

CHANGE IN MORTGAGE LOAN CONDITIONS

Review of the situation by Mr. A. D. Langmuir—Work of the Dominion Mortgage and Investment Association

Representing approximately \$615,000,000 of assets, the Dominion Mortgage & Investment Association is expected to play an important part in improving conditions both for borrowers and lenders of mortgage funds in Canada. If we include the companies which favored the formation of this organization, but which have not yet sent in their applications, the assets represented are approximately \$700,000,000. There is no way of ascertaining precisely what the gross assets are of all such companies as are entitled to membership in this Association. Some measure of the extent of their strength, however, has been obtained by an examination of the reports of 73 companies, which, at present, have assets aggregating \$1,096,427,367. The fact that the Association already represents \$600,000,000 of that total, is substantial evidence of a desire on the part of investment agencies for the establishment of an Association such as was inaugurated last year. The association has 30 members, of which four are provincial associations, affiliated with the Dominion organization.

Twenty-five Years Ago.

Twenty-five years ago mortgage companies were able to conduct their business under long-established and familiar laws, the cost of effecting loans was very moderate, and in cases where it became necessary to bring a property to sale or foreclose a mortgage this could be done with comparatively little expense and without unnecessary delay. The relations existing between the borrowers and lenders were much more intimate and cordial, and the lending companies were familiar with the circumstances of their borrowers. It was not unusual in those days for companies to advance seed grain and to give assistance in various other ways to borrowers who had met with misfortune. There was more of the feeling of community of interest—the farmer furnishing the labor, and the companies the capital necessary to obtain the results desired by both parties. Of course there have always been isolated cases of hardship, and doubtless this will continue as long as there are debtors and creditors, but, on the whole, the situation was reasonably satisfactory.

That changing conditions require the constant adjustment of regulating enactments that facilitate in every way possible the placing of public savings in the hands of borrowers who will make sound, productive, use of them, was pointed out by Mr. A. D. Langmuir, president of the Dominion Mortgage and Investments Association, at its recent annual meeting. Much of the legislation of the past few years has not had this effect, he said, and suggested that it would be to the advantage of the Dominion, if the intimate relationship between borrower and lender of twenty-five years ago, could, as far as would be practical, be re-established today.

Functions of Lending Corporations.

Discussing the functions of lending corporations, Mr. Langmuir said:—"The idea common in the public mind at times when agitation against lending agencies is most in evidence, is that the lending corporations exact unnecessarily high fees and usurious interest rates upon funds which they handle. It has not yet been fully grasped that the corporations, especially of that class forming this Association, are but the agents between a very large lending public composed of hundreds of thousands of small lenders who place their savings, through them at the disposal, at current rates of interest, of those who can profitably make use of them. The borrower in mind is the one who desires a small loan to be used for productive purposes, and the one to whom the lending corporations have been of greatest service is the farmer borrower. He still regards, on the whole, the lending agency as being the absolute owner of the funds from which his requirements as a borrower are met. That the money he obtains is but the accumulated savings of thrifty people not only in his own locality in many cases, but elsewhere either in the Dominion or abroad, has not been fully impressed upon him. The larger borrowers are fully alive to this fact. They time their borrowings, when possible, so as to take full advantage of easier terms when savings are abundant. It is extremely desirable, therefore, that the borrowing public as a whole should understand as fully as possible the functions of these lending organizations in obtaining funds from those who by thrift, are able to accumulate them, and to place them

at the disposal of those who can use them productively, and thus be of benefit to their country.

"In the exercise of this important function, so essential to the normal development of the Dominion, the lending corporations render an important public service, and if our judgment of what post-war developments may be, is correct, the importance of that service will become greater. It will devolve upon domestic institutions to provide the capital which the smaller borrower will require if normal progress of a national character is to be resumed. So far as can be seen there does not appear to be much possibility of any resumption in the course of the next few years of that influx of capital from abroad which was one of the distinguishing marks of the history of the past ten years. In the absence of that influx, our domestic resources will be called upon to a greater extent than hitherto. It cannot be said in performing this important national service that the legislative authorities of the Dominion have afforded encouragement. Taxes have been steadily increased and in addition very flagrant disrespect to the security given for advances has been shown.

"We believe that some change has taken place in the attitude of the public and of the legislatures towards lending agencies, and it is to be hoped that other disadvantages under which they have been operating will be removed so that the best possible use can be made of the good name which the lending agencies of Canada have built up for themselves. Many of these agencies have, for a period of upwards of half a century, never failed to meet their every obligation to those who entrusted their funds to them. The high reputation built up, may stand the country in good stead when the war ends and new sources of capital supply will have to be developed."

Mortgage Investments in West.

It is estimated that the mortgage investments in Alberta aggregate \$70,000,000, and in Saskatchewan those of institutions required to make returns under the Corporation Taxation Act amount to \$112,000,000; ten years ago the same amount was \$12,850,000. In Manitoba the mortgage investments of institutions are estimated at \$120,000,000. The aggregate of institutionally-owned mortgages in the three provinces is well over \$250,000,000, of which a large proportion is upon farm lands. This total has been largely built up during the past decade, and is substantial evidence of what has been done in these provinces in providing rural credit by interests which are represented by this Association. The entrance of the provincial governments into the business of lending money on farm lands will have, it is hoped, a desirable effect in restoring a respect for first mortgage security which has not been shown for it by them during the last few years.

Members of the Association.

The following companies are members of the Dominion Mortgage and Investments Association:—Loan and savings companies:—Brockville Loan and Savings, Brockville; Central Canada Loan and Savings, Peterborough; Crédit Foncier Franco-Canadien, Montreal; Huron and Erie Mortgage, London; Standard Reliance Mortgage, Toronto; Great West Permanent Loan, Winnipeg; Trust and Loan, London (England); Waterloo County Loan and Savings, Waterloo; Toronto Savings and Loan, Peterborough.

Trust companies:—Union Trust, Toronto; Royal Trust, Montreal; Toronto General Trusts, Toronto; Trusts and Guarantee, Toronto; Prudential Trust, Montreal; National Trust, Toronto; Guardian Trust, Toronto; Eastern Trust, Halifax.

Life insurance companies:—Canada Life Assurance, Toronto; Capital Life Assurance, Ottawa; Continental Life Assurance, Toronto; Confederation Life Assurance, Toronto; Imperial Life Assurance, Toronto; Manufacturers' Life Assurance, Toronto; Northern Life Assurance, London; Sun Life Assurance, Montreal; Mutual Life Assurance, Waterloo.

These provincial associations are also members:—Mortgage Loans Association of British Columbia, Mortgage Loans Association of Alberta; Mortgage Loans Association of Manitoba, and Land Mortgage Companies of Saskatchewan. Mr. E. M. Saunders, treasurer of the Canada Life Assurance Company, is vice-president, and Mr. John Appleton, Toronto General Trusts Building, Toronto, is secretary of the Association.

The following companies have changed their head offices: Ingersoll Machine Company, from Ingersoll, Ont., to Montreal, Que., and the Cowansville Hotel Company, Limited, from Montreal, Que., to Cowansville, Que.