

the need for the Board, in view of its responsibility to debenture-holders and in the ultimate interests of the scheme, to be fully satisfied as to the adequacy of the security offered in every case was fully emphasized.

The preparation of the securities, once the loans are granted, is facilitated by the use of standard forms used by the Board in regard to direct loans or furnished to associations at cost price for the taking of securities for loans granted by them and approved by the Board.

30. *Legal Charges.*—The expense involved in obtaining loans is kept at a minimum, and the scale of legal charges prescribed by the Rural Intermediate Credit Regulations in relation to the legal work involved is on the lowest basis. During the year it was brought to the notice of the Board that in cases where collateral security was required over land the legal expenses were increased to a marked extent through the necessity of incurring agency charges for searching, stamping, registration, and other incidental work, and where it has been possible, in view of the security in the stock and chattels or produce, to dispense with the taking of such security the Board has in consequence agreed to do so.

31. *Repayment of Loans.*—The Royal Commission of 1925 recommended that intermediate credit loans should be granted on a reducing basis, with repayments sufficient to clear the indebtedness of borrowers within a five-year period. The Board has followed the principle so laid down, and in granting loans has, as a general rule, fixed terms of repayment which will result in the indebtedness being cleared within that period, the repayments, together with interest, being secured in the case of dairy-farmers by an order on the cream cheques. It has, of course, been necessary to provide in the documents securing the loans for the loans to be on a demand basis, which is the basis on which loans are granted by all institutions making advances on the security of farming stock and chattels; but borrowers are assured, so long as their securities are maintained and their conduct continues to be satisfactory, that the Board will not arbitrarily call up the loans. The practice in regard to repayments is varied slightly in the case of loans on sheep securities, as there are more extensive changes from time to time in the stock, and the principle adopted is to fix the first annual repayment at the time when the loan is approved and review the position of the account annually thereafter to determine the further repayments to be called for.

During the past few months a considerable number of applications were received from borrowers who had reduced their loans during the first year upon the basis laid down at the time of granting the loans for re-advances of sums which would increase the accounts substantially to the amounts of the original loans, or, in some cases, bring the total indebtedness up to an amount in excess of the original loan. In the majority of cases the further loan was required to purchase additional stock which could be carried as the result of improvements effected with the original loan - moneys, or to bring into a higher state of productivity portions of the farm property which, through lack of capital, could not previously be employed to the best advantage. In such cases the Board had no difficulty in meeting the requirements of the borrowers where adequate security was available, and it is apparent that where the borrowers are gradually bringing in their properties or building up their herds as their finances permit, and so making steady headway, it will not be possible, nor would it be desirable upon broad grounds, to insist upon a rigid basis of repayment to clear the loan within the five-year period. The position is, of course, different where the farming venture has been fully developed and the borrower has no calls for expenditure which should prevent him from regularly reducing his indebtedness to the Board.

The practice of requiring regular repayments is undoubtedly in the interests of the borrowers themselves, and the repayments asked for should not press unduly upon the borrowers, as the purposes for which the loans are granted should serve to improve their position, either by placing their finances upon a more favourable basis than previously existed by relieving them of heavy interest charges, or of the anxiety associated with a number of small liabilities any of which may be called up at inconvenient times, or by assisting them to increase production through the building-up of their herds or flocks, or the improved working of the farm properties. In many cases, too, the granting of the loans has enabled the borrowers