

establishment. No interest is paid by the Board on advances of this nature, and the amounts lent to the individual associations are free of interest for periods up to ten years, as arranged by the Board.

Up to the 30th June, 1930, loans totalling £598 17s. 11d. had been made to associations under this provision and had served to cover such outgoings as the legal costs and other expenses incurred in the course of formation, the charges for accounting books and records, and other expenses of a like nature. The District Supervisors deal with applications by associations for advances under this provision.

37. *Payment of Expenses of Administration.*—The revenue to meet the working-costs of associations is derived from two sources: Firstly, profit interest on the funds advanced representing the difference between the rate of interest charged by the Board to the association and the rate of interest charged by the association to the borrower; and, secondly, levies from applicants of small fees to cover the cost of the work involved in the consideration of their applications.

The rate of interest charged by the Board to associations is 6 per cent. per annum, which enables provision to be made for the expenses of management and the loans to be granted to members at the same rate of interest—6½ per cent. per annum—as that charged by the Board in respect of direct loans under the provisions of Part III of the Act. While moneys continue to be obtained by the Board through its debenture issues at 5½ per cent. per annum it is a definite condition of the Board that the rate of interest charged by the association to the borrower shall be 6½ per cent. per annum. In the earlier stages the Board imposed the requirement that ¼ per cent. out of the margin of interest provided should be used for the purpose of setting-up a reserve fund to meet contingencies, but on the representations of associations that the income available on this basis was not sufficient to enable the associations to obtain the services of or retain suitable secretary-treasurers, it was agreed to waive the requirement in cases where associations took steps to supplement the revenue by the charging of consideration fees to applicants upon the following basis:—

- (a) Applications for loans under £500, 10s. 6d.
- (b) Applications for loans of from £500 to £1,000, £1 1s.

In view of the increase of the limit for loans to £2,000 this provision has been extended by fixing the fee for the consideration of applications for loans in excess of £1,000 at £2 2s.

It was definitely stated by the Board that the above arrangement was to be regarded as a temporary one only, and it has reserved the right to reimpose the condition as to the setting-up of reserves as soon as the associations are in a position to operate successfully under the original conditions laid down. Those associations which have decided to conduct their operations on the ¼ per cent. margin of interest are permitted to make charges to borrowers on the above basis if they so desire. The majority of the associations have availed themselves of the opportunity afforded by the Board of supplementing their income.

In view of the periods over which the majority of the loans granted are likely to be current the arrangements referred to provide a convenient method for the associations to augment their incomes without imposing any material burden upon the applicants, and in addition the charging of the fees ensures that unsuccessful applicants will contribute in some manner to the cost of the work involved in the consideration of their applications.

In a large number of associations operating it has been found of considerable advantage to combine the position of solicitor and secretary-treasurer, when the remuneration received in the latter capacity is supplemented by the legal fees charged in respect of the preparation of the securities taken by the association from the borrowers.

The Board has also taken all possible steps to ensure that the affairs of associations are conducted upon the most economical basis. In consequence of the provision of standard forms of memorandum and articles of association and the lower scale of legal charges which is on that account possible, the expenses in connection with the formation of the individual associations are kept at a