

MANITOBA MORTGAGE LOANS ASSOCIATION

President Bond Deplores Unnecessary Extension of Government into Financial Operations—Seed Grain Liens Again Displace First Mortgages in Many Instances

(Special to *The Monetary Times*.)

Winnipeg, May 30th, 1920.

MANY head offices of loan companies operating throughout the Canadian west are located in Winnipeg, and for this reason the meeting of the Manitoba Mortgage Loans Association is always of general interest. This year it was held on May 17th. The executive presented a report as to what had been done in Manitoba, which, it might be added, was not very much in the way of legislation correcting some of the mistakes of the past. According to the generally expressed opinion of the members, they find that in getting money for investment in the province, the difficulties have increased and the borrowers there will have to bear the burden. That is a matter of regret, inasmuch as borrowers of that province are already bearing a greater load than is desirable, having regard to the best interests of the people as a whole.

The Executive Committee in its report complained of Section 95 of the Insurance Act as amended which requires, that where a mortgagee or vendor requires premises to be insured, this condition in an agreement will be complied with adequately if the mortgagor or purchaser offers a policy in any fire company licensed to carry on business in Manitoba. Objection was taken to this amendment by the Association with the result that during the session just ended a further amendment was passed exempting its operation as to property situate in the city of Winnipeg.

Hail Premiums a First Lien

The District Hail Insurance Act passed at the last session of the legislature enabled rural municipalities to be brought under the operation of the act if they so elected and provided that if they do so the rate of premium levied may be assessed against the land upon which the insured crop is grown in the same way as a tax, and in this way it becomes a lien, ranking ahead of existing encumbrances. The association appears to be sympathetic towards hail insurance under proper regulations, and for that reason they did not consider that the measure was inimical to the lender in view of the added security created by the operation of the act.

The usual Seed Grain Act, the committee pointed out, was enacted retaining the feature of granting priority to municipal seed grain liens over first mortgages. The government, however, refused to eliminate the objectionable clause. It has transpired that quite a number of first mortgages in the province of Manitoba have, through this, become second mortgages and of a doubtful value as a result of the Seed Grain Act. It is now being realized that lenders, as a result, will have to exert greater discrimination in selecting their borrowers in this province.

Moratoria

The committee pointed out that the War Relief Act of 1918 was amended by providing that the words "termination of the war" or "termination of the said war," or words to the like effect are to be held to mean the first day of May, 1920. If succeeding sessions of the legislature do not change this then there is a finality to this particular measure which has been fraudulently used in that province. While the soldiers relief measure comes to an end definitely it would appear that the civilians are still left an indefinite period in which to make settlement with their creditors. The association recommended to the government that changes in the general moratorium of that province be made:—

(a) To amend the act so as to permit collection of any interest, taxes or insurance premiums in arrears after the first of August, 1920.

(b) That securities which have already matured or will mature prior to the first of August, 1920, bearing in-

terest at a lower rate than 7% shall at the option of the holders bear interest at 7% from that date until the first of August, 1922, and from first of August, 1920, to first of August, 1922, permission be given to call in 10% of the overdue principal each year, or 5% each half year on securities, the interest on which is payable half-yearly.

(c) That the moratorium shall cease entirely on the first day of August, 1922.

These suggestions were not adopted by the legislature.

The President's Address

Mr. Bond after reviewing the activity of the association, dealt with the question of the government's activities. He said:—

"In these days of inflated credits when governments and other public bodies find it difficult to borrow the funds necessary to provide and carry on by reason of their nature form the special burdens or functions of the state, or of such public bodies we cannot but view with misgivings the tendency of our local government to usurp still further the field of private enterprise, and more particularly to the use therein of the credit of the state and of all the people for a particular class or occupation. In a new country such as ours the developments and services which properly fall to the lot of the state may well of themselves fully tax the credit resources of our province. If that credit is used in fields already covered by private enterprise it must be apparent to all that it cannot be also fully used in other and proper public lines of development.

"What, for instance, has the province of Manitoba lost in, for example, highway development by the diversion of \$4,000,000 of the public funds to farm loans, a field amply covered by your resources and enterprise. The public and private credit of this province and its institutions represents a more or less definitely ascertainable figure, varying to be sure, but from time to time clearly reflected in the reception which our offerings may receive. It must, therefore, be apparent, and it cannot be too often impressed upon the public and our legislators that every time the government—uses up some portion of its resources of credit in fields of private enterprise proper, public enterprises which the state should undertake must be deferred or dropped. When neither public or private enterprise steps outside its legitimate field will our credit resources best serve and with the least straining perform their proper functions.

Therefore, while outside our own immediate field, we cannot, as already intimated, but regret the ultimate effect upon the country of the government adding to the follow of the farm loans scheme that of 'rural credits' based on credit of the government. I believe this association might well devote some of its energy to educating the public to the fundamental fallacies involved in these public policies, and personally I have sufficient faith in human nature to believe that the public could soon be made to see that the ultimate results will prove harmful to the country, and even also to the class now seeming to be peculiarly favored thereby.

"While the fundamental defects in these policies above pointed out are of paramount importance the association should not wholly lose sight of the question of actual cost of the public services, particularly of that relating to farm loans. The true situation in this regard should, from time to time, be called to the attention of the public as well as the government. From the facts which have been so far elicited there appears to be no doubt that the Farm Loans Board has in a proper view of the situation not been carrying itself. The detailed facts in connection with this should be in my view made public. In this connection it is interesting to note the anomaly that the credit of the individual borrower under either of these schemes is presumed to be of a higher standard than, for example, that of the city of Winnipeg itself if we are, as we believe we should, to judge thereof by the price or rate of interest paid for the money borrowed."

The following were elected officers for the current year:—F. S. Long, president; J. H. Riley, vice-president; executive committee:—Messrs. Paton, Peters, Bond, Telfer, McKinnon, Whyte, Gouzee, Fortuyn.