

20. Previously the Board when granting further advances required them to be repaid within five years of the dates of the granting of the original loans, with the object of having the whole indebtedness cleared within the five-year period contemplated by the Rural Intermediate Credit Act. Two modifications of this policy were adopted during the year to meet the exceptional conditions ruling in the farming industry and to assist borrowers :—

- (a) The Board, recognizing that further advances are sometimes required under circumstances which render the repayment within the original five-year period unduly difficult, has agreed in suitable cases to allow further periods of five years from the dates of approval for repayment of further advances. Repayments on this basis will be approved only where it is established that the moneys are required for the proper development and efficient farming of the properties and that repayment on the usual basis would impose an undue hardship on the farmers concerned. The Board has been advised that there is no legal objection to the course which it has adopted.
- (b) Cases have arisen where farmers, who in the earlier years of the Board's operations obtained loans which have been substantially reduced, have required further advances for the development and farming of their properties but it has been evident that it would be impossible for them to make repayments either on the usual five-year basis or on the special basis referred to in the preceding paragraph. The Board has decided that where such a course is justified repayment of the balance of the original loan, together with the further advance, may be made over a period of not more than five years from the date of the granting of the further advance.

It is to be understood that in terms of the instruments of security executed by borrowers all the Board's loans are repayable upon demand, and any alterations of policy such as those here referred to are subject to this paramount requirement.

21. Reference is made in a later portion of this report to certain amendments made by the Finance Act, 1932-33 (No. 2). The Rural Intermediate Credit Act authorizes the Board to supply intermediate credit to farmers. Such credit has been defined as credit for from six months to five years, and the Board has accordingly aimed at having its loans fully repaid within five years. The legislative amendment, however, confers on the Board a discretionary power to waive strict insistence on repayment within the period and enables it to permit loans to run on after the expiry of the period. The Board realizes that, especially at the present time when numbers of farmers are encountering difficulty in meeting their commitments, hardship would be imposed by insisting on repayment in full in all cases and serious embarrassment would be caused to some borrowers by such action. Where, therefore, a borrower's conduct and the security are satisfactory, the Board's policy is not to insist on full repayment if it is satisfied of the borrower's inability to meet it, but to allow the loan to run on subject to reasonable annual repayments being made.

22. If loans on the security of chattels are to prove satisfactory to the lender, it is imperative that adequate supervision of the securities should be ensured. Where a borrower is in arrear with his payments it is particularly essential that strict supervision should be maintained and that up-to-date information regarding the security should be available. In cases of loans through associations under Part II of the Act, the Board relies to a considerable extent on the knowledge and experience of the association directors. Returns of arrears are submitted to the Board at the end of each quarter, and the Board stipulates that where recent reports on securities are not held they should be obtained and the necessary particulars shown in the returns. This results in a check being obtained at least once every quarter on the position of securities for loans which are in arrear.

23. At conferences of directors of associations the suggestion has been made that in view of the low level reached by stock-values the Board might, with advantage to farmers and with no danger to its funds, increase the margins of value up to