FARM MORTGAGE BANKS

The problem of establishing farm mortgage banks—frequently under discussion in the past in Canadian legislatures and in farmers' organizations—is once more engaging attention in the western provinces. As the representatives of the farmers and of the banks in the western provinces are shortly to confer on the subject, a basis may be here suggested for their consideration, which includes workable features in the experience of the United States and of Europe, adapted, however, to the differing conditions in the various provinces. It involves a plan under which, whilst the charter would be from the Dominion, and the control, as to general matters, would be central, each province would have its own bank, all of whose funds would be available exclusively for the people of that province. It is essential that the capital should be obtained very cheaply, if it is to be lent to the farmers cheaply, and, therefore, to afford high security, the loans would be confined to mortgages on farms, leaving advances on grain and cattle to the ordinary banks.

National Farm Mortgage Banks

Whilst under its special act the institution might be termed "The National Farm Mortgage Banks of Canada," it would, of itself, have no capital of its own, but would include three distinct organizations: The central bank board, the directing authority; the provincial farm mortgage bank for each province, or assemblage of provinces, the depositary of funds and investing authority; and the farm loan associations in each province, the borrowing authority.

The central bank board would comprise three members of very wide experience in the management of mortgage or trust companies. They would, under the special act conferring the charter, be appointed by the governor-in-council, and would report annually to the senate. Their powers would include the organization of the provincial banks, the fixing of interest rates on bonds and mortgage, arranging bond issues and bond sales, inspecting the banks, etc., their expenses being paid proportionately by the banks.

Capital of Half Million

Each farm mortgage bank would have a capital of $500,000, subscribed by the provincial government up to 25 per cent., by the borrowers and by the people of the province generally; any unsubscribed balance to be taken up temporarily by the Dominion government and repaid afterwards as local subscriptions come in. Each bank would in time have branches and would, with the central board's assent, have power to issue bonds to an amount not exceeding the mortgages and secured in trust by them. Under the special act these bonds would be also guaranteed by all of the other mortgage banks, and thus would form a very high class security. The mortgages taken would be exclusively on farms and within the province, and the loans limited to 50 per cent. of the value. The bank would also act as agent for estates in securing and guaranteeing investments, and would receive deposits. An important feature in the bank would be the information department for the free use by its farming clients in securing information as to farming methods, seed grain, fertilizers, farm equipment, etc., and in making favorable arrangements with manufacturers and producers for direct sale of farm requirements to the bank's clients.

Objects Aimed At

The borrowing authority in the organization would be the farm loan associations, which each bank would form in numerous centres thruout the province. The association is simply a limited partnership of at least ten farmers who wish to borrow from the bank, and who guarantee each other's mortgage and the valuation of the property securing it, and each of whom, to the extent of 5 per cent. of his loan, becomes a shareholder in the bank. Until the loan is paid off these shares form a further security to the bank. Farmers may borrow, outside the association, but at higher rates of interest. The special act defines the liability of the partnership members, just as it does the duties and liability of the banks and the central board. The payment annually, after the second year, of a