

## JOINT-STOCK LAND BANKS.

The joint-stock land banks erected within the Federal rural credit system of the United States are organized under private ownership, are operated for personal gain, and any profits made are the property of the owners of the bank. On the other hand, the Federal land banks are specifically forbidden to operate for private gain, and any profit must be returned to the borrowers, which means that the borrower gets his money at cost, or the lowest rate at which it is possible to secure it.

Having pronounced in favour of the New Zealand State Advances system, which aims at providing borrowers with money at the actual cost, the Commission is of opinion that the creation of a specially favoured organization such as the joint-stock land banks of the United States of America is neither necessary nor desirable. The fact that the activities of such institutions may be definitely limited by law certainly does not warrant granting concessions and privileges which are not shared by other money-lending organizations.

## LAND-VALUATIONS.

The margin for security against land has been fixed in New Zealand in the legislation governing the operations of the State Advances Office. Whilst a limit of 75 per cent. is liberal and has proved sound, it is greater than the amount loaned on first mortgage by the important systems operating in Europe and America. It is essential to the success of any scheme that valuations should be on a sound and conservative basis. The embarrassment of at least one of the Canadian schemes is to some extent due to the failure to ascertain the true productive value of the land over a sufficient period. On the other hand, too conservative values will likewise militate against success. On the Continent land cannot be mortgaged for more than two-thirds of its value, and in most cases the amount loaned is less—not exceeding 50 per cent. In the United States of America not more than 50 per cent. is loaned on the value of the farm, and 20 per cent. on the value of the improvements—which in effect amounts to 50 per cent. of the value of the entire farm. Moderate-sized farms are generally regarded as the best risks.

In Denmark, whilst only 50 per cent. at the most is loaned on the first mortgage, some of the systems provide for a second and even third mortgage at higher rates of interest, which in the aggregate amount to 75 per cent. of the value of the land. There does not appear to be any advantage in this system, which is more complicated than a system of first mortgage only and amounts to the same thing in the end. The general opinion in Denmark was that it would be better to adopt the simpler method.

It is important that securities offered in New Zealand should be classified carefully, and that any advances made under these proposals should be based on such classification.

## THE LIMIT OF ADVANCES.

Advances are limited in America upon long-term loan to £5,000, but upon short-term loan there is practically no limit, although £10,000 represents the usual maximum. In South America, where the conditions resemble those in New Zealand more than any other country, the limit of advances in connection with long-term loans is either very high or there is no limit at all. It would be unwise to load the scheme with too high a maximum, but, having regard for the average size of New Zealand farms as compared with older countries, and the necessity for speeding up development and production as far as it is reasonably safe, it is recommended that the present limit of advance should be increased to £7,000.

## SMALL FARMS AND THE FREEHOLD.

Under the United States farm-loan system tenants cannot borrow; the freehold there is the basis of farm credits.

Under a tenancy system the tendency is to exploit the soil to a standstill, and both landlord and tenant suffer in the long-run as the result of a decreased output from the same expenditure of labour. While their proposals contain provision for financing lessees, the Commissioners, after investigating the short-tenancy system