

Farm Improvement Loans Act

to be classed as a new unit? As the situation stands now it gives rise to considerable frustration on the part of the banker, the dealer and the customer when the time comes for the actual loan to be made. While we are dealing with this legislation I believe we should reach a clearcut policy on this kind of transaction.

Mr. Olson: In answer to the first question, let me say I can see no purpose in the federal government guaranteeing loans made by the provincial treasury. A government entity has full control already and we certainly could not apply the same rules to the treasury of a province as we can to the institutions which are included here. This is the case simply because another government is involved. The hon. member understands very well the legal and practical implications attached to doing what he suggests.

So far as the second question is concerned, refinancing in the strictest sense is not permissible under this act. However, a good deal depends on the arrangements made between the farmer and the machine company, whether a deal was actually consummated on the day the down payment was made and so on.

Mr. Mazankowski: Does the minister not feel that this does not really involve refinancing, that the arrangement I have in mind is really a form of pre-delivery? After all, the machine concerned is still a new one.

Mr. Olson: I am fully aware of that. In fact, I made some comment about it yesterday. It is a question of the terms. If the machine involved is new and unused and if the farmer has made no payment on it, perhaps it can be said that a deal has not been made until a payment is forthcoming. Possibly the machine has been rented up to that point. Some bankers have been concerned about this question in connection with farm improvement loans lest some of these deals would be challenged legally on the ground that they did in fact involve refinancing of a note. But we are willing to look at this question and see whether we can make the kind of accommodation which will fit the practical situation which exists. I should not like, however, to give the hon. member an undertaking that this measure will make provision for refinancing, because to do so would raise a great many problems with which we do not wish this legislation to be involved.

Mr. Rose: In rising I should like to pay my respects to the hon. member for Fraser Valley East. He comes from the mystic east but was

described as the hon. member for Fraser Valley.

The debate on this clause seems to have been limited to members of the Conservative party and members of the New Democratic party. To come to the point of my remarks, it seems to me we have been manoeuvred here into discussion of the formula for setting an interest rate, whereas what we are really concerned about in this bill, as in a number of others, is the proposal for flexibility which it contains at a time when something definite and concrete is surely needed. This observation applies equally to the other farm bills, to the fishermen's improvement loan legislation and the Veterans Land Act. From my limited knowledge of farming it would appear that what we need is not more flexibility but a greater amount of stability.

For one thing, we need market stability. A farm improvement loan could be taken out during a period when the adjusted interest rate was relatively high and have to be repaid during a time of poor market prospects with predictable foreclosure, and so on. The formula prescribed under the student loan legislation was the government of Canada bond yield plus 1 per cent. We have not been told by the minister what the formula is to be in this instance. The hon. gentleman has talked about it and around it, but we have been given no definite information at all apart from what he said in his preamble yesterday afternoon. I can find no definite assurance in the legislation itself that quarterly adjustments will in fact be made. It is true there is a brief reference to this in *Hansard*.

Another subject which concerns members in this corner of the house is the minister's power to designate certain financial institutions. We should like to know the criteria upon which financial institutions are deemed eligible for such ministerial acceptability. We are interested in this because in contrast to hon. members to my right we are interested in seeing the kind of institutions which are authorized to make these loans broadened so as to include, for example, caisses populaires and credit unions.

My final comment arises from clause 4 in which it is laid down that \$900 million is the limit imposed upon the banking institutions whereas the limit placed on credit unions and other institutions is \$300 million. Is this just an arbitrary limit or is there some reason behind these figures which show an obvious preference for the banks by three to one?