The first mortgage loan companies were established in Ontario in the 1840s as co-operative associations to provide mortgage finance for their members. These associations evolved under legislation which was amended to give them permanent corporate status as mortgage lending institutions. They obtained their funds principally by selling medium- and long-term debentures to the public but also had the power to open deposit accounts. Trust companies were first incorporated in Ontario in the 1880s. Although the trust company legislation prevented them from borrowing funds, they had the power to accept funds in guaranteed trust accounts and invest them in specified types of assets. This feature of trust company legislation is now general throughout Canada. Although it does set up a trust rather than creditor relationship between trust companies and the holders of their certificates and deposits, the trust companies operate as financial intermediaries in the same way as mortgage loan companies, chartered banks or savings and other financial institutions. A more important special characteristic of trust companies is that they are the only corporations in Canada with power to act as trustees for property interests and to conduct other fiduciary business. In this capacity they act as executors, trustees and administrators under wills or by appointment, as trustees under marriage or other settlements, as agents in the management of estates of the living, as guardians of minor or incapable persons, as financial agents for municipalities and companies, as transfer agents and registrars for stock and bond issues, as trustees for bond issues and, where so appointed, as authorized trustees in bankruptcies.

Mortgage loan and trust companies were established and grew rapidly under provincial legislation in the late nineteenth and early twentieth centuries. Some companies were chartered by special Acts of Parliament but it was not until 1914 that federal legislation was passed and the Federal Government began to regulate trust and loan companies registered under its Acts. There are now eight federal trust companies and 13 federal loan companies. The Superintendent of Insurance examines these companies and also, by arrangement with the provinces, trust and loan companies incorporated in Nova Scotia, and trust companies incorporated in New Brunswick and Manitoba. Companies must be licensed by each province in which they wish to operate.

Although there are many differences among the various federal and provincial Acts, the broad lines of the legislation are common. In their intermediary business the companies have the powers mentioned above to borrow or, in the case of trust companies, accept funds in guaranteed accounts subject to maximum permitted ratios of these funds to shareholders' equity. The funds may be invested in specified assets which include first mortgages on real property, government securities and the bonds and equity of corporations having established earnings records. The companies may grant loans on the security of such bonds and stocks but may not make unsecured commercial and personal loans. Trust and loan companies are not required to hold specified cash reserves, as are the chartered and savings banks, but there are broadly defined "liquid asset" requirements in a number of the Acts. The investment powers of federal companies were broadened in 1965, when the maximum permitted value of conventional mortgage loans was raised from 66⅔ p.c. to 75 p.c. of the appraised value of the property, the limit on common stock holdings was raised from 15 p.c. to 25 p.c. of total assets and the quality tests for common stocks eligible for investment were relaxed.

The trust and mortgage loan companies have been substantial members of the Canadian financial system since their early years. In the 1920s they held about one half of the private mortgage business in Canada but during the 1930s and World War II their growth rate fell off sharply because of the impact of the depression of the 1930s and World War II on the mortgage business. In the years since the War the re-emergence of strong demands for mortgage financing and the willingness of many trust and loan companies to compete aggressively for funds have led to sustained rapid expansion. These developments may be traced in the annual statistics published by the Superintendent of Insurance and provincial authorities, and in the quarterly balance sheet data compiled by the Dominion Bureau of Statistics.