

*By Mr. Tucker:*

Q. If it is sound to have a limit of 7 per cent on bank lending, would it not be perfectly sound and proper to have a limit of, say, 5 per cent, on mortgage lending and have that made statutory?—A. History shows that the result of setting a maximum rate of interest means that where that maximum is an economic rate, it works all right. If it is an uneconomic rate, then it only prevents loaning being done or loans being made, with the result that boot-legging, one might almost call it, of loaning starts in at rates, in some way by devices, higher than your maximum rate. In so far as the institutions that I represent are concerned, that shuts them out. Take your 5 per cent for example. There are places in Canada where, at the present time, not only is 5 per cent perfectly all right; it is, in fact, the prevailing rate, and there are even loans being made at possibly less than 5 per cent. But setting that as a maximum rate for Canada would concentrate your loans, your legitimate loans, in this area where it can be economically done and would deprive other places, shall we say, like northern Ontario, Peace River and other places, from any funds at that rate. The result would be, as it has been in other places. There are still private lenders who are always in the market; and by some means or other they would be lending. One of the prevailing methods has always been the question of discounts or secondary transactions. It has been the history over a hundred years.

Hon. Mr. STEVENS: Mr. Leonard, you have touched on something that I intended at some stage of the game to speak about.

Mr. THORSON: Louder, Mr. Speaker, please.

*By Hon. Mr. Stevens:*

Q. Would the establishment of a maximum rate, we will say of 5 per cent, tend to drive, we will say, your class of company out of certain territories or areas?—A. Undoubtedly.

Q. Would you agree that if you were driven out of those areas, there still being private money lenders' funds available, the tendency would be for the rates in those areas to rise higher than they are at the present time?—A. I think that would be a logical result.

*By Mr. Donnelly:*

Q. Could we not control it by saying that the rate of interest on farm mortgages should not be more than 5 per cent?—A. Dr. Donnelly, that is the point I was trying to make as to what happens when it is attempted to do that. There is the history going over a hundred years in England. They set maximum rates of interest for different contracts, and what resulted? By some means or other, if it was an uneconomic rate—if you set it at 5 per cent and try to make money, as you say of water running up hill, it just will not happen.

Hon. Mr. DUNNING: We are not trying to do that with this legislation.

The WITNESS: I was not suggesting that. I was just answering the question I was being asked.

Hon. Mr. DUNNING: Five per cent is being fixed for adjustments on existing mortgages.

*By Mr. Donnelly:*

Q. If by this legislation we do control in certain districts the rate on farm mortgages at 5 per cent, then is it not right and fair that we should say in the same districts that private loans should not receive more than 5 per cent?—A. Perhaps I should refer to what Mr. Dunning has just said, that in so far as this bill is concerned, the 5 per cent rate is a rate that is being fixed for

[Mr. P. D'Arcy Leonard.]