

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 the federal government began to regulate trust and mortgage companies registered under its Acts. In 1970 there were nine federal trust companies and 13 federal mortgage companies. The Superintendent of Insurance examines these companies and also, by arrangement with the provinces, trust and mortgage 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, and the companies may grant loans on the security of such bonds and stocks and unsecured personal loans. Trust and mortgage 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.

In the 1920s trust and mortgage companies held about one half of the private mortgage business in Canada but their growth rate fell off sharply because of the effect on the mortgage business of the depression and World War II. In the years since then the strong demand for mortgage financing has led to sustained rapid expansion.

At the end of 1971, total assets net of investment in subsidiaries of trust companies in the Statistics Canada survey were \$7,403 million compared with \$6,514 million a year earlier, an increase of 14%. Trust companies, while not specializing in mortgage financing, have been putting a high proportion of their funds into these investments with the result that mortgages represented 60% of their total assets at the end of 1971. The trust companies had \$5,126 million in term deposits outstanding and \$1,684 million in demand deposits at the end of 1971, accounting for 91% of total funds. About one third of the demand or savings deposits were in chequable accounts. There is considerable variety among the trust companies and a few have developed a substantial short-term business, raising funds by issuing certificates for terms as short as 30 days and also operating as lenders in the money market. Nevertheless, it remains true that the main business of the trust companies in their intermediary role is to channel savings into mortgages and other long-term investments. In addition, trust companies, as at December 31, 1971 had \$24,645 million under administration in estate, trust and agency accounts. Summary statistics are given in Tables 19.20 - 19.22.

Mortgage companies had assets before investment in subsidiaries of \$3,864 million at the end of 1971 compared with \$3,428 million a year earlier. Their holdings of mortgages amounted to \$3,152 million, or 82% of total assets. To finance their investments, these companies had borrowed \$2,700 million or 70% of their total funds by the sale of debentures and \$546 million from demand deposits.

More complete and up-to-date financial information may be found in quarterly financial statements published by Statistics Canada and the Bank of Canada, the reports of the Superintendent of Insurance on loan and trust companies and the reports of provincial supervisory authorities.

### 19.2.2 Small loans companies

Small loans companies and money-lenders are subject to the Small Loans Act (RSC 1970, c.S-11). This Act, first passed in 1939, sets maximum charges on personal cash loans not in excess of \$1,500 and is administered by the Department of Insurance. Lenders not licensed under the Act may not charge more than 1% per month. Those wishing to make small loans at higher rates must be licensed each year by the Minister of Finance under the Small Loans Act. The Act allows maximum rates, including charges of every kind, of 2% per month on unpaid balances not exceeding \$300, 1% per month on the portion of unpaid balances exceeding \$300 but not exceeding \$1,000 and one half of 1% on any remainder of the balance exceeding \$1,000. Loans in excess of \$1,500 are not regulated and lenders operating entirely above this limit and the larger loans of licensed lenders are thus exempt from the Act. Nor does the Act regulate charges for the instalment financing of sales. Prior to January 1, 1957, the Act applied only to