

*The Address—Mr. Nesbitt*

unions are regulated by provincial credit union acts, and most provinces have legislation of this type.

Credit unions have often been misunderstood and I think this is a great pity, because they perform a great service to the people of this country. Loans extended by credit unions are based on the character of the person who is borrowing. Since the credit unions are normally not too large the committee which extends credit knows the people personally to whom money is being lent. This is an advantage which the other lending institutions simply do not have.

People often say that there is no control over the credit unions, that anyone can take the money. That is not so, because the officers are bonded and reserves are set up to offset bad loans. The voluntary assignment of wages required by law when a person is given a line of credit is seldom used, as loans made by the credit union are made on a character basis. In the event of the death of a borrower whose loan is still outstanding the loan is paid off by an insurance company and not by the estate of the deceased. That is most important when a person of little means dies and the loan does not have to be paid either by his widow or his family.

The investments of a credit union are mostly in the form of loans to members, but credit unions can invest their surplus funds in securities approved under the Trustee Act of Ontario or the trustee acts of other provinces. Credit unions have been most successful in Canada, as only approximately one-tenth of one per cent of the loans extended have resulted in bad debts. This does not even approach the reserves which are required by law to be set up for bad debts.

Before I close I should like to touch briefly upon the benefits of credit unions. Whom do they benefit? They certainly benefit the persons who borrow money, because they are able to obtain small loans at low rates of interest without being badgered afterward by a sheriff or bailiff or officers of a finance company. Loans are granted to people who have real need of money. They may want to pay medical bills and so on; loans are granted "for any useful purpose". It has been the experience of credit unions that people who belong to this organization learn through budgeting to manage their affairs much better. It has been the experience that the biggest borrowers often become the biggest savers at later periods.

There are advantages that accrue to other people than those who borrow money. Advantages accrue to industry from the credit union

movement. This movement reduces the financial worries of employees, which in turn increases the efficiency of a plant. I have spoken to several business executives who tell me that this movement has been of great assistance in solving personnel problems in their plants. There has been a great deal of co-operation between management and the credit union movement, because it has been found that this results in a reduction in the number of garnishees of workers' wages and the number of requests for pay advances by employees. As a result the book work of a plant is reduced tremendously.

What about the credit unions and the banks? I have heard people say that the banks do not approve of the credit unions. That is not so. Credit unions do not compete with the commercial banks. They deal only in small loans. I have it on fairly good authority that small personal savings accounts are uneconomic as far as the banks are concerned. A bank will look after such accounts as a matter of public service and because it is obliged to do so, but they are more of a nuisance than anything else. The credit union collects and consolidates its small deposits and puts them in the bank as one large deposit. Therefore the banks are saved needless book work. All credit unions deposit their funds in the chartered banks. The credit unions supplement the services of the banks in the personal loan field.

The credit unions are of one other indirect benefit to the country. In times of business recession, or business depression as some people prefer to call it, the credit unions do not curtail the extension of credit as do the commercial banks. The credit unions extend credit just the same in bad times as they do in good times. This cannot help but buoy up the general economy of the country.

In my own county of Oxford there are more credit unions than anywhere else in Canada. We have a good stable type of economy in that county. Three out of five workers in the county belong to credit unions. The success of this movement is largely due to the efforts of a businessman in Woodstock by the name of Earle Reed. He has done a great deal of work in this connection and his name is known from one part of the country to the other wherever the credit union movement exists.

In conclusion I would say I have gone to great lengths to deal with the credit union movement because I feel it illustrates, as I have pointed out before, what people can do on their own without the help of any paternalistic government. The great success of the credit union movement has been achieved