Hon. Mr. BELCOURT: Will not all that $5,000,000 or $1,000,000, or whatever it may be, be applied by way of reserve or for the payment of losses, if any should occur?

Mr. FINLAYSON: Such amount as is not required to take care of the expense of administration in the early years should be set aside as reserve.

Hon. Mr. WILLOUGHBY: In reference to that guarantee of interest, if the Government have taken the absolute position that they will not guarantee the bonds, then it is useless to discuss it as part of the scheme. I certainly think myself there should be a guarantee for a limited time, in order that people may be able to purchase those bonds as cheaply as we want to sell them, and as they must be sold if the scheme is to function properly.

Mr. FINLAYSON: I think there is an inclination on the part of the Government and, on the part of business men, to get away from this guaranteeing of bonds by the Federal Government.

Hon. Mr. DANDURAND: Mr. Finlayson, will you tell us what will be the situation of those bonds, as to their value, when you have advanced $1,000,000 and you have got mortgages for $1,000,000? For it is on the basis of those mortgages that the bonds will rest. What will be the guarantee to the public? Suppose the Government has advanced such $1,000,000, which has been lent.

Mr. FINLAYSON: The Dominion Government advances $1,000,000 to the Board. That $1,000,000 is used almost entirely to make loans to farmers. Having those mortgages, I should say that the Board would then make an issue on the security of those mortgages, but not more than the mortgages. Therefore, when the investors have made their investments they will have $2,000,000 practically of mortgages for $1,000,000 of bonds; and in addition to that they will have the contingent liability of the Dominion Government on their subscription for the balance of $4,000,000, and the 15 per cent of the loans.

Hon. Mr. WILLOUGHBY: Mr. Finlayson says that in the United States the scheme is quite different, but I can tell you one reason why their bonds sell so low, almost equal to Liberty Bonds. I have a full statement of how they have sold. First, you have twelve banks, as you know, in the United States, and the whole twelve banks guarantee the bonds of any one. Now, we shall have a different position, presumably, if we take advantage of this Act. We shall not be in that position at all. You cannot look to anybody in the way they look to their twelve for a guarantee. And they have a double liability on these associations which are formed under the co-operative system.

Hon. Mr. DANDURAND: Or another 5 per cent?

Hon. Mr. WILLOUGHBY: Another 5 per cent—that is 10 per cent plus the enormous security given by twelve banks scattered all over the United States, from one end of it to the other. And then, of course, they have that tax-exempt feature you spoke about. But they had a security that appealed to the farmer at the inception of the scheme very much more than we can hope to appeal.

Mr. FINLAYSON: You spoke of the double liability of the borrower in the United States. That double liability, as I pointed out, extends only to 10 per cent. Now, we have to take the place of that feature—the 5 per cent paid by the borrower at the outset; the 5 per cent paid by the province; and the 5 per cent paid by the Dominion Government. So that, so far as that margin is concerned, that is in a more favourable position than the bonds of the United States.

Hon. Mr. CALDER: You have 15 per cent in hand instead of—

Mr. FINLAYSON: Instead of 5 actual and 5 contingent, yes.