

to deal finally with applications under Part III of the Act, provided the amount does not exceed £250, while loans exceeding £250 are dealt with expeditiously either by the Central Board or by a special committee of the Board which has been set up and meets each week or more frequently if required in order that applications may be promptly disposed of. Arrangements have also been made to meet the case where borrowers change their flocks and herds according to seasonal requirements, with the result that amounts received from the realizations of the security will require to be paid in reduction of the borrowers' accounts, and further advances made as the stock is replaced. Applications for readvances of this nature will be dealt with promptly by the District Intermediate Credit Supervisors acting in conjunction with the district boards, so that the borrowers' requirements in this regard will be fully provided for.

The interest fixed by the Board for advances under Parts II, III, and IV of the Act, and its discount rate also, have been fixed at  $6\frac{1}{2}$  per cent. per annum. In the case of loans to co-operative rural intermediate credit associations the rate charged is 6 per cent., so that associations may be in a position to make advances to their members at  $6\frac{1}{2}$  per cent., and the Board has imposed conditions as to the manner in which this margin of  $\frac{1}{2}$  per cent. is to be employed by the associations.

The above rates of interest and discount will, it is estimated, provide a margin above the cost to the Board of funds raised by debenture issues sufficient to cover operating-costs and enable suitable reserves to be set up. The advance of £400,000 to the Board from the Consolidated Fund being free of interest for the first ten years, this concession will enable the Board to build up reserves, thus providing an attractive margin of security for investors. Continuance of the rates stated above will depend upon the conditions prevailing from time to time; and, moreover, the Board is not yet in a position to ascertain the public response to its debenture issues. The private inquiries which have been received by the Board up to the present encourage it, however, to believe that the existing rate of interest can at least be maintained.

In the conduct of its lending operations the Board aims at the gradual improvement of the position of the borrower, and the loans are granted on a reducing basis, the terms of repayment being fixed to suit the circumstances of each case. Where the applicant is a dairy-farmer it is the usual practice to take an order on the borrower's milk cheques to cover the interest and repayments agreed upon. This is found to be in the best interests of the borrower, as well as the Board, for it ensures that his payments are spread over the period when he is receiving his farming returns.

Special regard is paid to the purposes which loans are applied for, and the Board ensures, as far as possible, that each loan granted will serve to improve the position of the borrower by assisting him either to consolidate his financial position upon a better and more favourable basis, or to increase production through the building-up of his herd or flocks, the purchase of fertilizer, the acquiring of improved farming accessories, or in other manners. It endeavours to ensure that any increased indebtedness upon the part of a borrower will be followed by increased returns, accompanied by a steady improvement of the borrower's financial position through the gradual repayments which are made to the Board in the case of every loan to farmers.

Under the provisions of the Act the Board may not grant loans for periods in excess of five years, but in the case of those borrowers who, at the expiry of such a period from the granting of the loan have not repaid their advances and desire to continue their accounts with the Board it is not anticipated that there will be any difficulty in making arrangements for accommodation for a further term. For the protection of the Board it is necessary to provide in each case that the loans shall be "on demand," this being the basis upon which loans are granted by all companies and institutions granting advances on the security of stock and other chattels. Borrowers from the Board need have no reason to fear that their loans will be called up arbitrarily while their conduct continues to be satisfactory and the security presents a sufficient margin to protect the Board.