent of the value.

The Bill places a further restriction upon the amount that may be lent on a second mortgage. The latter part of subsection 2 of section 9 reads:

The amount advanced under this section shall not exceed one-half the amount advanced on the security of the first mortgage.

Considering that limitations are placed on the lending powers of the Board, and that the primary object of the legislation is to meet the needs of farmers who wish to borrow against good security—only those who can give good security are affected—I submit that in all fairness the Board should not charge for second mortgage loans one per cent in excess of the current rate charged on first mortgage loans. Subsection 4 of section 9 provides:

The interest rate on loans made under this section shall not exceed the current rate charged in respect of first mortgage loans under this Act by more than one per centum per annum.