

setting-up of a borrower in a new home. In the early stages of a loan, therefore, in some cases, owing to extraordinary expenditure, there is not the usual margin between income and expenditure of the borrower to take care of every contingency, and it may not always be possible for him, with the best of intentions, to meet all his charges. Despite that, however, the arrears in respect of residential rehabilitation loans are not considered to be unduly large.

In regard to farming loans, the same position arises, and we have, in addition, to recognize the fact that the payment of instalments on farm loans can only come out of farm revenue. Farm income is not spread evenly over the farming year, and the due dates of instalments on loan accounts do not necessarily coincide with the date of receipt of the main farm income. The return of arrears in respect of rural borrowers, as in the case of residential loans, discloses quite a satisfactory position, particularly when it is remembered that during the year now under review New Zealand experienced in certain districts one of the worst droughts for many years past.

Coming now to arrears on other rehabilitation loans, it can be said that those who have borrowed money on extremely favourable terms without interest for the purchase of furniture and tools of trade are not always showing regard for their obligations to the degree warranted. Borrowers under this category are, in the main, salary and wage earners whose income is regular and whose expenditure should be within their means. The arrears under these headings are considered to be unduly large, being 9 per cent. in respect of furniture loans and 22.1 per cent. in respect of tools-of-trade loans. The latter is a particularly disturbing figure.

In the case of business loans the arrears are higher than they should be, but, again, when a borrower is being established in business, often with the aid of a 100-per-cent. loan, he perhaps has underestimated his requirements for working capital and the need to give credit, and in the early months may find difficulty in meeting instalments on loans. The Corporation, however, is keeping in as close touch with these borrowers as is possible, and we confidently expect the position to improve.

LOSSES IN RESPECT OF REHABILITATION LOANS

The following table shows losses written off up to date in respect of rehabilitation loans under the various classes :—

REHABILITATION LOSSES WRITTEN OFF AS AT 31ST MARCH, 1946				Number	Amount.
					£ s. d.
Farms	..	..	..	3	780 15 2
Tools of trade	..	..	..	3	8 8 0
Furniture	..	..	..	13	328 3 3
Business	..	..	..	10	1,003 17 1
Houses	..	..	..	Nil	..
				29	£2,121 3 6

PRIMARY PRODUCTION DRIVE

When the British Government requested New Zealand to increase its export of cheese, the Corporation, with the assistance of the Department of Agriculture, dealt with applications from those dairy factories who agreed to increase their cheese-production, and, where necessary, provided loan finance to enable the companies to carry out essential alterations or additions to factory buildings and to acquire additional plant. It was a condition attached to this arrangement that when the production of additional cheese was no longer required the factories concerned would have the right to claim compensation for any loss that was sustained in disposing of the redundant