

of Finance whereby applications for loans on the security of rural lands for the purpose of discharging existing mortgages thereon could be dealt with on this basis. By arrangement with the Minister, in cases where an 80-per-cent. loan is granted the Board imposes a condition that all existing liabilities must be repaid out of the advance authorized or from the private resources of the applicant, and either requires collateral security over stock and chattels or a covenant from the applicant that neither the land nor the stock will be further encumbered without the consent of the Corporation. The intention behind subsection (3) of section 24 of the Act was to enable the Corporation to assist in those cases where by so doing it could place the farmer in the position in which he could carry on satisfactorily.

In common with all other lending institutions the Corporation has on many occasions been expected to provide finance for uncertain projects or on unsuitable securities. A feature of the lending operations of the Corporation is long-term finance, and an essential requirement in long-term finance is the soundness of the security. Hence old dwellings in a doubtful state of preservation cannot be accepted as suitable securities for long-term loans unless the unimproved value of the land is high enough to be taken into account. Properties which have a special value attaching to a particular class of industry may also be unsuitable securities from the point of view of long-term finance. Changing conditions of trade are to a certain extent responsible for this, and, further, regard must be given to the realization factor.

The same remarks apply in regard to certain classes of rural securities—*e.g.*, small holdings which are not in themselves complete farming-units. Experience has shown that this class of security is liable to cause trouble from a mortgagee point of view in time of depression. Farms situated in deteriorated areas are also in general not regarded as suitable from an investment point of view, particularly for long terms.

The Board of Management has paid particular regard to the personal aspect in considering all loan applications, this being looked upon as a vital factor.

Acting on the authority contained in subsection (2) of section 28 of the Mortgage Corporation of New Zealand Act, 1934–35, a condition has been inserted in mortgages taken by the Corporation to provide that the moneys secured by the mortgage may be called up in the event of the sale or other disposition of the mortgaged property. The Board was of the opinion that a provision of this description was necessary in order that the personal equation of the transferee could be considered by the Corporation and also to prevent speculation. It may be mentioned that the Board deals with each case involving the transfer of mortgaged premises on its merits, and, if satisfied that the transfer will not involve the Corporation in additional risk, will require the purchaser's personal covenant before approving of the transfer. In cases where the Board is not prepared to agree to a transfer of the mortgage, it has already affirmed the principle that it will agree to the repayment of the mortgage plus three months' additional interest or upon three months' notice being given.

The Board at an early stage in its operations considered the position in regard to the adjustment in terms of section 39 of the Mortgage Corporation of New Zealand Act, 1934–35, of mortgages taken over from the State; the section provided that mortgagors under any mortgages of land transferred to the Corporation under the Act should have the right at any time within three years after the transfer of the mortgage to require a variation of the provisions and a reduction in the interest-rate to the rate charged by the Corporation. A condition of these adjustments is that the capital secured by the mortgages shall be increased by 2 per cent. thereof, such increase to be credited to the General Reserve Fund.

The Board felt that it would be desirable to expedite the adjustment of the mortgages taken over from the State, and, as apparently some misconception was prevalent regarding the benefits to be derived from the adjustment, a full statement of the position was sent to each mortgagor at as early a date as possible. It will be appreciated that the adjustment of approximately 44,000 mortgage accounts was a work of considerable magnitude, without taking into account the large amount of extra correspondence which has also been a factor to be reckoned with. With