

determining the correct percentage for profit purposes, we should only consider the actual capitalization of the company, we should not consider the borrowed capital of the company. They do not pay dividends on borrowed capital, they pay dividends on actual capitalization.

The WITNESS: What they pay on their borrowed money is their costs.

Mr. CLEAVER: The interest?

The WITNESS: That is right.

Mr. CLEAVER: Then are you prepared now to give this committee your opinion as to what spread the loan companies require in order to pay their operating expenses plus a fair profit return?

The WITNESS: I do not think one can generalize on that. It differs by way of location. In one particular company the variation of cost per location will be very considerable. Then take again, for example, the question of the size of the mortgage accounts. It takes five times as much book-keeping to handle five \$2,000 mortgages—

Mr. CLEAVER: Well, if this Act is to be fair we must have some concrete evidence in that regard.

The WITNESS: Yes.

Mr. CLEAVER: I would ask, Mr. Chairman, that Mr. Leonard furnish us with some information in that regard. I have just one more question to ask, if I may, Mr. Chairman, in regard to the interest spread. Is there anything in the present Act which compulsorily fixes the interest rate which the loan companies may charge with respect to future mortgages if a company does not take advantage of the borrowing sections of this Act.

The WITNESS: With all due respect to your own legal opinion, Mr. Cleaver, I think there is; that in order to become a member you—

Mr. CLEAVER: Well, if a company does not take advantage of the borrowing provisions of the Act, what section is there which restricts their interest rate on new loans?

The WITNESS: The sections that would have to be amended, so far as I see it, to make it clear are sections 16 (h), 16 (i) and section 20, sub-section 1.

The CHAIRMAN: Gentlemen, shall we adjourn until 4 o'clock this afternoon?

Some Hon. MEMBERS: Yes.

(At 1 p.m. the committee adjourned to meet again at 4 p.m. this afternoon.)

#### AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Order, gentlemen. Mr. Cleaver, you had the floor at adjournment.

*By Mr. Cleaver:*

Q. Mr. Leonard, at adjournment I was directing a few questions to you as to what the loan company people require for operating expenses and for profit. Have you had an opportunity in the noon hour to think over the matter, and to look up a typical case?—A. I have not, Mr. Cleaver, to the extent that I can give you an answer.

Q. Perhaps, Mr. Chairman, it would be just as well to leave that point and let Mr. Leonard have time to come forward with a typical statement. I am not saying that any names of companies should be disclosed, but I would like you to choose the company which has both urban and farm loans?—A. I was going to suggest, Mr. Cleaver, having thought the matter over, that I foresee difficulty

[Mr. P. D'Arcy Leonard.]