

Mortgage assets to the net value of £38,683,794 13s. 10d., as per paragraphs (a) and (b) above, were transferred to the Mortgage Corporation as at the 31st July, 1935. The details showing how the amount is made up are quoted hereunder:—

<i>Assets.</i>				£	s.	d.
(1) Investments, net (not due)	..	..	..	35,596,738	6	6
(2) Principal instalments (overdue)	..	..	..	914,477	19	11
(3) Principal instalments (postponed)	..	..	..	21,796	16	6
(4) Interest receivable—						
		£	s. d.			
(a) Overdue	..	..	..	1,830,990	3	4
(b) Accrued at 31st July, 1935 (not due)				448,016	4	5
				2,279,006	7	9
(5) Interest postponed	..	..	..	44,559	15	7
(6) Advances on current account	..	..	..	14,739	18	2
(7) Expenditure in protection of securities and other miscellaneous assets	..	..	..	106,493	3	5
				38,977,812	7	10
<i>Less Liabilities.</i>						
(8) Credits held in suspense	..	..	..	30,004	0	11
(9) Amounts not allocated	..	..	..	264,013	13	1
				294,017	14	0
Net value of assets transferred to Corporation (per Corporation Transfer Account in State Advances books)				£38,683,794	13	10

The Board gave special consideration to the basis upon which these mortgage assets should be taken over—that is, the amount of stock which should be issued to the Minister of Finance as consideration for the mortgages and the amount which should be carried to the Contingent Liability Account of the Corporation to the Crown. Revaluation of individual properties under mortgage was not feasible, but the Board had detailed statements prepared showing the classes of mortgages and an estimate of the value of the securities at date of advance and at the time of taking over. Mortgages were classified into two broad headings—viz., mortgagors in arrears and mortgagors whose instalments were paid up to date, and under each of these main classifications further subdivisions were made in respect to loans that were granted under the State Advances Act according to the statutory margins of the advances.

Briefly the position was as follows:—

Number of mortgagors in arrear, 20,736; balance of principal outstanding, £17,932,589.

Number of mortgagors paid up to date, 30,148; balance of principal outstanding, £18,498,801.

With this information before it the Board considered that provision to the extent of £6,419,605 was desirable, having regard to the number of mortgagors in arrear and the amount outstanding by way of principal and interest as compared with the estimated value of the relative securities when the advances were made, discounted in accordance with the general fall in land-values. The amount should be looked upon more as provision for contingencies than as an estimate of probable losses.

The Board then reviewed the position in regard to mortgagors whose accounts were paid up to date, and, after careful examination, it was felt that some provision should be made for possible losses in respect of mortgagors in this class. An allowance to the extent of approximately £1,000,000 was made, and, taking the two items together, the Board considered a total of £7,000,000 should be carried to the Contingent Liability Account of the Corporation to the State in respect of capital.

Arrears of interest to the extent of £1,800,000 were outstanding at the date of the transfer, and this amount also the Board of Management considered should be carried to the Contingent Liability Account, together with a proportion of interest accrued as at date of transfer.